

OECD REVIEWS OF FOREIGN DIRECT INVESTMENT

GREECE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Foreword

This report discusses the foreign direct investment policies of Greece. It is based on an examination by an OECD Working Group made up of representatives of the Committee on Capital Movements and Invisible Transactions (CMIT) and the Committee on International Investment and Multinational Enterprises (CIME). The role of these Committees, whose members are officials from ministries of finance, commerce, trade and industry, and from central banks, is to promote liberal, non-discriminatory foreign investment policies through the OECD's Code of Liberalisation of Capital Movements and its National Treatment Instrument.

The substantive information in this document reflects the situation over the period up to December 1993, when the aforementioned Committees completed the examination. Some factual updating has been made through February 1994.

This report was reviewed and adopted by both Committees and derestricted by the OECD Council on 2 June 1994. Factual updating has been made through February 1994.

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Introduction and summary

Over the 25 years leading up to 1980, real economic growth in Greece was the second highest in the OECD area, after that in Japan. But in the early 1980s, the fundamentals favouring foreign investment in Greece have been affected by macroeconomic instability, as well as the global decline of foreign direct investment. Greek economic growth has fallen well below the OECD average during the past decade.

Spurred by the drive toward European integration, however, Greece has been positioning itself as a more attractive prospect for foreign investors. The authorities have been pursuing broad economic stabilisation policies to curb inflation and the government deficit. Reforms undertaken since 1986 in the area of financial liberalisation have considerably changed the structure of financial markets and contributed to their fast development. Moreover, reforms of the labour and product markets have improved the functioning of these markets. Corporate taxation was lowered. Private investment has been promoted through a wide range of financial incentives for investment in priority industrial and regional areas. A privatisation programme was implemented. Foreign investors directly benefit from the liberalisation of exchange controls, which has recently enabled Greece to accept the obligations under Article VIII of the IMF Agreement. The attraction of foreign capital, particularly in the form of FDI, has been identified as an important aspect of development policy. Foreign investors can also seek to protect rights over their capital through special constitutionally guaranteed legislation.

This Report suggests nonetheless that Greece can and should do more. On the regulatory front, Greece could do away with administrative red tape and remove remaining discrimination against non-EC investors – particularly regarding foreign ownership in the banking, mining, broadcasting, and transport sectors

and in Greek border regions. Foreign and national investors alike would respond favourably to further efforts to improve the financial market infrastructure and the introduction of more flexibility in labour and product markets, which would build on the progress achieved over the past years. Consideration for simplifying and facilitating the use of the existing system of investment incentives by all investors is also well-advised.

Certainly, if Greece wishes to attract more foreign direct investment, it should not stray from its macroeconomic adjustment. An important contribution to such adjustment can be made by continuing the privatisation of inefficient public enterprises. More liberal foreign investment policies should facilitate such privatisation, as would removal of the remaining monopolies and concessions arrangements that protect these enterprises. Those policies will instil competitive discipline into these formerly closed sectors.

Provided that the recent momentum can be kept up, the fundamentals favouring investment in Greece should continue to improve. Bordering on Eastern Europe to the north, Turkey to the east and open to the Mediterranean sea to the south-west, Greece sits at the commercial crossroads of both Western and Eastern Europe, the Middle East and Northern Africa. Greece is also relatively rich in minerals, notably lignite, bauxite and magnesium, but also oil and gas. Greece also retains a competitive labour cost structure, which can be helpful in exploiting newly emerging manufacturing and service sector opportunities. Indeed, foreign direct investment offers Greece a means to catch up with other OECD countries (Table 1).

The present report is organised as follows: Chapter 1 analyses Greek FDI trends and the role of these flows in Greece's economy. Chapter 2 examines Greece's FDI policies and its position under the Code and the NTI. Chapter 3 contains preliminary conclusions. Chapter 3 reproduces Greece's current position under the instruments. Annex 1 details Greece's current position under these two instruments. Annex 2 contains general statistics concerning foreign direct investment in the OECD area.

Table 1. Greek investment potential: consumption, infrastructure and trade relativities

	Greece	Italy	Germany	Portugal	Spain	OECD
<i>Consumption:</i>						
Real consumption per capita (US\$) (1990)	5 298	9 866	9 841	5 278	7 326	*
Number of passenger cars, per 1 000 inhabitants (1989)	234	458	526	181	347	*
Number of television sets, per 1 000 inhabitants (1988)	175	419	379	160	380	*
<i>Communications:</i>						
Waiting time for telephone installation (months)	24**	*	*	10	8	7
Number of telephones, per 1 000 inhabitants (1988)	360	510	680	220	396 (1987)	*
<i>Transport:</i>						
Density of road transport	0.8	*	*	0.6	0.3	1.6
Motorways (km) (1985)	86	*	*	195	2 191	*
Exports/GDP (%) (1990)	12.2	15.6	27.5	27.4	11.3	*

* Not available from source.

** Businesses are served on a priority basis.

Source: OECD (1993), OECD Economic Surveys: Greece.

Chapter 1

The economy and foreign direct investment in Greece

1.1 Introduction

The share of the manufacturing sector in Greek GDP is less than 20 per cent, and the sector accounts for around one-half of export revenue. The main export products are processed food and beverages, clothing and textiles, cement, and some other manufacturing goods. Historically, however, Greece's reliance on foreign capital goods and energy has entailed that it imports more goods than it exports. The balance has traditionally been made up by a strong invisibles position, reflecting revenue from the key sectors of tourism and shipping as well as emigrants' remittances and net income transfers from the European Community.

Over-regulation in the post-war period, and relatively high fiscal deficits in the 1970s and 1980s caused Greece to slip economically relative to many of its OECD partners. Inefficiencies in the industry were sustained by trade protection and government subsidies; budget deficits fuelled inflation and made it necessary to devalue the currency. Domestic and foreign investor confidence being undermined, GDP growth stagnated.

Faced by the imperatives of EC integration, Greek authorities have set out to undertake major reforms. The application of the first stabilisation programme (October 1985) and the programme for the liberalisation of the financial system and of international commercial transactions led to an appreciable improvement of the prospects for economic development. However, the political instability in 1989 and 1990 affected public finances and economic development seriously. In 1991, the Government launched a "Medium-Term Adjustment Programme"

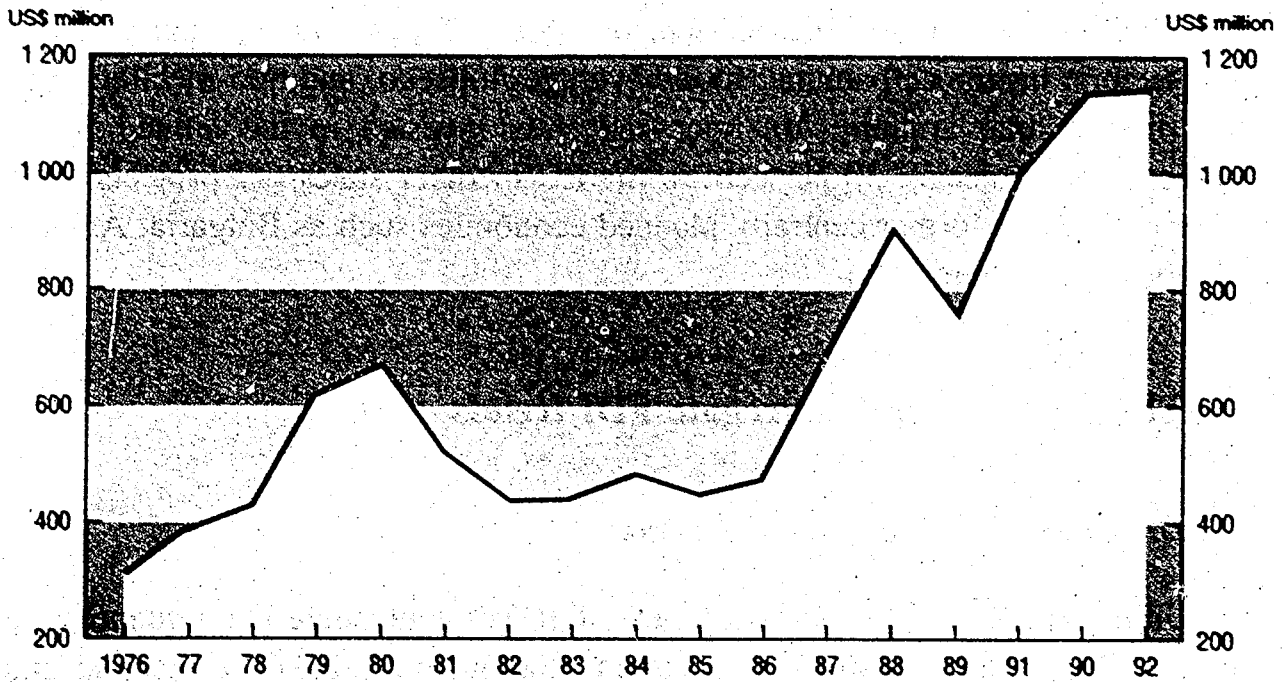
designed to clamp down on the budget deficit and inflation over three years. The Programme was revised in August 1992 to reinforce its effectiveness in shrinking the budget deficit and curbing inflation. Tight monetary policy and wage restraint in the public and private sector have been actively pursued under the Programme. In the first months of 1993, the Convergence Programme 1993-1998 was approved by the Community; it was aimed at achieving all the Maastricht criteria for full participation in the Economic and Monetary Union. Further, major progress in the liberalisation of capital movements has been made in 1993, and privatisation and deregulation policies have been pursued to boost competition in the economy.

As the 1993 OECD Economic Survey of Greece indicates, the structural and macroeconomic adjustment policies initiated in 1991 are gradually bearing fruit. GDP grew at 0.9 per cent in real terms over 1992, mainly supported by a surge in productive investment. Moreover, the inflation rate as measured by the GDP price deflator fell to 12.8 per cent in 1993. According to the OECD projections, the inflation rate may fall below the 10 per cent mark before the end of 1995. The public sector borrowing requirement (PSBR) increased from 9.2 per cent of GDP in 1992 to 14.0 per cent of GDP in 1993.

By OECD standards, Greece has historically attracted a relatively high level of inward foreign direct investment (FDI) (Charts 1 and 2), which is undoubtedly a reflection of the relatively small size and openness of its economy. Over the course of the 1980s, however, Greece's relative ranking slipped. The FDI remained relatively steady as a percentage of GDP, while the importance of FDI to most other OECD economies increased notably. Most FDI into Greece comes from the European Community, with the larger countries (Germany, France and the United Kingdom), as well as the Netherlands (the home base of many large multinationals), accounting for the lion's share.

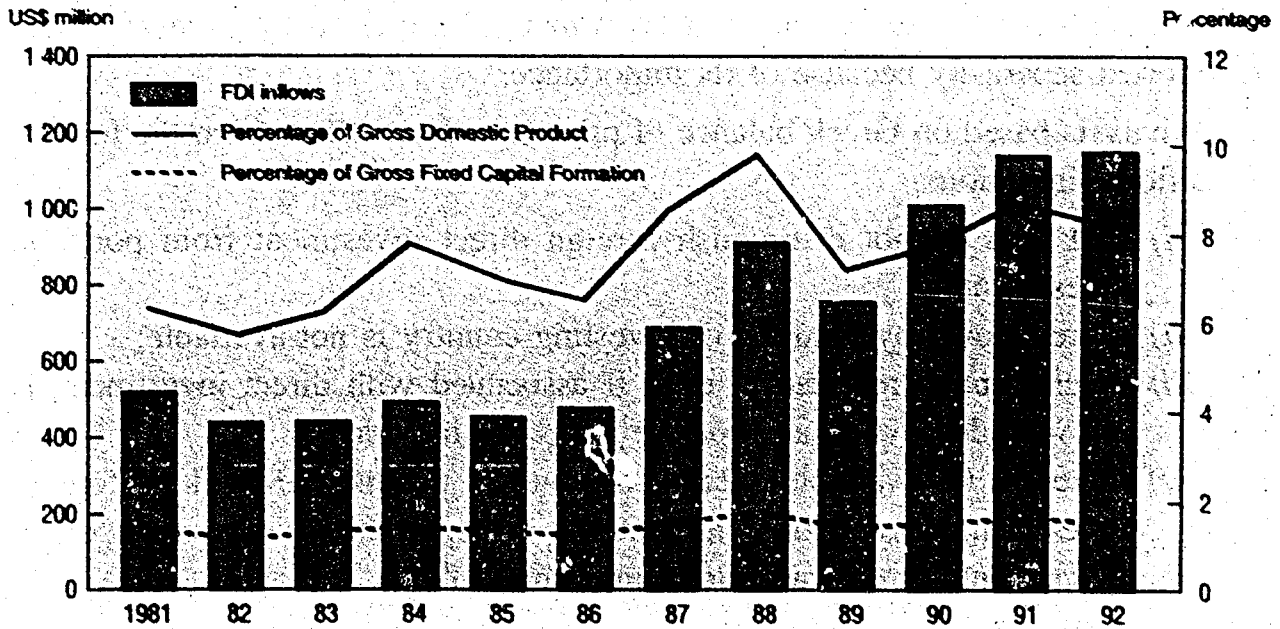
Underpinned by foreign interest in the food and beverage industry, manufacturing appears to have accounted for around one-half of FDI in the late 1980s – more than twice the manufacturing share of domestic production. Other important sectors for foreign investment have been catering and hotels (tourism) and, increasingly, finance and insurance. Most industrial FDI into Greece appears to consist of mergers and acquisitions; *de novo* establishment in the industrial sector comprises a relatively small share, but has recently been much higher in the commercial and services sectors.

Chart 1. Foreign direct investment flows to Greece, 1976-1992



Source: OECD/DAF - Balance of payments data.

Chart 2. FDI as a percentage of GDP and GFCF
1981-1992



Source: OECD/DAF.

The total amount of outward direct investment by Greek firms in the period 1990-1992 was about US\$160 million, of which 75 per cent was attributed to three sectors: insurance/banking, food/beverages/tobacco, and non-metallic minerals. In the total amount, 46.8 per cent was invested in the United States (3 investment projects), 30 per cent in the EC member states (42 projects), and 22 per cent in the former centrally planned economies such as Bulgaria, Albania and Romania (44 projects).

2. The economy and aggregate FDI trends

a) Data and methodological issues

Unlike the OECD benchmark figure of 10 per cent, there is no quantitative threshold for defining a direct investment relationship between a resident and non-resident enterprise in Greece. Instead, the criterion used by the authorities is that of "effective control", as determined on a case-by-case basis. Furthermore, according to Presidential Decree 207/87 (art. 9) – abolished by Presidential Decree 96/93 – data for Greece's balance of payments on foreign direct investment should exclude loans between a subsidiary and a parent company – unless these loans have a minimum maturity of five years – and investments in real estate (even if associated with a direct investment). Real estate investment should be reported separately because of its importance.

Analysis based on Greek balance of payments data suffers from the following serious limitations:

- i) FDI data do not distinguish foreign direct investment from portfolio investment;***
- ii) a breakdown by industry or investing country is not available;***
- iii) investment in real estate, even if associated with direct investment, is not included, while all types of loans are included;***
- iv) there are no available data on re-invested profits, the stock of foreign investment outstanding, liquidations or repatriations of foreign direct investments or outward direct investment flows.***

Nonetheless, some desegregated information is available from the "authorisations" data which are generated as a product of the foreign direct

investment application procedures required by the Bank of Greece and the Ministry of National Economy. These data are available from 1987 and can be desegregated by country of origin, by sector and by *de novo* investment versus merger and acquisition. The data, however, cover planned and not realised investment.

Having recognised the insufficiency of the present system of balance of payments data regarding foreign investment, Greek authorities are in the process of restructuring their data collecting system. With the implementation of Presidential Decree 96/23.3.93, the Ministry of National Economy and the Bank of Greece transferred the responsibility of reviewing authenticity and legality of foreign direct investment to the commercial banks. Henceforth the commercial banks must communicate these data to the Bank of Greece.

b) Trends over the 1980s

Over the latter half of the 1970s, FDI flows (as approximated by balance of payments data) into Greece averaged around 1.5 per cent of GDP. At the time, this level of foreign investment was quite high by international standards; Greece's FDI/GDP ratio was consistently one of the three highest in the OECD area (a portion shared with Ireland and the United Kingdom) and around twice the OECD average. In nominal terms, Greece entered the 1980s attracting foreign capital inflows of around US\$700 million per year (Table 2). No doubt, these levels of investment reflected foreign investors' confidence in Greece's future – Greece offered a substantial development potential and, by the turn of the decade, had acceded to the European Community. Compared with the OECD average, Greece was growing quite strongly; inflation was kept in check and government financed in good order.

During the first half of the 1980s, however, economic instability increased. Mounting inflationary pressures finally boiled over in the wake of the 1979 oil price shock, which also depressed real incomes. Price controls and deficit-financed public spending followed, but resulted only in further squeezes of corporate investment and in stagflation. The economy became saddled with a major public sector deficit, a balance-of-payments crisis and a spate of inefficient publicly controlled enterprises. In nominal terms, foreign direct investment remained virtually stagnant at around US\$ 750 million per year over the period,

Table 2. Inward foreign direct investment flows
(balance of payments data)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Total* (US\$ million)	897.7	703.3	736.3	720.0	720.6	763.3	1 066.5	1 494.9	1 379.0	1 891.4	2 432.0	3 120.5	2 927.2
As a percentage of GDP of which	2.4	1.8	2.1	2.1	2.2	1.9	2.3	2.3	2.1	2.4	2.8	3.3	3.2
Real estate investment	487.8	398.9	422.9	473.8	430.9	462.7	674.9	895.7	739.5	990.9	1 082.3	1 082.4	946.0

* Comprises entrepreneurial capital and real estate investment.

Source: Bank of Greece.

and in relation to GDP it fell back slightly. The average OECD FDI/GDP ratio also eased over this period.

Conscious of the need to avoid a further deviation from the development paths of its EC neighbours, Greece has been grappling with its economic adjustment since the mid-1980s. An austerity programme in 1985 and an investment incentives package in 1988 succeeded temporarily in easing inflation, reducing the balance of payments deficit and restoring business confidence before the economy lurched back into crisis in 1990. Nevertheless, in line with many OECD economies, foreign investment in Greece has risen strongly over recent years from US\$ 763 million (1.9 per cent of GDP) in 1986 to US\$ 1 891 million (2.8 per cent of GDP) in 1990, and its share of total FDI investment in OECD Member countries has levelled out at just over 1 per cent. However, unlike the situation of the late 1970s, FDI flows into Greece as a proportion of GDP are now only moderately higher than the OECD average.

A new economic adjustment programme was launched in 1991. It combined structural reforms, such as privatisation, with tight monetary and fiscal targets, and was intended to bring the economy back on track within three years. The adjustment programme has certainly contributed to improving the economic performance of Greece, although the recovery seems slower than expected. With the adoption of the Convergence Programme 1993-1998, the Greek Government intends to continue the ongoing effort to achieve the macroeconomic targets set in the Treaty of Maastricht.

3. FDI by country and industry

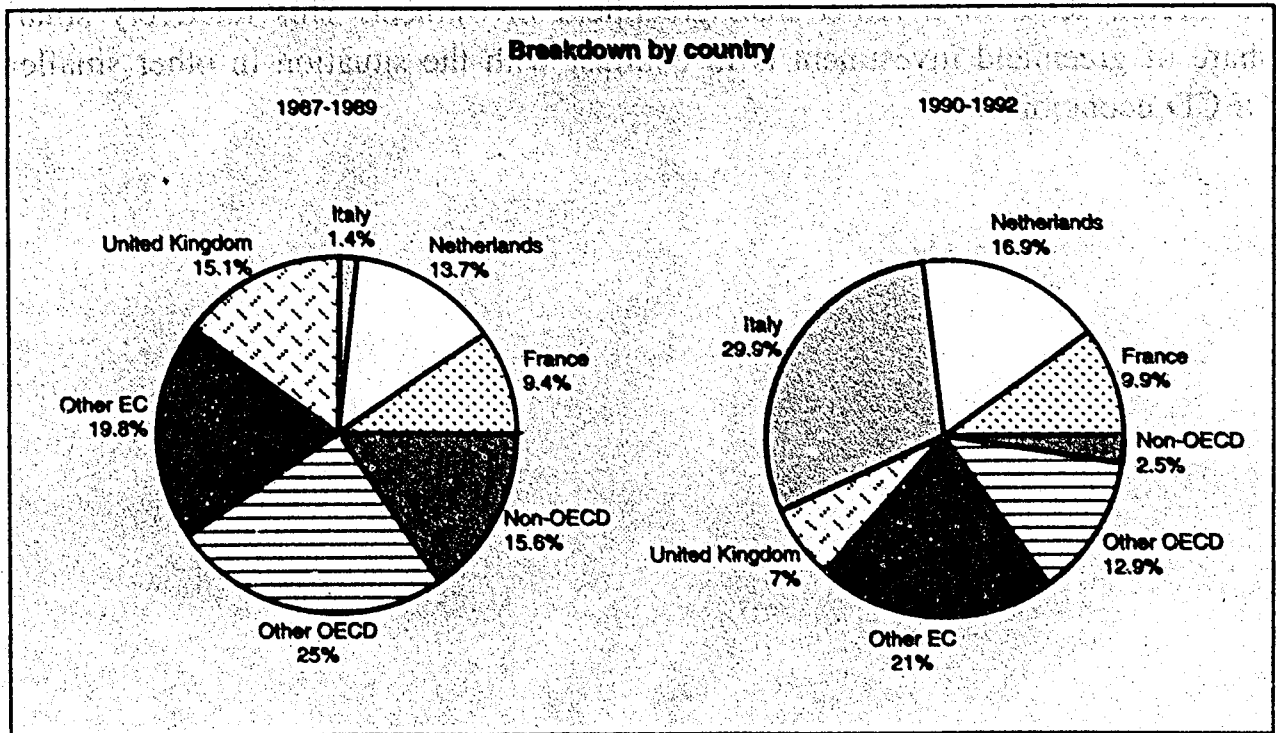
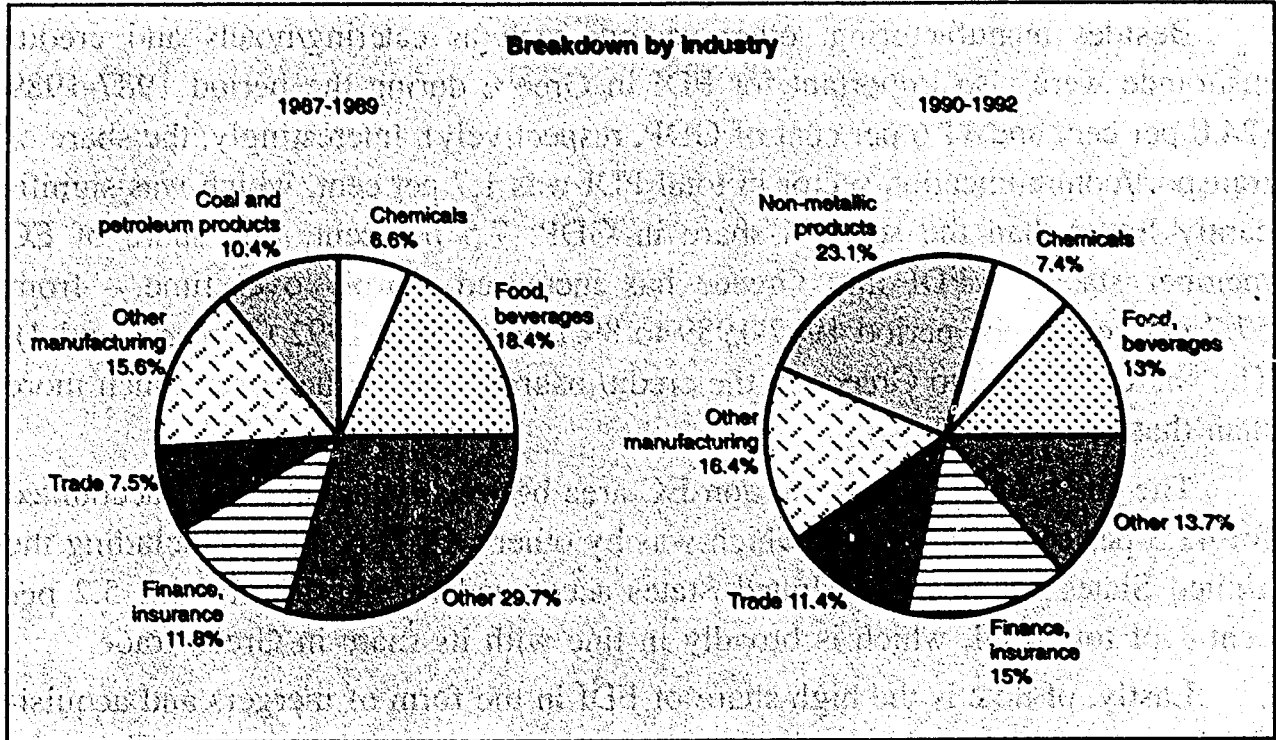
“Authorisations” data provided by the Greek authorities suggest that 57.7 per cent of foreign investment into Greece between 1987 and 1989 came from the EC area (Table 3 and Chart 3). Among the EC member states, the United Kingdom and the Netherlands (including investments by the subsidiaries of large US-based companies) were the principal investors, and were followed by France and Germany. The most important sector in terms of FDI activity was that of manufacturing, which shared 50.1 per cent in total FDI. Since the share of the manufacturing sector in GDP was 19 per cent in the same period, the importance of FDI in the sector may be emphasised. Among the sector, food/beverage

Table 3. Authorisations of foreign direct investment in Greece: 1987-1989. Industry and country analysis

Industry	Total FDI		Regional shares (% of total FDI in sector)					EC shares (as a percentage of total EC FDI in sector)				
	US\$ million	% total FDI	EC	USA	Other OECD	Rest of world	United Kingdom	France	Germany	Netherlands	Other EC	
Mining and agriculture	5.8	0.9	72.2	0.0	16.7	11.2	50.6	0.6	44.4	4.4	0.0	
Manufacturing	320.4	50.1	47.6	8.1	14.8	29.5	5.4	23.6	16.7	30.5	23.9	
- Food/beverage	116.4	18.2	56.8	0.9	28.6	13.7	0.8	35.7	9.0	35.2	19.3	
Credit and insurance	74.0	11.6	89.8	1.0	8.4	0.8	24.6	34.6	20.4	19.0	1.3	
Transport/communication	11.0	1.7	71.9	0.6	0.0	27.6	1.5	0.0	86.3	2.5	9.7	
Trade services	49.1	7.7	92.5	0.2	0.0	7.3	17.8	0.1	10.1	54.7	17.2	
Catering/hotels	153.3	24.0	49.0	2.8	26.5	21.7	75.2	5.5	5.0	7.8	6.6	
Building and construction	13.2	2.1	67.2	0.0	0.0	32.8	3.8	83.6	0.6	0.0	11.9	
Other market services	13.1	2.0	64.6	14.0	2.2	19.2	50.4	4.6	4.5	14.5	26.0	
Total	639.9	100.0	57.7	5.2	14.9	22.2	26.0	19.2	15.3	24.8	14.7	

Source: Bank of Greece.

Chart 3. Foreign direct investment flows



Source: OECD/DAF.

accounted for 18.2 per cent in total FDI, which reflected the major FDI in brewing from the UK and Germany and in confectionery from Switzerland.

Besides manufacturing, other sectors such as catering/hotels and credit/insurance were also important for FDI in Greece during the period 1987-1989 (24.0 per cent and 11.6 per cent of GDP, respectively). Interestingly, the share of transport/communication sector in total FDI was 1.7 per cent, which was significantly lower than the sector's share in GDP: 7.5 per cent. The share of EC member states in FDI into Greece has increased sharply over time -- from 57.7 per cent in the period 1987-1989 to 89.7 per cent in 1992 (Tables 3 and 4). The share of FDI into Greece in the credit/insurance sector has risen much more than that of catering/hotels.

The share of FDI from the non-EC area between 1987 and 1989 accounted for 42.3 per cent, one-half of which was by other OECD countries including the United States. Of this, the United States accounted for one-fourth -- or 5.2 per cent -- of total FDI, which is broadly in line with its share in Greek trade.

Lastly, of note is the high share of FDI in the form of mergers and acquisitions as compared to those of minority participation or joint venture (Table 5). Indeed, much of the increase in Greek FDI over recent years has been in the form of foreign acquisition rather than greenfield investment. This relatively small share of greenfield investment is in contrast with the situation in other smaller OECD economies.

Table 4. Authorisations of foreign direct investment in Greece: 1990-1992. Industry and regional analysis

Approvals US\$ million	Regional share (in per cent)		Industry share (in per cent)					
	EC	Non-EC	Banking- insurance	Catering- hotels	Trade services	Food- beverage	Chemical	Other
1990	87.0	13.0	22.0	8.0	7.0	21.0	9.0	33.0
1991	67.0	33.0	18.0	8.0	14.0	26.0	10.0	24.0
1992	89.7	10.3	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.

Note: In some cases, source of investment is not according to country of origin but on the basis of currencies in which investments are made.

Table 5. Nature of foreign investment deals in Greece: 1988-1992

	Merger and acquisition		Minority participation		Joint venture	
	Number of deals	Investor countries	Number of deals	Investor countries	Number of deals	Investor countries
Construction	4	FRA, ITA	2	ITA, SPN	2	FRA, ITA
Chemicals and pharmaceuticals	1	GER				
Engineering products	1	EUR*				
Electronics	1	ITA	1	SWE		
Vehicles manufacturing	2	ITA, USA				
Food and drink	10	FRA, UK, GER, ITA, USA, SWI	2	FRA	1	USA
Textiles	1	ITA				
Rubber/plastics	1	BEL				
Retailing	1	BEL				
Hotels/catering	1	NETH				
Transportation	3	NETH, UK, NOR	1	GER		
Insurance	1	ITA			1	GER
Paper	2	NETH				
Advertising	1	FRA				
Publishing	2	FRA				
Oil and gas			1	Libya	1	FRA
Banking and finance			2	FRA, UK	1	NOR
Agriculture, etc.					2	UK, FRA
Wholesale distribution						
Total deals	32		9		8	

* European Group.
Source: KPMG, International headquarters.

Table 6. Balance of payments components
(as a percentage of GDP)

	1986	1987	1988	1989	1990	1991	1992	1993*
Current account	-4.5	-2.6	-1.8	-4.7	-5.4	-2.2	-2.7	-1.0
Trade balance	-14.4	-15.0	-14.3	-16.8	-18.5	-17.5	-17.8	-17.0
Exports	11.5	12.1	11.1	11.0	9.6	9.7	7.7	6.8
Imports	25.9	27.1	25.4	27.8	28.1	27.2	25.6	23.9
Balance of invisibles	9.9	12.4	12.5	12.1	13.2	15.4	15.2	16.1
Transport (net)	2.0	2.1	2.1	2.1	2.2	2.0	2.0	2.2
Tourism (net)	3.4	3.8	3.1	2.1	2.3	2.2	2.7	3.2
Interest, dividends, profits (net)	-3.2	-3.1	-2.8	-2.9	-2.5	-2.4	-2.5	-2.0
Emigrant remittances	2.5	3.0	3.2	2.6	2.7	3.1	3.1	3.3
EC transfers	3.5	3.6	3.6	4.8	4.4	5.7	5.2	5.5
Withdrawals in convertible drachmes	1.5	2.5	2.5	2.8	3.4	3.9	3.9	3.1
Other (net)*	0.2	0.5	0.7	0.6	0.7	0.7	0.8	0.8
Capital account (net)	5.3	3.9	3.8	5.1	5.7	4.9	3.6	6.0
Private sector (net)	2.1	3.3	3.4	3.2	4.0	3.6	3.7	2.2
of which:								
Entrepreneurial capital	0.8	0.8	1.1	1.2	1.4	1.9	2.6	2.7
Real estate investment	1.2	1.5	1.7	1.4	1.5	1.5	1.4	1.3
Public sector (net)	3.2	0.6	0.4	1.9	1.6	1.3	-0.1	3.8

* Provisional data.

Source: Bank of Greece.

Chapter 2

The Greek regulatory framework today

1. Introduction

There are relatively few regulatory restrictions on inward direct investment in Greece that are entirely motivated by economic considerations. Though part of public opinion still occasionally voices concern about foreign ownership, the authorities have been pursuing policies that are supportive of inward direct investment, recognising the importance of foreign direct investment for economic development. With Presidential Decree 96/23.3.93, foreign investors, both from EC and from non-EC member countries, are no longer subject to a general review procedure by the Greek authorities for undertaking direct investment in Greece. Commercial banks have now been delegated to assess the authenticity and legality of projects, required for *a posteriori* review by the Bank of Greece.

However, some restrictions on inward direct investment from non-EC member countries, which are not applicable to that from EC member countries, still remain in force. These are either regional restrictions, reflecting national security concerns in Greek border regions, or sectoral restrictions, reflecting concerns to ensure orderly exploitation of the mining sector and the effective undertaking of sea transportation. Opportunities for foreign investment may also be limited by remaining public monopolies and concession arrangements within the transport, energy and communications sectors.

To promote foreign direct investment in Greece, the Government offers investment incentives largely in the form of tax advantages but also including interest rate subsidies and grants. These incentives are available on the same conditions for investment proposals from both Greek nationals and foreign investors if they meet certain industrial and regional development priorities. In addi-

tion, foreign investors may seek further protection under the "incentives and protection of foreign capital" national legislation which guarantees investment repatriation and ongoing rights over private investment property. These protections are of lower importance to foreign investors now that exchange controls have been abandoned for current operations and for the liquidation and repatriation of foreign direct investments.

Liquidation of new investment by EC residents was liberalised in 1986 by Presidential Decree 170. Decision 825/86 by the Governor of the Bank of Greece extended this liberalisation to all OECD investors. Furthermore, Presidential Decree 207/1987 accorded retroactivity to those provisions as from the date of Greece's accession to the EC (1 January 1981). In addition, Decision 1790/90 by the Governor of the Bank of Greece extended that liberalisation to all investors, who could not liquidate new investments until three years from the time of investment. Moreover, in the middle of 1992 the restrictions on the transfer abroad of business profits and rental income were removed by a number of decisions taken by the Governor, in particular Decision 2098/92. The restrictions concerning repatriation of capital invested before 1980 by investors from non-EC countries are no longer valid after the issue of Presidential Decree 96/93.

From July 1990, direct investment in EC countries by Greek nationals has been fully liberalised. By virtue of the Governor's Decision 2227/30.6.93, the liberalisation was extended to the investment in non-EC countries as well. No authorisation by the Bank of Greece or the Ministry of National Economy is now required.

2. General requirements

Greek laws regarding inward direct investment used to be covered by two basic texts: Presidential Decree 207/87 covering direct investment by EC residents and Decision of the Governor of the Bank of Greece 825/86 covering direct investment by non-EC residents. Administration of these two laws was the responsibility of the Ministry of National Economy and the Bank of Greece, respectively. Presidential Decree 96/23.3.93 and Decision 2227/30.6.93 of the Governor of the Bank of Greece have replaced these texts. As a result, the administration of the system for inward as well as outward direct investment from and to EC and non-EC countries has been transferred to the commercial

banks. As before, no distinction is made between non-residents and foreign-controlled enterprises already established in Greece.

a) *Review procedure*

Greece adopted a new review procedure (Presidential Decree 96/23.3.93 and Bank of Greece Governor's Decision 2199/7.5.93) in which no general authorisation by the Greek Government is required for foreign direct investment. According to the new procedure, the interested investor makes a simple declaration to a commercial bank. This declaration is necessary for the purpose of *a posteriori* verification by the Bank of Greece. The same procedure is applied for the repatriation of the principal, dividends and profits as well as the liquidation of investments. The procedure is uniform for EC and non-EC investors, and regulatory responsibility is no longer divided between the Bank of Greece and the Ministry of National Economy. Only in the case of border regions can an investment proposal by non-EC residents be turned down for reasons of national security. Otherwise, an investment proposal which does not fall into the sectoral categories where authorisation is required will be processed immediately in the framework of normal relations between a business customer and a commercial bank. In addition, there are no specific regulations concerning portfolio investment in equity shares, except for the sectoral issues referred to in Section 6.

b) *Border region restrictions*

Law 1892/90 has modified the legislation concerning the acquisition of real estate in border regions. Definitions of the border regions differ between EC member states and non-EC countries, and the former covers 22.3 per cent of total land area and the latter 46.4 per cent. Two types of procedure have been introduced:

- i) For Greek and EC nationals and companies, special inter-ministerial committees have been created at the level of each department or district in specified border regions; those committees have the responsibility for granting authorisation for the purchase of land or buildings within their boundaries, including those associated with a direct investment. For EC nationals and companies that have their statutory seat in an EC country

- and a lasting and permanent economic link with this country, authorisation is subject to the same terms and conditions as for Greek nationals and companies, even if the company is 100 per cent owned and controlled by non-EC nationals. Authorisation can only be denied on the grounds of public order, public security or public health.
- ii) For non-EC nationals and companies, the special committees' procedure does not apply. In this case, a decision by the Minister of National Defence is required, based on national security considerations.

3. Monopolies/concessions and privatisation

At a time when a number of OECD economies were beginning to re-assess government involvement in certain economic activities, Greek industrial policy was burdened by the task of restructuring a number of important over-indebted enterprises, the economic situation of which had been deteriorating since the 1970s.

Weighed down by the accumulated debts and an inefficiency of several state-run enterprises, the Government has embarked on a comprehensive privatisation programme over recent years. The programme is needed to improve the performance of the Greek economy, to reduce state subsidies and to maintain financial support from the European Communities.

In 1991, 14 state companies – mainly small industrial firms – were privatised, four of which went to foreign interests. In 1992, AGET Hercules – the largest European cement exporter – was also privatised, as was the Eleusis Shipyard. Other major privatisations envisaged include the partial sale of the subsidiaries of the national airline, Olympic Airways, the State Telecommunications Company, and also some subsidiaries of the National Bank and the Commercial Bank. By September 1993, 43 state companies had been privatised in total, 50 were taken to liquidation, and 90 more are in the process of privatisation.

Detailed below are the monopolies and concessions that remain within the Greek economy. Where possible, the deregulatory and privatisation measures so far announced for each sector are also provided:¹

Telecommunications: While the monopoly position of the Hellenic Telecommunications Organisation (OTE) in the provision of most value-added telecommunications services has been removed by a recent law, it retains the exclusive right to provide voice telephony services. The Government is currently seeking to sell directly to the public about 30 per cent of OTE through the stock exchange. A new national authority, the National Commission of Telecommunications, is authorised to grant licences to telecommunication companies to provide new services, either by linking themselves to the public network or by constructing their own network. For the provision of mobile phone services, a concession contract is required in addition to a licence. In August 1992, the Government awarded two licences for the installation of mobile telecommunications networks to Italian and French consortia; both launched their operations in July 1993. According to the EC Council Resolution of July 1993, OTE can maintain the exclusive right to operate voice telephony services until the year 2003, in principle. The Greek Government has not yet decided whether it will use this possibility and, if so, how.

Postal services: A public monopoly remains for all traditional mail services such as letters, documents and postal cards. However, other services such as "express mail", can operate outside of the monopoly of the Greek Postal Office.

Railways: The Organisation of Hellenic Railways retains the exclusive right to operate rail transport services.

Air transport: Olympic Airways retained until recently the exclusive right to provide almost all air transport services within the country or to foreign destinations for passengers and goods. The only exception was for aircraft owned by EC citizens and registered in Greece to transport certain categories of goods, including mail, irregular chartered flights and irregular charter flights by aerotaxis employing aircraft of up to 14 seats. The new Community legislation of 1992 ("third package") provides for a transitional period for Greece, after the end of which all Community air-carriers will be free to do business in Greece. Confronted with financial difficulties, Olympic Airways is in a process of restructuring. In early 1992 the Greek Government announced that up to 49 per cent of the national carrier Olympic Airways would be eventually put up for sale; the new Government is reviewing those plans and is negotiating with the European Commission the write-off of its debt, which is closely related to the restructuring

plan. Private licences have been issued to operate charter freight and aerotaxi services.

Shipyards: The Hellenic Industrial Development Bank (ETVA) is negotiating the possible sale of the Hellenic and Neorion Syros shipyards to private interests.

Electric power: The government-owned Public Power Corporation (PPC) has the exclusive right to distribute electricity. While the production of electricity or any other form of power is now open to natural or legal persons, all producers are obliged to sell to the Public Power Corporation all that is not used for their own consumption. There are no plans to sell the PPC. However, the new Government is willing to introduce competition policies, the form of which is still to be decided.

Oil and gas products: Refining of crude oil is subject to concession granted to enterprises by the authorities. However, the previous Government had appointed a financial adviser in order to privatise the state refineries along with the state distribution network by the end of 1993. This privatisation project has not been carried out and the new Government considers the alternative to sell a limited percentage to the public through the stock exchange. The Public Gas Enterprise has the exclusive right to import natural gas. After completion of a gas distribution network in agreement with Republics of the former Soviet Union, distribution of natural gas will be granted to foreign companies in joint venture arrangements with local authorities.

Urban and inter-urban transport: The "Common Funds of Autobus Operation" (KTEL) have been granted a concession until the year 2000 to provide interurban transport services within each district of Greece. Provision of urban subway and electric bus services within Athens has also been under concession. In the latter half of 1992, the Government liquidated the Athens Urban Transport Authority, which had a monopoly on bus services in Athens. In its place, six new companies were allocated bus routes under licence from the Ministry of Transport, and 3 400 bus licences were sold to private individuals. In the meantime however, the AUTA has been re-established, because the new Government considered that the six companies were not able to operate efficiently, while they were heavily subsidised by the state. On the other hand, a 26-member private consortium has been granted a contract to construct the Athens metro, which will be managed by a public utility operating under private sector rules.

Ports and airports: Ports in Greece are a public service, administered by autonomous public authorities under the supervision of the Ministry of Merchant Marine. Existing airports are operated as decentralised public services, falling under the responsibility of the Service of Civil Aviation. However, private capital is to be used in the construction of new airports in Athens and eastern Crete.

Lotteries, betting, gambling, casinos: Existing lotteries, betting on football games, and casinos used to be a public monopoly. However, recently a concession was granted to a private undertaking to introduce a new "instantaneous lottery". Law 2166/93 was voted by the Parliament in the summer of 1993, permitting private undertakings to operate a casino. Meanwhile, licensing has been halted, pending a change in the relevant legislation, but it will resume soon.

Employment services: The Organisation of Employment of the Labour Force has the exclusive right for granting of unemployment benefits.

4. Other governmental measures

a) Official aids and subsidies/tax obligations

In order to encourage regional development and investment in priority industries, the Greek authorities offer a range of targeted investment incentives.² These incentives have largely taken the form of tax allowances and other tax-related benefits, such as accelerated depreciation and interest rate subsidies. More recently, efforts have been made to rely more on grants. Both domestic and foreign investors can benefit from these incentives on a non-discriminatory basis. The authorities are aware of the cost, but consider it necessary to maintain an active incentive policy to attract both domestic and foreign investors to pursue the restructuring of the Greek economy.

Not all investments qualify for these incentives. Only a selected group of eligible enterprise types may apply for such incentives and only when making investments for a select range of eligible purposes. As the focus is on manufacturing industry, subsidies are only available for this sector, as well as for tourism. Enterprises offering other than tourism-related services are not eligible. Through such industrial targeting the authorities are attempting to promote only "productive" enterprises making "productive" investments. Having passed such tests,

qualifying investment proposals seeking an investment incentive must obtain approval in advance from the Ministry of National Economy by submitting a technical/economic study of the proposed investment signed by a member of the Chamber of Greek Economists.

Not all eligible investment proposals receive the same level of benefit. To promote regional development, the value of investment incentives is generally larger in the less developed areas of Greece. Some three-fifths of the Greek population lives in one-third of the land area – one-half in Athens and Thessalonika and their outskirts alone.³ Investments in and around the capital of Athens would not attract incentives, whereas those made in remote areas such as Thrace (north-eastern tip of Greece), could qualify for the maximum benefit. Also, the amount of domestic value added of the investing company may affect the level of subsidy it receives. The Government has a priority list for distributing subsidies considering those factors. Nonetheless, no reliable figures are available on the value of these subsidies as a proportion of GDP.

b) Investment protection

In order to promote foreign investor confidence, Greece has had special legislation since 1953 for companies established with foreign capital to override any laws which may be enacted to prejudice foreign investors' access to their own capital. This legislation constitutionally guarantees the repatriation of capital, the remittance abroad of profits, interest, royalties and the rights of compensation in case of compulsory expropriation. It also enshrines the principle of national treatment for enterprises engaged in "productive investment" and established with foreign imported capital. Lastly, the legislation provides for further financial benefits and certain tax advantages.⁴

While this legislation remains in force, its importance has been reduced by the modernisation of the Greek economy and the liberalisation of exchange controls. While Greece is not a party to bilateral investment treaties with industrial countries, it has recently signed treaties with a number of Central and Eastern European countries and plans to negotiate them with Republics of the former Soviet Union.

5. Private practices and regulatory environment

In many respects, Greece is an open and competitive economy. Imports figure prominently in domestic consumption, and small competitive enterprises account for a relatively large share of activity. Nevertheless, Greece had allowed the build-up of a web of price controls and restrictive practices in certain sectors, which may have had the effect of deterring or raising the effective cost of foreign investment.

Such examples could be found in the market of oil and bread, where entrenched private producer interests had effectively blocked market opening measures and limited the benefits for consumers. Organised labour groups have also built relatively inflexible labour practices, which have discouraged employment and structural adjustment and have often made it difficult for foreign investors to use their own skilled foreign personnel. Moreover, professionals such as lawyers and engineers also enjoy protected market positions and restrictive work practices, which can raise the cost of business transactions. As in other Member countries where such practices have become ingrained, strong and persistent efforts will be required to remove them.

In line with its broader macroeconomic adjustment task and policies to improve domestic competition, the Government moved in August 1991 to lift price controls on a range of consumer products and services, leaving only selected food products and business rents under its control. A continued assault on restrictive practices will clearly be difficult, but will remain important if Greece is to continue to attract foreign investors.

6. Sectoral issues

a) Banking and financial services

i) Foreign establishment measures

For several years, the Greek banking and financial services market had been dominated by a few large publicly owned financial institutions. However, reforms over recent years have loosened their control of the market, and competi-

tion has intensified. Many small banking institutions have since started profitable operations in "niche" financial services.

A major factor influencing the operation of foreign investors in the banking and financial services sector are EC Directives. Due to the drive towards harmonisation and mutual recognition of prudential standards within the European Community, investors incorporated as a bank within the Community may be granted an EC banking licence. This provides the right to provide financial services into Greece on a cross-border or branch establishment basis from any bank incorporated in an EC country.

Nonetheless, non-EC investors seeking to operate in the Greek financial market do face some limitations. First, foreign non-EC nationals must obtain a work permit, and a quota system applies for each bank. Also, for all banks incorporated in Greece, the majority of the members of the Board of Directors must have Greek or EC nationality and be residents of Greece.

Second, there is a prior authorisation requirement for the establishment of branches and representative offices by non-EC banks. In fact, all non-EC banks seeking to establish branches must bring in a minimum endowment capital (equal to that for establishment of a Greek bank) made in foreign currency. In addition, a reciprocity requirement applies to these investments.

Third, the granting of licences to subsidiaries controlled by non-EC investors is subject to the reciprocity provisions of the various EC Directives on financial services. Before the Greek authorities grant such licences, the EC Commission assesses whether the non-EC investor's country of origin grants effective market access to EC institutions operating in its country and competitive opportunities comparable to those offered by the EC to banks from the non-EC country.

Until recently, participation by investors from non-EC member countries was allowed only up to 40 per cent of the share capital in a bank established in Greece. This restriction, however, has been abolished to enhance competition in the banking sector.

ii) Financial regulatory structure

Financial markets in Greece are developing steadily, and yet certain problems still remain for foreign investors.

First, the financial services infrastructure needed to support foreign investment activity is evolving toward that in other developed economies. The Greek banking system, for example, had been a closed system in which capital controls had given savers little choice but to deal with an oligopolistic, publicly controlled banking structure which in turn was obliged to fund the government budget deficit and other targeted sectors at regulated interest rates. These arrangements effectively crowded out much private sector capital and placed a tax on savers and users of what limited financial services the oligopoly saw fit to provide.

Through the liberalisation of exchange controls, entry of foreign banks, moves toward banking privatisation and the deregulation of interest rates and lending controls, the Government has steadily chipped away at this system. Already, competition at the upper corporate end of the market is intensifying. Nonetheless, the legacy of a regulated system seems to affect the quality and range of financial services available to foreign investors, as well as opportunities for foreign investment within the sector. For example, financial institutions that are indirectly state-controlled (*i.e.* via pension funds within the general government) still control around 80 per cent of total credit in Greece. Historically protected from competition, these institutions have developed extensive branch networks, thereby preserving their market positions (especially in the retail market). Moreover, the interbank funds transfer mechanism has not been fully developed. The automated transfer mechanism called "DIAS interbanking system" has been established, but not all banks have been connected to it. Nevertheless, inroads in the credit markets have been made by other banks, including foreign banks, as a result of the credit deregulation measures.

iii) Stock exchange

Foreign investment in Greece through the acquisition of equity capital has also been hampered by the relatively small size of the stock exchange and the thin stock market. A cultural tradition of small family shareholdings together with artificially low regulated interest rates has seen a distinct historical preference within Greece for debt-financed expansion. Relative administrative burdens have also favoured bank financing over share issue. Accordingly, few Greek companies become listed; in 1987, market capitalisation as a percentage of GDP was the lowest in the European community, and 82 per cent of this capitalisation was accounted for by only 25 companies.

However, in the context of the liberalisation policies of international commercial transactions and capital movements since the late 1980s, the new Stock Exchange Law was enacted in 1988 and was further improved in 1991-1992. According to the new legislation, some important reforms of stock exchange have been underway. First, brokerage firms were allowed to become full members of the Athens Stock Exchange (previously, individual brokers monopolised the market). Second, a depository for securities was established. This is an independent body whose shares are held by banks, listed funds and holding companies. Third, a Parallel Market for medium-sized companies (a minimum market capitalisation was set at 100 million drachmas) was established. Fourth, a computerised trading system was installed in August 1992, based on cross-matching of orders, and has replaced the old open outcry system. Fifth, the Government repealed a law in 1991 which obliged underwriters to guarantee for six months the issue price for new issues of stocks. Sixth, pension funds were given the right to establish fund management firms which also have the possibility to commission the fund management to already existing companies.

Since the reform started, the number of listed companies on the Athens Stock Exchange increased from 119 in 1988 to 150 in 1993, although less than a quarter of the top 200 largest companies in Greece are listed on the stock exchange until now, and most of them are tightly controlled by the majority shareholders. The market capitalisation also increased from Dr 600 billion in 1988 to Dr 3.1 trillion in 1993, and the total value of traded shares jumped from Dr 44 billion in 1988 to Dr 646 billion in 1993.

Despite the extensive reforms, there are some issues to be considered. When a company is listed on the Athens Stock Exchange, the only guarantee that prospective shareholders will receive adequate information before undertaking merger or take-over activity is that provided by the existing general legislation concerning the control of concentrations. There are disclosure requirements in Greece for listed companies; the existing accounting standards are in compliance with the EC Directives on company and stock exchange legislation. Information on shareholdings, however, is only available twice a year through the publication of the approved balance sheets besides the annual general meetings of the company. Lastly, foreign investors may in the past have been deterred from acquiring strategic stakes in selected companies because of the thinness of the market which often resulted in speculative price volatility. The growth in size and

depth of the Greek stock exchange has made this a less pressing problem. Lastly, non-EC resident membership of the Greek stock exchange may be subject to reciprocity.

b) Maritime transport and fishing

Maritime transport is a major feature of the Greek economy and a large foreign exchange earner. Greece has the largest merchant fleet in the world, but Greek flag vessels comprise about half of the fleet, since many ship owners operate under foreign flags.

Non-EC residents or non-EC controlled enterprises are restricted to 49 per cent ownership of a Greek flag vessel. As only Greek flag vessels can operate cabotage, off-shore supply in territorial waters and fishing in Greek inland waters, this restriction effectively limits non-EC investors' controlling interest within the Greek maritime transport and fishing sectors.

c) Air transport

A certain number of activities concerning air transport (mail, irregular chartered flights, irregular chartered flights by aerotaxis employing aircraft of up to 14 seats) was liberalised in 1988. Following the "third package" in air transport (Council Regulations No. 2407 and 2408/1992), rules concerning the registration of aircraft have been changed (Law 2065/1992, article 40, paragraphs 16 and 17). Now this registration is possible if aircraft belong to Greek or EC nationals or to companies whose share capital is owned for more than 49 per cent by Greek or EC nationals ("Community air-carriers", according to the above mentioned regulations). Charter, freight and aerotaxi services are delivered through a system of private licences. In early 1992 the Government announced that up to 49 per cent of Olympic Airways would eventually be put up for sale. However, the operation did not start, pending negotiations between European Commission and Greek Government concerning the write-off of the debt of Olympic Airways.

d) Radio and television broadcasting

Until 1987, radio and television broadcasting were public monopolies. In that year, private radio licences were granted for the first time, and in 1989 this was followed by licences to operate local television broadcasting stations, including cable and satellite television. Residents from non-EC countries and non-EC controlled enterprises may cumulatively own up to 25 per cent of the capital of a local television broadcasting company including cable and satellite television, and may own up to 49 per cent of the capital of a local radio broadcasting company. These restrictions on foreign ownership are maintained for reasons of cultural identity and national security.

e) Mining

The mining sector is relatively important to the Greek economy. Greece is Western Europe's biggest bauxite and nickel producer and the only chromite producer in the EC. Greece is also a net exporter of alumina, aluminium metal, non-ferrous metals, ferro alloys, industrial minerals and marble. Around 10 per cent of Greek exports come from the mining and metallurgical sectors.

The Government retains exclusive mineral exploration and mining rights over hydrocarbons, solid fuels, hydroelectric resources and radioactive minerals. Nonetheless, concessions to explore and mine authorised minerals are possible, subject to certain requirements. A special committee has been formed which is expected to recommend amendments to the existing mining legislation so as to encourage private initiatives in this sector and to simplify as far as possible the relevant procedures.

Permits to explore for minerals are granted at the regional administration level. Restrictions can be applied over areas such as national parks, archaeological and tourist sites and those sensitive to national security. Permits are valid for three years and can be extended for one further year and are often granted subject to conditions. For example, in the case of private mines, the Ministry of Industry can request that a work programme for exploration be presented within three months which, if considered unsatisfactory, will be replaced by its own. In the event of disagreement, the State has the right to carry out exploration without the owner's consent; in this case the State must be reimbursed for the exploration costs in the event of a discovery of exploitable resources.

In order to be granted a permit, non-EC interests have to obtain an authorisation from the Council of Ministers. Besides, it has to be noted that there has not been a single case of rejecting an application for the acquisition of mining rights by foreign nationals or enterprises that met the conditions of the existing legislation.

However, once authorisation has been granted, there is no discrimination between Greek and foreign companies: the two groups operate under the same conditions as regards access to mining products and are subject to the same taxes and may benefit from the same direct or indirect aid.

Mining concessions are granted for a period of 50 years, though in exceptional cases they may be extended by a further 25 years. Once mining rights are granted, a company has to proceed with a mining programme or risk losing the concession. The company has the right to exploit all minerals not otherwise reserved by the State. Producers of concentrates are obliged to give priority to supplying state processing plants. Certain restrictions remain for non-EC nationals and enterprises.

f) Travel agencies and tour operators

The Greek regulations contain a reciprocity rule concerning the establishment of travel agencies and tour operators by enterprises originating from non-EC countries. The Greek authorities have indicated that, although this may in principle have implications for foreign investment, the requirement has little practical effect.

Chapter 3

Conclusion

Over the past few years, the Greek authorities have taken a number of important measures to enhance the attraction of Greece as a venue for foreign direct investment. In so doing, they have reversed the steady deterioration of the investment climate during the early 1980s. Important measures have been the privatisation of over-indebted public enterprises, the introduction of investment incentives, the liberalisation of foreign exchange controls and the abolition of the general screening procedure for inward direct investment.

While these measures are to be welcomed, it is important that Greece does not stray from the course followed over the past years. Rather, it should intensify its efforts to further improve the foreign investment climate. Several factors make Greece a potentially attractive venue for foreign investors: its geographic location, its endowment with minerals and its competitive labour cost structure. However, to benefit optimally from these factors in attracting foreign investment, further endeavours would be needed to improve the financial market infrastructure and to enhance flexibility in labour and product markets and to simplify and facilitate the use of the existing system of investment incentives by foreign investors. Furthermore, stronger efforts to achieve macroeconomic adjustments, the redressing of monopolies and concession arrangements, and a continuation of the process of rationalisation through an exposure to market forces of inefficient public enterprises would be prerequisites for a further improvement of the investment climate.

Greece applies a number of restrictions to foreign investment by non-EC residents in a few sectors, notably banking, broadcasting and mining, as well as in real estate in Greek border regions. It would be particularly welcome if the benefits of the liberalisation of these venues already achieved within the EC context were extended to non-EC countries.

Notes and references

1. Latest information concerning sales and other privatisation and market opening measures has been obtained from a review of the "Business News" section of the quarterly review of the Greek economy by the *Economist Intelligence Unit*.
2. For detailed coverage of eligible enterprises, investment purposes, as well as the nature of the incentives available for each regional area of Greece, see *Incentives for Investments in Greece: Law 1982/90*, Hellenic Industrial Development Bank, Athens, 1991.
3. Information contained in "Greece: Country Profile 1992-93" by the *Economist Intelligence Unit*.
4. For detailed coverage of investor rights and benefits under the investment protection legislation, see *Legislative Decree 2687/1953: Investment and Protection of Foreign Capital*, Hellenic Industrial Development Bank, Athens, 1992.

Annex I

Greece's current position under the Code of Liberalisation of Capital Movements and the National Treatment Instrument

Introduction

As a signatory to the OECD Code of Liberalisation of Capital Movements (the Code) and the National Treatment Instrument (NTI), Greece has undertaken a number of obligations in the foreign direct investment field. This annex highlights the main provisions of these instruments as well as Greece's position in this regard.

The OECD commitments

The Code and the NTI are the two main instruments for co-operation among OECD member countries in the field of foreign direct investment.

The Code, which has the legal status of OECD Council Decisions and is binding on all Member countries, covers the main aspects of the right of establishment for non-resident enterprises and requires OECD members to progressively liberalise their investment regimes on a non-discriminatory basis and treat resident and non-resident investors alike.

The NTI is a "policy commitment" by Member countries to accord to established foreign-controlled enterprises treatment no less favourable than that accorded to domestic enterprises in like situations. While the NTI is a non-binding agreement among OECD Member countries, all measures constituting exceptions to this principle and any other measures which have a bearing on it must be reported to the OECD.

Member countries need not, however, to liberalise all their restrictions upon adherence to the above instruments. Rather, the goal of full liberalisation is to be achieved progressively over time. Accordingly, members unable to fully liberalise are permitted to maintain "reservations" to the Code of Capital Movements and "exceptions" to the NTI for outstanding foreign investment restrictions. These limitations to the liberalisation obligations may be lodged at the time a member adheres to the Codes, whenever specific obligations begin to apply to a member, or whenever new obligations are added to the instruments.

The investment obligations of the Code and the NTI are, in fact, complementary, both dealing with the laws, policies and practices of Member countries in the field of direct investment. However, the Code addresses the subject from the point of view of non-resident investors in an OECD host country, while the NTI is concerned with the rights of established foreign-controlled enterprises. Limitations on non-resident (as opposed to resident) investors affecting the enterprises' operations and other requirements set at the time of entry or establishment are covered by the Code. The investment operations of foreign-controlled enterprises after entry, including new investment, is covered by the National Treatment Instrument.

Measures pertaining to **subsidiaries** fall under the purview of the Code or the NTI, depending on whether they set conditions on entry/establishment or concern the activities of foreign-controlled enterprises already established. As to **branches**, the *1991 Review of the OECD Declaration and Decisions on International Investment and Multinational Enterprises* introduced a distinction between "direct" branches of non-resident enterprises and "indirect" branches, that is branches of already established foreign-controlled enterprises. The latter are subject to all the five categories of measures covered by the NTI (investment by established enterprises, government procurement, official aids and subsidies, access to local financing and tax obligations). The investment activities of "direct" branches of non-resident enterprises, which concern the category of measures covered by the NTI, fall however, exclusively under the purview of the Code.

The Committee on Capital Movements and Invisible Transactions and the Committee on International Investment and Multinational Enterprises together conduct country examinations of Member country measures covered by these OECD commitments. These examinations involve a face to face discussion between representatives of the two Committees and experts from the country being examined. The discussion is based on submission by the Member concerned and a document prepared by the Secretariat. The objective is to clarify the nature and purpose of remaining restrictions and to identify possible areas for further liberalisation. The examinations usually conclude with modifications to the Member country's position and recommendations by the OECD Council to the Member's authorities concerning the future direction of the country's foreign direct investment policies.

Greece's position under the Code and the National Treatment Instrument

Greece's remaining restrictions on foreign direct investment are reflected in its reservations to item I/A of the Code of Liberalisation of Capital Movements and its exceptions to the National Treatment Instrument. As a result of the examination carried out by the CMIT and CIME in 1993, these reservations were changed in a number of ways. The Greek authorities decided to bring a number of long-standing restrictions under the discipline of the Code and the National Treatment Instrument. These restrictions related to: the acquisition of real estate by non-EC investors in border regions; mining, ownership of vessels under Greek flag for maritime transport and fishing, ownership of Greek registered aircraft, Greek airlines and air transport; and participation by non-EC investors in local television and radio broadcasting companies. Hitherto, these

restrictions had been justified by public order and essential security considerations, implying that no reservation had to be lodged. It is established practice that a country has to lodge reservations when restrictions previously justified by such considerations are brought under the Code's disciplines. Greece also added an entry to Annex E to the Capital Movements Code to cover a long-standing reciprocity provision in its legislation on travel agencies and tour operators.

Greece also removed its restriction on non-EC acquisition of more than 40 per cent of the share capital of a bank established in Greece. This enabled it to lift the relevant reservation. However, the authorisation requirement for the establishment of non-EC bank branches and representative offices was retained.

The following list shows Greece's current reservations under the Code of Liberalisation of Capital Movements and the exceptions relating to the National Treatment Instrument.

a) Greece's Reservation on inward direct investment under the Code of Liberalisation of Capital Movements

“List A, Direct investment:
I/A

– In the country concerned by non-residents.

Remark: The reservation applies only to non-EC investors as follows:

- i) Acquisition of real estate in border regions;
- ii) Investment in the mining sector, unless concession and mineral rights are granted;
- iii) Establishment of a representative office or a branch of a foreign bank, unless an authorisation is granted;
- iv) Ownership of more than 49 per cent of the capital of an airline company; cabotage is reserved to Greek airline companies;
- v) Ownership of more than 49 per cent of the capital of a Greek flag vessel for maritime transport or fishing purposes;
- vi) Ownership of more than 25 per cent of the capital of a television (including cable television) company and 49 per cent of the capital of a radio broadcasting company.”

Entries by Greece in Annex E to the Code:

- “ i) Establishment in the banking sector by investors originating in non-EC member countries may be subject to a reciprocity requirement;
- ii) Establishment of insurance companies originating in non-EC member countries may be subject to a reciprocity requirement;
- iii) Establishment of travel agencies by enterprises originating in non-EC member countries may be subject to a reciprocity requirement.”

b) Greece's exceptions to National Treatment Instrument

A. Exceptions at national level

I. Investment by established foreign-controlled enterprises

Real estate

Non-EC controlled enterprises are not allowed to acquire land rights in border areas. The prohibition applied to border land acquisition by non-EC enterprises may be waived by means of a decision by the Minister of National Defence.

Mining:

Concession requirement for mining and mineral rights, for non-EC controlled enterprises.

Authority: Presidential Decree 92/12.3.1986; Legislative Decree 274/1976.

Air transport:

Ownership in Greek airline companies is limited to 49 per cent of the capital for non-EC controlled enterprises. Cabotage is reserved to Greek airline companies.

Television and radio:

Non-EC foreign-controlled enterprises may hold up to 25 per cent of capital in television (including cable television) operators, and up to 49 per cent of capital in radio operators.

Maritime transport and fishing:

Non-EC ownership of Greek flag vessels including fishing vessels is limited to 49 per cent. Cabotage is reserved to national flag vessels, including also voyages with legs in foreign ports.

II. Official aids and subsidies

None.

III. Tax obligations

None.

IV. Government purchasing

None.

V. Access to local finance

None.

B. Exceptions by territorial subdivisions

None.

c) Greece's transparency measures to National Treatment Instrument

A. Transparency measures at the level of national government

I. Measures based on public order and essential security considerations

None.

II. Other measures reported for transparency

a) Investment by established foreign-controlled enterprises

None.

b) Corporate organisation

Banking

The majority of the members of the governing board of a bank should be Greek citizens, permanently resident in Greece. This restriction does not apply to citizens of EC Member states.

B. Measures reported for transparency at the level of territorial subdivisions

None.

Annex 2

Statistics on direct investment flows in OECD countries

Table 1. Foreign direct investment in OECD countries: inflows 1971-1992
US\$ million

	Cumulative FDI Flows		Annual Flows													
	1971-1980	1981-1990	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992		
Australia	11 295	38 902	2 349	2 286	2 994	428	2 099	3 457	3 852	7 599	7 289	6 549	4 763	4 641		
Austria	1 455	3 276	318	206	220	117	168	182	403	437	578	647	359	888		
Belgium-																
Luxembourg ¹	9 215	27 537	1 352	1 390	1 271	360	957	631	2 338	4 990	6 731	7 517	8 923	10 786		
Canada	5 534	11 448	-3 670	-831	243	1 313	-2 050	990	3 469	3 614	1 773	6 597	6 544	4 963		
Denmark	1 561	3 387	100	135	64	9	109	161	88	504	1 084	1 133	1 530	1 015		
Finland	376	2 837	99	-4	84	138	110	340	265	530	488	787	-247	180		
France ¹	16 908	43 194	2 426	1 563	1 631	2 198	2 210	2 749	4 621	7 204	9 552	9 040	11 073	15 928		
Germany ¹	13 969	17 826	341	819	1 774	553	587	1 191	1 900	1 202	7 126	2 333	3 723	3 869		
Greece	..	6 145	520	436	439	485	447	471	683	907	752	1 005	1 135	1 144		
Iceland ¹	..	12	..	..	..	14	23	8	2	-14	-27	6	35	17
Ireland	1 659	1 212	204	241	168	119	159	-43	89	91	85	99	97	102		
Italy ¹	5 698	24 888	1 153	605	1 200	1 329	1 071	-21	4 144	6 882	2 181	6 344	2 481	3 161		
Japan ¹	1 424	3 281	189	439	416	-10	642	226	1 165	-485	-1 054	1 753	1 368	2 728		
Netherlands	10 822	27 831	1 520	965	757	587	641	1 861	2 307	4 077	6 370	8 746	5 156	5 144		
New Zealand	2 598	3 945	177	275	243	119	227	390	238	156	434	1 686	1 724	..		
Norway	3 074	4 708	686	424	336	-210	-412	1 023	184	285	1 511	881	-338	869		
Portugal ²	535	6 256	177	145	150	170	218	166	367	692	1 577	2 594	3 168	2 994		
Spain ¹	7 060	46 000	1 714	1 801	1 647	1 773	1 945	3 442	4 548	7 016	8 433	13 681	10 423	8 114		
Sweden	897	7 989	182	357	223	289	398	952	599	1 499	1 530	1 960	5 727	300		
Switzerland	..	12 425	..	..	286	520	1 050	1 778	2 044	42	2 254	4 451	1 996	..
Turkey ³	228	2 356	95	55	46	113	99	125	106	354	663	700	810	844		
United Kingdom	40 503	130 479	5 891	5 286	5 132	-241	5 782	8 557	15 450	21 356	30 369	32 897	15 933	18 156		
United States	56 276	368 309	25 195	13 810	11 518	25 567	20 490	36 145	59 581	58 571	69 010	48 422	25 446	3 388		
Total	188 249	794 243	41 018	30 403	30 842	35 740	36 970	64 781	108 443	127 509	158 709	159 828	111 829	89 231		

1. Reinvested earnings are not included in national statistics.

2. Figures for Portugal are only available from 1975 onward.

3. Cumulated inflows since 1954.

Source: OECD/DAF - Based on official national statistics from the balance of payments converted in US\$ at daily average exchange rate.

Table 2. Foreign direct investment in OECD countries: inflows 1981-1992
As a percentage of GDP

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Australia	1.4	1.4	1.8	0.2	1.3	2.1	2.0	3.0	2.6	2.2	1.6	1.6
Austria	0.5	0.3	0.3	0.2	0.3	0.2	0.3	0.3	0.5	0.4	0.2	0.5
Belgium-Luxembourg ¹	1.3	1.6	1.5	0.4	1.1	0.5	1.6	3.2	4.2	3.7	4.3	4.7
Canada	-1.2	-0.3	-0.1	0.4	-0.6	0.3	0.8	0.7	0.3	1.2	1.1	0.9
Denmark	0.2	0.2	0.1	0.0	0.2	0.2	0.1	0.5	1.0	0.9	1.2	0.7
Finland	0.2	0.0	0.2	0.3	0.2	0.5	0.3	0.5	0.4	0.6	-0.2	0.2
France ¹	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.7	1.0	0.8	0.9	1.2
Germany ¹	0.1	0.1	0.3	0.1	0.1	0.1	0.2	0.1	0.6	0.2	0.2	0.2
Greece	1.4	1.1	1.3	1.4	1.3	1.2	1.5	1.7	1.4	1.5	1.6	1.5
Iceland ¹	0.0	0.0	0.0	0.5	0.8	0.2	0.0	-0.2	-0.5	0.1	0.5	0.3
Ireland	1.1	1.3	0.9	0.7	0.8	-0.2	0.3	0.3	0.2	0.2	0.2	0.2
Italy ¹	0.3	0.2	0.3	0.3	0.3	0.0	0.5	0.8	0.3	0.6	0.2	0.3
Japan ¹	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Netherlands	1.1	0.7	0.6	0.5	0.5	1.0	1.1	1.8	2.8	3.1	1.8	1.6
New Zealand	0.7	1.2	1.0	0.5	1.0	1.4	0.7	0.4	1.0	3.9	4.1	..
Norway	1.2	0.8	0.6	-0.4	-0.7	1.5	0.2	0.3	1.7	0.8	-0.3	0.8
Portugal	0.7	0.6	0.7	0.9	1.1	0.6	1.0	1.7	3.5	4.3	4.6	3.6
Spain ¹	0.9	1.0	1.0	1.1	1.2	1.5	1.6	2.0	2.2	2.8	2.0	1.4
Sweden	0.2	0.4	0.2	0.3	0.4	0.7	0.4	0.8	0.8	0.9	2.4	0.1
Switzerland	0.0	0.0	0.3	0.6	1.1	1.3	1.2	0.0	1.3	2.0	0.9	..
Turkey	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.5	0.8	0.6	0.7	0.8
United Kingdom	1.2	1.1	1.1	-0.1	1.3	1.5	2.2	2.6	3.6	3.4	1.6	1.7
United States	0.8	0.4	0.3	0.7	0.5	0.9	1.3	1.2	1.3	0.9	0.5	0.1

1. Reinvested earnings are not included in national statistics.

Source: OECD/DAF - Based on official national statistics from the balance of payments.

Table 3. Direct investment abroad from OECD countries: outflows 1971-1992

US\$ million

	Cumulative FDI Flows		Annual Flows													
	1971-1980	1981-1990	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992		
Australia	2 510	22 610	734	693	518	1 403	1 887	3 419	4 981	4 860	2 831	1 284	2 026	-629		
Austria	578	4 132	206	142	190	68	74	313	312	309	855	1 663	1 288	1 959		
Belgium-	3 213	20 811	30	-77	358	282	231	1 627	2 680	3 609	6 114	5 957	6 068	10 889		
Luxembourg	11 335	39 571	5 756	709	2 758	2 277	2 855	4 066	7 069	5 278	4 603	4 200	5 409	3 723		
Canada	1 063	6 292	141	77	159	93	303	646	618	719	2 027	1 509	1 851	2 225		
Denmark	605	12 150	129	85	143	493	352	810	1 141	2 608	3 106	3 283	1 064	974		
Finland	13 940	85 810	4 615	3 063	1 841	2 126	2 226	5 230	8 704	12 756	18 137	27 112	20 529	18 816		
France ¹	24 846	86 506	3 860	2 479	3 168	4 390	4 806	9 621	9 100	11 416	14 538	23 128	22 334	17 987		
Germany ¹	..	27	..	..	..	..	..	2	7	1	8	9	10	27
Iceland ¹	3 597	28 707	1 425	1 025	2 133	2 012	1 820	2 652	2 339	5 554	2 135	7 612	7 326	5 956		
Italy ¹	18 052	185 826	4 894	4 540	3 612	5 965	6 452	14 480	19 519	34 210	44 130	48 024	30 726	17 222		
Japan ¹	27 829	52 797	3 629	2 610	2 098	2 530	2 829	3 147	7 087	4 073	11 521	13 273	12 177	11 049		
Netherlands	375	4 563	103	87	404	31	174	87	562	615	135	2 365	528	..		
New Zealand	1 079	8 943	185	317	360	612	1 228	1 605	890	968	1 352	1 426	1 804	437		
Norway	21	374	16	9	17	8	15	-2	-16	77	85	165	474	719		
Portugal ²	1 274	8 277	272	505	245	249	252	457	754	1 228	1 470	2 845	3 573	1 271		
Spain ¹	4 597	46 178	854	1 237	1 461	1 506	1 783	3 723	4 522	7 226	9 796	14 070	6 802	1 401		
Sweden	..	31 862	..	..	492	1 139	4 572	1 461	1 274	8 696	7 852	6 376	4 502	..
Switzerland	..	273	..	..	..	..	..	..	27	8	56	182	27	65
Turkey ³	551 12	186 026	12 065	7 145	8 211	8 031	10 842	17 119	31 458	37 254	35 172	18 729	15 597	16 543		
United Kingdom	134 354	171 626	9 623	1 078	6 686	11 649	12 724	17 706	28 980	17 871	37 604	27 705	32 098	37 122		
United States	302 306	1 003 361	48 537	25 724	34 854	44 864	55 425	88 169	132 008	159 336	203 527	210 917	176 213	147 756		

1. Reinvested earnings are not included in national statistics.

2. Figures for Portugal are only available from 1975 onward.

3. Includes cumulative investment since 1954.

Source: OECD/DAF - Based on official national statistics from the balance of payments converted in \$ at daily average exchange rate.

Table 4. Direct investment abroad from OECD countries: outflows 1981-1992
As a percentage of GDP

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Australia	0.4	0.4	0.3	0.8	1.2	2.0	2.5	2.0	1.0	0.4	0.7	-0.2
Austria	0.3	0.2	0.3	0.1	0.1	0.3	0.3	0.2	0.7	1.0	0.8	1.1
Belgium-Luxembourg ¹	0.0	-0.1	0.4	0.4	0.3	1.4	1.8	2.3	3.8	3.0	2.9	4.7
Canada	2.0	0.2	0.8	0.7	0.8	1.1	1.7	1.1	0.8	0.7	0.9	0.7
Denmark	0.2	0.1	0.3	0.2	0.5	0.8	0.6	0.7	1.9	1.2	1.4	1.6
Finland	0.3	0.2	0.3	1.0	0.7	1.2	1.3	2.5	2.7	2.4	0.9	0.9
France ¹	0.8	0.6	0.4	0.4	0.4	0.7	1.0	1.3	1.9	2.3	1.7	1.4
Germany ¹	0.6	0.4	0.5	0.7	0.8	1.1	0.8	1.0	1.2	1.5	1.4	1.0
Iceland ¹	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.2	0.4
Italy ¹	0.3	0.3	0.5	0.5	0.4	0.4	0.3	0.7	0.2	0.7	0.6	0.5
Japan ¹	0.4	0.4	0.3	0.5	0.5	0.7	0.8	1.2	1.5	1.6	0.9	0.5
Netherlands	2.5	1.9	1.5	2.0	2.2	1.8	3.3	1.8	5.0	4.7	4.2	3.4
New Zealand	0.4	0.4	1.7	0.1	0.8	0.3	1.5	1.4	0.3	5.4	1.3	..
Norway	0.3	0.6	0.7	1.1	2.1	2.3	1.1	1.1	1.5	1.4	1.7	0.4
Portugal	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.2	0.2	0.3	0.7	0.9
Spain ¹	0.1	0.3	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.6	0.7	0.2
Sweden	0.7	1.2	1.6	1.6	1.8	2.8	2.8	4.0	5.1	6.1	2.8	0.6
Switzerland	0.0	0.0	0.5	1.3	4.9	1.1	0.7	4.7	4.4	2.8	1.9	..
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.1
United Kingdom	2.4	1.5	1.8	1.9	2.4	3.0	4.6	4.5	4.2	1.9	1.5	1.6
United States	0.3	0.0	0.2	0.3	0.3	0.4	0.6	0.4	0.7	0.5	0.6	0.6

1. Reinvested earnings are not included in national statistics.

Source: OECD/DAF - Based on official national statistics from the balance of payments.

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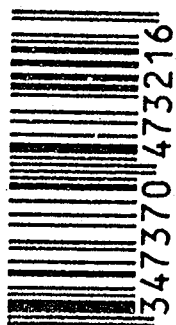
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