OECD REVIEWS OF REGULATORY REFORM

REGULATORY REFORM IN GREECE

ENHANCING MARKET OPENNESS THOUGH REGULATORY REFORM

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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AND DEVELOPMENT

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FOREWORD

Regulatory reform has emerged as an important policy area in OECD and non-OECD countries. For regulatory reforms to be beneficial, the regulatory regimes need to be transparent, coherent, and comprehensive, spanning from establishing the appropriate institutional framework to liberalising network industries, advocating and enforcing competition policy and law and opening external and internal markets to trade and investment.

This report on *Enhancing Market Openness through Regulatory Reform* analyses the institutional set-up and use of policy instruments in Greece. It also includes the country-specific policy recommendations developed by the OECD during the review process.

The report was prepared for *The OECD Review of Regulatory Reform in Greece* published in 2001. The Review is one of a series of country reports carried out under the OECD's Regulatory Reform Programme, in response to the 1997 mandate by OECD Ministers.

Since then, the OECD has assessed regulatory policies in 16 member countries as part of its Regulatory Reform programme. The Programme aims at assisting governments to improve regulatory quality — that is, to reform regulations to foster competition, innovation, economic growth and important social objectives. It assesses country's progresses relative to the principles endorsed by member countries in the 1997 *OECD Report on Regulatory Reform.*

The country reviews follow a multi-disciplinary approach and focus on the government's capacity to manage regulatory reform, on competition policy and enforcement, on market openness, specific sectors such as electricity and telecommunications, and on the domestic macroeconomic context.

This report was principally prepared by Evdokia Moïsé in the Trade Directorate of the OECD. It benefited from extensive comments provided by colleagues throughout the OECD Secretariat, as well as close consultations with a wide range of government officials, parliamentarians, business and trade union representatives, consumer groups, and academic experts in Greece. The report was peer-reviewed by the 30 member countries of the OECD. It is published under the authority of the OECD Secretary-General.

TABLE OF CONTENTS

ACRONYMS 7

1. MARKET OPENNESS AND REGULATION: THE POLICY ENVIRONMENT IN GREECE 9
   1.1. Overview of regulatory reform to date 10
   1.2. The role of foreign investment 10
2. THE POLICY FRAMEWORK FOR MARKET OPENNESS: THE SIX "EFFICIENT REGULATION" PRINCIPLES 11
   2.1. Transparency, openness of decision making and of appeal procedures 12
      2.1.1. Information dissemination 12
      2.1.2. Consultation mechanisms 14
      2.1.3. Appeal procedures 16
      2.1.4. Transparency in the field of technical regulations and standards 16
      2.1.5. Transparency in government procurement 18
      2.1.6. General overview 20
   2.2. Measures to ensure non-discrimination 20
      2.2.1. Non-discrimination in domestic regulation 20
      2.2.2. Preferential agreements 22
      2.2.3. General overview 22
   2.3. Measures to avoid unnecessary trade restrictiveness 22
      2.3.1. The impact of regulations on trade 23
      2.3.2. Regulatory burdens on business operation 24
      2.3.3. The example of licensing procedures 24
      2.3.4. The example of customs procedures 27
      2.3.5. Overview of measures to avoid unnecessary trade restrictiveness 27
   2.4. Measures to encourage use of internationally harmonised measures 28
      2.4.1. The European influence 28
      2.4.2. Standardisation activities 30
      2.4.3. General Overview 32
   2.5. Recognition of equivalence of other countries' regulatory measures 33
      2.5.1. Intergovernmental initiatives 33
      2.5.2. Accreditation mechanisms 34
   2.6. Application of competition principles from an international perspective 35
3. ASSESSING RESULTS IN SELECTED SECTORS 36
   3.1. Telecommunications services 36
   3.2. Telecommunications equipment 38
   3.3. Automobiles and components 39
   3.4. Electricity 40
4. CONCLUSIONS AND POLICY OPTIONS FOR REFORM 41
   4.1. General assessment of current strengths and weaknesses 41
   4.2. The dynamic view: challenges for future reform 44
   4.3. Policy options for consideration 44
   4.4. Managing the reform 48

NOTES 49
BIBLIOGRAPHY 54

Tables

1. Cumulative flows of FDI involving OECD countries 1990-98
2. Mutual Recognition Agreements concluded or under negotiation by the E.U.

Figures

1. ELOT Standardisation Activities
2. Restrictiveness of regulatory approaches in OECD countries

ACRONYMS

ACP	African, Caribbean and Pacific countries
BEST	Business Environment Simplification Task Force
CEN	European Commission for Standardisation
CENELEC	European Committee for Electrotechnical Standards
DECT	Digital Enhanced Cordless Telecommunications
DEH	Dimosia Epichirisi Ilektrismou (Public Power Corporation)
DEPA	Dimosia Epichirisi Photaeriou (Public Gas Corporation)
EA	European Co-operation for Accreditation
EC	European Communities
EDI	Electronic Data Interchange
EETT	Ethinki Epitropi Tilepikoinonion kai Tachydromion (National Telecommunications and Postal Commission)
EFTA	European Free Trade Agreement
ELKE	Elliniko Kentro Ependyseon (Hellenic Centre for Investment)
ELOT	Ellinikos Organismos Typopoiesis (Hellenic Organisation for Standardisation)
EMU	European Monetary Union
ERA	Energy Regulatory Authority
ESEE	Ethinki Synomospondia Ellinikou Emporiou (National Confederation of Greek Trade)
ESYD	Ethniko Symvoulio Diapistefsis (National Accreditation Council)
ETSI	European Telecommunications Standardization Institute
EU	European Union
FDI	Foreign Direct Investment
FESCO	Forum of European Securities Commission
FGI	Federation of Greek Industries
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GPA	Government Procurement Agreement
GSI	General Secretariat for Industry, Ministry of Development
GSP	General System of Preferences
IAF	International Accreditation Forum
ICIS	Integrated Customs Information System
IEA	International Energy Agency
IEC	International Electrotechnical Commission
ILAC	International Laboratory Accreditation Co-operation
IOSCO	International Organisation of Securities Commissions
IQNet	International Network of Quality System Certifiers
ISO	International Standardisation Organisation
ITU	International Telecommunication Union
MFN	Most Favoured Nation
MRA	Mutual Recognition Agreement
NSO	National Standardisation Organisation
OJEC	Official Journal of the European Communities
OKE	Oikonomiki kai Koinoniki Epitropi (Economic and Social Council of Greece)
OTE	Organismos Tilepikoinonion Ellados (Greek Organisation for Telecommunications)
PEDMEDE	Panhellenic Association of Engineers Providers for Public Works
RIA	Regulatory Impact Analysis
SATE	Syllogos Anonymon Technikon Etairion (Association of Technical Limited Companies)
SINCERT	Sistema per l'Accreditamento degli Organismi di Certificazione (Accreditation System of Certification Bodies)
SLIM	Simpler Legislation for the Internal Market
SME	Small and Medium Enterprise
SPS	Agreement on the Application of Sanitary and Phytosanitary Measures
TABD	Transatlantic Business Dialogue
TAXIS	Integrated Taxation Information System
TBT	Agreement on Technical Barriers to Trade
TEE	Techniko Epimelitirio Ellados (Technical chamber of Greece)
TRIS	Technical Regulations Information System database
UMTS	Universal Mobile Telecommunications System
UN-ECE	United Nations Economic Commission for Europe
WCO	World Customs Organisation
WTO	World Trade Organisation
YPETHO	Ypourgio Ethinkis Oikonomias (Ministry of National Economy)

Executive Summary

Background Report on Enhancing Market Openness through Regulatory Reform

As traditional barriers to trade have fallen, the impact of domestic regulations on international trade and investment has become more apparent than ever before. While regulations aim at improving the functioning of market economies in a range of fields, such as market competition, business conduct, the labour market, consumer protection, public health and safety or the environment, they may directly or indirectly distort international competition and prevent market participants from taking full advantage of competitive markets. Maintaining an open world trading system requires regulation that promotes global competition and economic integration, thereby avoiding trade disputes and improving trust and mutual confidence across borders. This report assesses how the Greek regulatory system performs from these perspectives and how regulatory reform may contribute to enhancing market openness and the benefits which consumers and producers can reap from open markets.

Over the last five years Greece has implemented an important programme of macroeconomic reforms, which contributed to substantial improvement of its economic performance and to its membership in the European Monetary Union as of January 2001. These efforts have provided a strong impetus for rethinking government practices and changing the role of the State in the economy. The momentum of and commitment to reform and the general policy stance towards international market openness have been largely shaped by the membership of Greece in the European Union. Although structural reforms complementing the macroeconomic stabilisation programme have been slower to come, there is broad consensus today between the government and the private sector that such reforms are necessary for sustaining the progress made. In particular, concerns are widely shared about the effects of a restrictive domestic environment, of important state control over the economy and of extensive recourse to command and control regulations, on the competitiveness of domestic enterprises and the attractiveness of the country to foreign investors.

When considering the efficient regulation principles for market openness defined by the OECD, non-discrimination, the use of internationally harmonised measures and the recognition of equivalence of foreign measures appear to be well integrated in the Greek regulatory framework, in part through the disciplines set by the European Union. On the other hand, transparency of decision-making, avoidance of unnecessary trade restrictiveness and application of competition principles still raise concerns relating to the market orientation of the Greek regulatory framework. Regulatory inflation and complexity has limited the predictability of the regulatory system and generated substantial costs of operation and entry, especially for foreign firms. The discretionary character of public consultation has inspired distrust by involved parties and undermined the efficiency of policymaking tools. The absence of prior assessment of regulatory impact on the economy often led to unduly restrictive regulation, affecting heavily productivity and competitiveness. Regulatory burdens have induced non-compliance while inadequate enforcement has further distorted market operation. Competition policy was hardly provided the means and support for ensuring effective protection.

Yet, over the last years all these areas have witnessed significant steps liable to enhance regulatory quality and promote a trade-friendlier regulatory environment. New procedures have been introduced to make regulatory information more widely available and to facilitate the access of individuals and businesses to administrative services. Administrative “one-stop-shops” have been created to simplify the issuance of licences and permits at the local level. The criteria used in public procurement procedures have been clarified. A new regulatory framework has just offered unprecedented impetus to the Competition Committee. Liberalisation in key sectors, like the telecommunications services is finally reaching the level of other EU countries. Other equally important steps still remain to be made, in particular as regards the further liberalisation of electricity and transportation, the introduction of regulatory impact assessment in the framework of the rulemaking process or the streamlining of existing regulation.

Most of the reforms are very recent, or still ongoing. Time is therefore needed for their effective results to be assessed. It is encouraging that the overall policy stance of the Greek government points towards a qualitative transformation of the role of the State in economic activity, entailing its withdrawal from direct involvement in production, the removal of excessive regulation of economic and social arrangements and a better focussing on those activities that are a clear government prerogative. The translation of this policy stance into concrete regulatory practices, will be the major challenge for years to come.

The globalisation of production and the resulting deeper integration of national markets have reinforced the link between domestic policies and trade liberalisation. As traditional barriers to trade have fallen, the impact of domestic regulations on international trade and investment has become more apparent than ever before. While regulations generally aim at improving the functioning of market economies in a range of fields, such as market competition, business conduct, the labour market, consumer protection, public health and safety or the environment, they may directly or indirectly distort international competition and affect resource allocation and productive efficiency. Thus regulations should be made in a way consistent with an open trading system and support strong international competition. This report considers whether and how Greek regulatory procedures and content affect market access and presence in Greece. An important reverse scenario – whether and how inward trade and investment affect the fulfilment of legitimate policy objectives reflected in social regulation – is beyond the scope of the present discussion.

1. MARKET OPENNESS AND REGULATION: THE POLICY ENVIRONMENT IN GREECE

Greece is a small, import-dependent economy. In 1997 imports of goods and services accounted for 25.5% and exports for 16.1% of GDP.[1] Chronic trade deficits are roughly balanced by strong invisible receipts, mainly tourism and shipping. About 65% of total Greek trade is with other EU member states, while trade with Balkan countries and in particular Bulgaria and Albania has developed strongly in the recent years and represents today around 15%. Greece imports a large proportion of its energy, some food, virtually all its transport equipment and most of its machinery and electrical goods. Main exports are food (fresh and processed), raw cotton and tobacco, textiles (yarns, fabrics and ready-made clothing), chemicals, semi-processed mineral and metal products, cement and refined oil products.

Compared to other OECD economies, Greece has a relatively small industrial sector and an important agricultural sector. In 1998 agriculture (including forestry and fishing) represented 8.1% of GDP, against an EU average of 2.1% and 1.6% in the United States. Industry (including mining, manufacturing and construction) represented 22.4% of GDP, against an EU average of 30.4%, 25.2% in the United States and 35.6% in Japan. Within the industrial sector, construction was particularly important, accounting for 7.7% of GDP. The services sector (69.5% of GDP) is close to the EU average. In the services sector, tourism and transport services represent the most important share. The State plays a very important role in the economic activity. In 1997 the public sector accounted roughly for 49% of GDP (public spending represented 42%, public utilities 5% and public-owned banks and insurance companies 2% of GDP).[2]

The membership of Greece in the European Union and its participation in the multilateral trading system have played a major role in shaping the general policy environment toward international market openness and bringing momentum and commitment to reform. Multilateral trade agreements have resulted in historically low tariffs for products, and set trade in services on the path of progressive liberalisation. The development of the Single Market has led to the removal of regulatory barriers to trade among European Union countries. Tariffs, quotas, and other restrictive measures on industrial products, which amounted to 45% effective protection before EC membership in 1981,[3] have been totally removed by the early 1990s. The implementation of internal market directives is progressively opening key sectors, such as the telecommunications or energy sectors, to competition. However, Greece has frequently sought derogations that have delayed major reforms and the ensuing pro-competitive effects on the economy.

1.1. Overview of regulatory reform to date[4]

From 1950 to 1974, Greece underwent an important process of social and economic modernisation, driven by an average growth rate of 7%, and complemented by the reestablishment of democracy in 1974. However, *"the country's post-war "miracle" can be said to have been intimately linked with the emergence of a ubiquitous, over-interventionist, over-regulating, paternalistic and protectionist state"*,[5] which compromised economic progress during the following twenty years. From 1974 to 1995, the annual growth rate averaged 2%, industrial productivity growth 1.05% and inflation 18%. Accession to the European Communities in 1981 did not lead to the economic development experienced by other new Members after their accession. Redistributive economic policies between 1982 and 1985 brought the total government debt to 100% of GDP by 1989.

By the end of the 1980s, awareness that the Greek economy was in dire need of reform gained momentum. A policy of economic austerity, first launched in 1985-87, has been pursued since the early 1990s by all administrations, irrespective of which party was in power. Since 1994 Greece has adopted a series of convergence programmes to meet the criteria for admission to the European Monetary Union (EMU). Convergence policies aimed at reducing inflation and public sector debt through fiscal consolidation, tight monetary policy, broadening of the tax base and better tax collection, control on employment in the public sector and wage moderation. These policies were largely successful in bringing inflation down to 2.6% in 1999, public sector deficit to 1.5% of GDP and the general government debt to 104.2% of GDP, thus meeting the relevant criteria for EMU membership. Public investments, including EU fund transfers, boosted economic growth, which reached 3.5% in 1999. On 20 June 2000 the Porto European Summit confirmed that Greece would join the EMU in 2001.

Macroeconomic stabilisation has been complemented with a series of structural reforms. The banking and financial sectors have been liberalised considerably since 1987, mainly in order to comply with EU directives, and are now basically free of state interference. Foreign exchange controls have been gradually relaxed since 1985. Medium and long-term capital movements were fully liberalised in 1993. Most restrictions on short-term capital movements were lifted in 1994 and liberalisation was completed in 1997. Price controls have been abolished, except for pharmaceuticals and agricultural products. A privatisation program has been undertaken to reduce the dominant role of the government in the economy.[6] Devolution of powers from the central administration to the regional and local administrations was initiated in 1994, but took effect only in 1998-1999. On the other hand, reform of the regulated sectors, such as energy or transportation, is still at a very early stage. Structural reforms have been announced by the newly re-elected government as one of the central policy priorities for the next four years.

1.2. The role of foreign investment

Foreign direct investment has played a relatively limited role in the Greek economy. Among potential investors there has been limited interest in developing activities exclusively aimed at servicing the Greek market, mainly because of its small size.[7] In contrast, the main reason for establishing in Greece is obviously to gain access to other, wider markets, such as the European Union, or the broader Balkan and Eastern European area.[8] However, the direction of such strategy has changed considerably to adjust to the geopolitical and economic development in the region. Whereas in 1992 surveys indicated that 42% of investors viewed Greece as an entry point to the European Union markets and another 23% aimed primarily at the Balkans and Eastern Europe, these percentages were 3% and 80% respectively in 1997 (Hassid 1997). The three most important factors limiting the attractiveness of Greece as a destination for FDI were reported in these surveys to be weak macroeconomic performances, shortfalls in infrastructure (in particular in telecommunications and transport) and the poor quality of public administration. The recent improvement of both macroeconomic performance and infrastructure has most likely played an

important role in the increase of FDI inflows in the last three years. However, it is impossible to identify the respective contribution of these and other factors to FDI growth. In 1997 the Hellenic Centre for Investment approved 43 FDI applications totalling US$486 million, while the stock of FDI, which amounted to USD 4 billion (market prices) by end 1996, had reached USD 13.1 billion by end 1998.

Both local content and export performance are taken into consideration by Greek authorities in evaluating applications for tax and investment incentives, but they are not mandatory prerequisites for approving such incentives. Greece is divided into four investment zones, according to regional development and unemployment levels. Investments in the most disadvantaged regions can benefit from cash grants of 15 to 40% of the total sum invested or from tax allowances of 40 to 100%. The government encourages relocation of industries from Athens and Thessaloniki to less developed regions through tax breaks. Specific sectoral incentives exist for high technology, environmental protection services, and leisure facilities, as well as for manufacturing and mining companies engaged in export, or in import substitution.

Table 1. **Cumulative flows of FDI involving OECD countries 1990-98**
USD million

1. United States	605 052	8. Sweden	67 798
2. United Kingdom	240 513	9. Canada	66 888
3. France	178 323	10. Germany	60 260
4. Belgium-	105 859	11. Australia	55 603
5. Netherlands	101 028	12. Italy	31 278
6. Spain	84 039	13. Greece*	26 823
7. Mexico	68 576	14. Denmark	24 456

* 1990-97.

Source: OECD (1999), *International Direct Investment Database*.

2. THE POLICY FRAMEWORK FOR MARKET OPENNESS: THE SIX "EFFICIENT REGULATION" PRINCIPLES

An important step in ensuring that regulations do not unnecessarily reduce market openness is to build "efficient regulation" principles into the domestic regulatory process for social and economic regulations, as well as for administrative practices. "Market openness" here refers to the ability of foreign suppliers to compete in a national market without encountering discriminatory or excessively burdensome or restrictive conditions. These principles, which have been described in the 1997 OECD *Report on Regulatory Reform* and developed further in the Trade Committee, are:

- Transparency and openness of decision making;
- Non-discrimination;
- Avoidance of unnecessary trade restrictiveness;
- Use of internationally harmonised measures;
- Recognition of equivalence of other countries' regulatory measures; and
- Application of competition principles

They have been identified by trade policy makers as key to market-oriented, trade and investment friendly regulation. They reflect the basic principles underpinning the multilateral trading system, concerning which many countries have undertaken certain obligations in the WTO and other contexts. The intention in the OECD country reviews of regulatory reform is not to judge the extent to which any country may have undertaken and lived up to international commitments relating directly or indirectly to these principles but rather to assess whether and how domestic instruments, procedures and practices give effect to the principles and successfully contribute to market openness.

2.1. Transparency, openness of decision making and of appeal procedures

In order to ensure international market openness, the process of creating, enforcing, reviewing or reforming regulations needs to be transparent and open to foreign firms and individuals seeking access to a market, or expanding activities in a given market. From an economic point of view, transparency is essential for market participants in several respects. Transparency in the sense of information availability offers market participants a clear picture of the rules on the basis of which the market operates, enabling them to base their production and investment decisions on an accurate assessment of potential costs, risks and market opportunities. It is also a safeguard in favour of equality of competitive opportunities for market participants and thus enhances the security and predictability of the market. Such transparency can be achieved through a variety of means, including systematic publication of proposed rules prior to entry into force and use of electronic means to share information, such as the Internet. Transparency of decision making further refers to the dialogue with affected parties, which should offer well-timed opportunities for public comment, and rigorous mechanisms for ensuring that such comments are given due consideration prior to the adoption of a final regulation. Market participants wishing to voice concerns about the application of existing regulations should have appropriate access to appeal procedures. Such dialogue allows market forces to be built into the process and helps avoid trade frictions. This sub-section discusses the extent to which such objectives are met in Greece and how. It also provides insights on two specific areas, technical regulations and government procurement, in which transparency is essential for ensuring international competition.

Relations between the State and civil society have long been fairly blurred in Greece. Decades of patronage relationships between the State and civil society have turned the special interests of various social groups into one of the most pervasive factors in policy making but at the same time have seriously undermined the position of civil society as an independent entity.[9] As they were able to obtain information or advance their interests through informal avenues, the most influential civil society groups did not feel compelled to push the State for greater transparency and accountability. This state of affairs has not only born potential for capture but has also *de facto* excluded "outsiders". It has further fostered a climate of distrust within civil society as regards the reliability and probity of the administration.[10] However, in recent years, a more mature Greek democracy has been gradually allowing market forces to play a greater role in the economy while favouring more open participation of civil society in the policymaking process. Both trends bode well for a progressive reinforcement of transparency procedures.

2.1.1. Information dissemination

Information with respect to adopted regulation is primarily provided through publication in the Government Gazette (*Efimerida tis Kivernisseos*) prior to entry into force, as required by the Constitution. Issues of the Government Gazette are also available online on the website of the National Printing House. Publication in the Government Gazette is a requirement for the validity of all regulations, including Acts of Parliament, Presidential Decrees and Ministerial Decisions. Article 77 of the Greek Constitution prohibits the retroactive effect of regulations other than authoritative interpretations by the Parliament of statutes

already in force. Entry into force usually takes place ten days after the publication of the regulation in the Government Gazette, unless explicitly provided otherwise. Individual ministries occasionally publicise regulation in their respective areas of competence on their own websites, but this is not yet a standard government-wide practice. All these sites feature pages in English, although the text of regulations themselves is usually available only in Greek.

Apart from the Government Gazette, the most authoritative source for obtaining information on regulations is the "Code of Permanent Legislation" (*Kodikas Diarkous Nomothesias)*, a loose-leaf edition regularly updated to reflect new or amended regulations. This publication is issued by the Ministry of Public Administration and is available on a subscription basis. An electronic edition of the Code is being developed. Electronic databases have also been elaborated through private or public initiatives. For instance, the National Printing House is currently completing an electronic collection of Greek regulation. Individual Ministries may also publish collections of regulation in selected areas of their competence.

Foreign firms that wish to obtain information about the regulatory and economic environment in Greece may also enquire at the Hellenic Centre for Investment (ELKE). ELKE was created in 1996 to seek, promote and support foreign investment in Greece, foster international ventures with Greek companies and contribute to improving the institutional framework for FDI. Jointly funded by the EU and the Greek government, it operates under the supervision of the Minister of National Economy and offers its services free of charge. ELKE provides in-depth information on the Greek regulatory and institutional framework for investment, identifies market opportunities, seeks partners and locations for firms wishing to establish in Greece and offers consulting services on the legal and financial preparation of greenfield investments and establishment of joint ventures. It also helps potential investors obtain the necessary licences and gain access to investment incentives, and supports them during the implementation stage of their projects (see below, Section 2.3). Although its consulting and support services are available only to prospective investments above a certain threshold, its information services are available to all.

A limiting factor for the transparency of effective regulation is the existence of ambiguous or contradictory regulatory provisions, which frequently create the need for interpretative statements by the Parliament (in the case of laws), or interpretative Ministerial circulars (in the case of decrees). An additional factor may be the ever-increasing mass of regulation, which makes it difficult for citizens and firms to keep abreast and induces selective enforcement by the administration because of the increases in monitoring costs. Although not an exclusively Greek phenomenon, the frequent introduction of amendments in regulatory projects that are unrelated to the subject of these amendments further complicates the regulatory framework. These practices limit the predictability of the regulatory environment. Market players may on occasion have difficulty getting a clear idea of the applicable rules or a consistent reading thereof by the administration, so that professional help in doing so is often indispensable.[11] This seems to be particularly true of fiscal regulation.

In 1996, the Prime Minister issued a circular requesting Ministers to undertake the codification of regulation in their respective fields of competence and to suppress regulations that have become outdated, irrelevant or inoperative. Although this streamlining process has been advancing, it does not seem to be underpinned by consistent efforts to do away with regulations that are no longer warranted. Representatives of domestic constituencies feel this shortcoming may contribute to even greater confusion about applicable regulation.

There are no official channels for bringing prospective regulation to the attention of domestic constituencies and foreign parties at large. Although each Ministry forwards quarterly planning schedules and progress reports on prospective regulation to the General Secretariat of the Ministerial Council, these are not made officially available to the public. Information on prospective regulation is nonetheless publicised to a large extent, but this tends to happen through informal channels and private initiatives, such

as the publication in the daily and professional press of general descriptions, excerpts or even the full text of the regulation. Information to the press is made available either by the administration itself through informal networks, or by the representatives of groups consulted by the administration during the preparatory stage. However, the process clearly lacks accuracy control on the part of the administration and entails a serious risk of misinformation.

The Greek regulatory system does not make use of formal "notice and comment" procedures whereby the entire text of the draft regulation would be made available to interested constituencies for information and comments. However, certain Ministries have taken initiatives in this direction. One recent example was the presentation on the website of the Ministry of Transport and Communications of the strategy paper and the draft law on telecommunications liberalisation. In December 1999, the Ministry invited public discussion on the project over a period of 45 days. This initiative elicited considerable interest from market players, including network and service providers, academic institutions, associations, as well as from other government entities. The Ministry received numerous constructive comments and found this endeavour generally positive and helpful. Following a major rethinking of the proposal, a new version of the law was publicised in June 2000, calling for public comments until the end of July.

2.1.2. Consultation mechanisms

Official consultation with concerned constituencies when preparing or reviewing regulations takes place through the Economic and Social Council of Greece (OKE). OKE was established by Act 2232 of 1994 and modelled on the Economic and Social Committee of the European Union. Its role is to provide the government with the opinion of social partners on important socio-economic issues prior to the enactment of relevant laws. The opinion of OKE is mandatory with respect to laws relating to "*labour relations, social security, taxation measures, as well as socio-economic policy in general, especially in topics of regional development, investment, export, consumer protection and competition*".[12] The initiative for requesting an OKE opinion rests with the relevant government authority and the law does not seem to provide the possibility to challenge omissions. OKE can also formulate opinions on other issues of socio-economic policy on its own initiative or at the request of the competent Minister. In all three cases, the opinion is advisory. Since its inception, OKE has issued 40 opinions: of these, 25 concerned draft domestic or EU regulation, 7 dealt with socio-economic policy issues upon Ministerial request and 8 were formulated on OKE's own initiative.

OKE is organised along the lines of the typical tripartite model of representation, that is employers, employees and a third group representing farmers, liberal professions, consumers and local government. Its main aim is to contribute to maximising the social benefit by promoting social dialogue and facilitate the development of common positions on issues concerning Greek society as a whole or particular groups. It is therefore not intended as the avenue for voicing particular opinions or concerns, although such opinions and concerns are factored into the formulation of OKE's opinions. Its limited membership is a *de facto* further obstacle to the expression of opinions and concerns by foreign partners.

In parallel to the formalised consultation mechanism of OKE, consultation with concerned constituencies when preparing or reviewing regulations takes place in an informal way. Each Ministry establishes its own informal networks and sets up standard practices for the exchange of views with respect to prospective regulation. Informal consultations are primarily addressed to existing professional associations, national chambers of commerce and trade unions, many of which are also represented in OKE. However, the choice of participants is tailored more closely to the specific competence area of the consulting Ministry. By way of example, the Ministry of Public Works elaborates regulation in informal working groups composed of civil servants, representatives of the Technical Chamber of Greece (TEE) and of professional associations like the Panhellenic Association of Engineers Providers for Public Works

(PEDMEDE) or the Association of Technical Limited Companies (SATE) and sometimes academics. These same associations receive the draft proposal for comments, and the TEE publishes it in its weekly Information Bulletin for comments by its members. The main avenue for foreign parties to participate and make observations is through domestic associations and entities, although it is not uncommon for foreign enterprises to directly contact the concerned Ministry, especially when their views dissent from the opinion expressed by domestic associations.

The level of satisfaction of parties involved in these informal consultative processes appears in general rather low. Constituencies frequently complain about not being heard, not being given sufficient time to react, or not being consulted at all. Regulation is often prepared under pressure, especially with respect to the transposition and implementation of EU Directives.[13] However, the key problem seems to arise from different (and sometimes divergent) expectations of the parties involved as to the purpose of the consultation, their respective role therein and what the process should ultimately yield. Long-established mutual distrust between the administration and the market has fostered paternalistic attitudes by the civil service and often pushed the private sector to pursue narrow, corporatist agendas. A more transparent consultation practice, with clear timetables and participation criteria, subsequent reporting of debates and respective positions, and publication of motivated policy conclusions from the administration would go a long way towards building confidence and enhancing the efficiency of consultation.

Box 1. **Transparency in the regulation of the Greek capital market**

Transparency and accountability of the supervisory authority are essential for building confidence in the operation of the Stock Exchange. In order to develop investors' trust and ensure that the regulation meets the market's needs, the Greek Capital Market Commission[14] has established a series of information dissemination and consultation practices. They are directly addressed to the concerned public and supplement the annual report that the Commission addresses to the Parliament. These practices include:

- Extensive consultation with the concerned constituencies at an early stage of the elaboration of regulation within the competence of the Commission. To begin with, the Commission issues a consultation paper presenting a preliminary version of the draft and distributes it to concerned professional associations, such as the Federation of Greek Industries, the Union of Brokers, the Union of Institutional Investors, or the Hellenic Bankers Association. Constituencies are given 30 days to react, but in practice this deadline is commonly extended to 45 days. After having received comments, which are usually quite extensive, the Commission organises a meeting between the associations and the Commission staff in order to discuss the comments and their eventual incorporation in the draft. This procedure has most recently been used for the elaboration of three Codes of Conduct on institutional investors, underwriters and brokerage firms and investment firms and on the upcoming regulation on public offers.

- Publication of all decisions on licenses and sanctions. These decisions, taken by the Board of Directors, are based on clear pre-established and publicised criteria and are subject to judicial review by the administrative courts.

- An open policy with respect to requests for information, comments or recommendations by foreign companies or institutions. The Commission endeavours to take appropriate account of such communications, both when they arrive in an ad hoc and informal way and through its participation to international fora, such as the Forum of European Securities Commission (FESCO) or the International Organisation of Securities Commissions (IOSCO).

- Public campaigns of information to educate inexperienced investors on the operation of the Stock Exchange.

- In addition, the Commission is in the process of instituting a Mediator for the Capital Market, responsible for arbitrating conflicts between investors and listed companies.

2.1.3. Appeal procedures

By virtue of Article 10 of the Constitution, market participants wishing to voice concerns about administrative measures or the absence thereof have the possibility to appeal in a first instance either directly to the competent administrative authority or to its superior authority. Alternatively, the appeal can be brought directly to the administrative courts and in particular the Council of State. Where administrative recourse is specifically provided for, judicial recourse is possible only after exhaustion of available administrative remedies or in the absence thereof (such as when the decision emanates directly from a Minister or the Head of a regulatory agency). The appellant can request the suspension of the measure until the court decision is issued.

Access to administrative or judicial remedies is available to all parties whose rights or interests are affected by an administrative decision, action or omission irrespective of citizenship or domicile. Equality before the law in public administrative procedures is enshrined in Article 20 of the Constitution. However, access to judicial remedies suffers from considerable delays, as the Council of State, which is competent for the main share of all types of administrative appeals, is constantly overloaded.

Complaints or objections in relation to specific measures of regulatory authorities, to the absence thereof, or more generally to the quality of service provided by the administration can also be submitted to the Citizen's Advocate (Ombudsman). The Ombudsman may invite the authorities to motivate their decision, put forward recommendations for amendments, or call upon them to withdraw a decision in breach of the law. It can also suggest policy reforms in order to improve the quality of administrative services.

2.1.4. Transparency in the field of technical regulations and standards

Transparency in the field of technical regulations and standards is essential to firms facing diverging national product regulations, as transparency reduces uncertainties over applicable requirements and thus facilitates access to domestic markets. In this field Greece provides information to its trading partners and gives them the opportunity to comment as part of its notification obligations to the European Commission and the WTO. Draft product regulations that are not pure transpositions of EU harmonising directives, as well as draft standards that are distinct from international or European standards, are notified to the European Commission by virtue of Directive 98/34. The EU notification system has enhanced the transparency of the process, as it allows for a strong scrutiny of trading partners over domestic regulatory activities and provides for an early-warning mechanism on any potential obstacles to trade stemming from product regulations.

Responsibility for prompt notification of Greek draft technical regulations and standards lies with ELOT, the national standardisation body (see below Section 2.4). By virtue of Presidential Decrees 206/87 and 523/88, all draft Laws, Decrees and Ministerial Decisions containing technical specifications are transmitted to the Information Centre of ELOT by the regulatory authority in charge. The Information Centre of ELOT is also responsible for receiving notifications from the other EU Members, dispatching them to the competent authorities in Greece, and bringing together any Greek comments on the notified regulations and standards. In order to make sure that government authorities and private sector alike are well aware of all developments in the field, ELOT has established an information network of public and private entities. Information dispatching takes place online, as well as by means of a fortnightly publication mailed to all members of the network. Membership to this information network is open to all on subscription.

To the extent that notified prospective regulations are not based on relevant international standards, the European Commission transmits[15] the information to the WTO Secretariat and other WTO Members in accordance with the obligation laid down by Article 2.9 of the WTO Agreement on Technical Barriers to Trade. Similarly, notification required under other WTO provisions (such as Article 7 of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures, or regular notifications in the framework of WTO Agreements on agriculture, rules of origin, import licensing, etc.) is made to the WTO by the European Commission on behalf of Member States.

Box 2. **Provision of information in the field of technical regulations and standards: Notification obligations in the European Union**

In order to avoid erecting new barriers to the free movement of goods which could arise from the adoption of technical regulations at the national level, European Union Member States are required by Directive 98/34 (which has codified Directive 83/189) to notify all draft technical regulations on products, to the extent that these are not a transposition of European harmonised directives. This notification obligation covers all regulations at the national or regional level, which introduce technical specifications, the observance of which is compulsory in the case of marketing or use; but also fiscal and financial measures to encourage compliance with such specifications, and voluntary agreements to which a public authority is a party. Directive 98/48/EC recently extended the scope of the notification obligation to rules on information-society services. Notified texts are further communicated by the Commission to the other Member States and are in principle not regarded as confidential, unless explicitly designated as such.

Following the notification, the concerned Member State must refrain from adopting the draft regulations for a period of three months during which the effects of these regulations on the Single Market are vetted by the Commission and the other Member States. If the Commission or a Member State emit a detailed opinion arguing that the proposed regulation constitutes a barrier to trade, the standstill period is extended for another three months. Furthermore, if the preparation of new legislation in the same area is undertaken at the European Union level, the Commission can extend the standstill for another twelve months. An infringement procedure may be engaged in case of failure to notify or if the Member State concerned ignores a detailed opinion.

Although primarily directed at Member States, the procedure benefits private parties by enhancing the transparency of national regulatory activities. In order to bring draft national technical regulations to the attention of the European industry and consumers the Commission publishes regularly a list of notifications received in the Official Journal of the European Communities, and since 1999 on the Internet. Any firm or consumer association interested in a notified draft and wishing to obtain further information or the text may contact the Commission or the relevant contact point in any Member state. The value of the system for private operators has been enhanced with the initiative of the Commission in 1999 to publish notifications on the Internet. A searchable database of notifications (Technical Regulations Information System -TRIS-)[16] going back to 1997 gives access to the draft text and the notification itself, including the rationale of the regulation and the status of the proposal.

The incentive of countries to notify, and thus the efficiency of the system, has been strongly reinforced by the 1996 *Securitel* decision of the European Court of Justice (Decision of 30 April 1996, CIA Security International SA versus Signalson SA and Securitel SPRL). The decision established the principle that failure to comply with the notification obligation results in the technical regulations concerned being inapplicable, so that they are unenforceable against individuals.

As far as standards are concerned Directive 98/34 provides for an exchange of information concerning the initiatives of the national standardisation organisations (NSOs) and, upon request, the working programmes, thus enhancing transparency and promoting co-operation among NSOs. The direct beneficiaries of the notification obligation of draft standards are the European Union Member States, their NSOs and the European Standardisation Bodies (CEN, CENELEC and ETSI). Private parties can indirectly become part of the standardisation procedures in countries other than their own, through their country's NSOs, which are ensured the possibility of taking an active or passive role in the standardisation work of other NSOs.

Notification obligations in the field of technical regulations and standards are complemented by a procedure[17] requiring Member States to notify the Commission of national measures derogating from the principle of free movement of goods within the EU. The procedure has come in response to the persistence of obstacles to the free movement of goods within the Single Market. Member States must notify any measure, other than a judicial decision, which prevents the free movement of products lawfully manufactured or marketed in another Member State for reasons relating in particular to safety, health or protection of the environment. For example Member States must notify a measure which imposes a general ban, or requires to modify the product or withdraw it from the market. So far, this procedure has produced limited results.

2.1.5. Transparency in government procurement

Transparency in government procurement is essential for ensuring the effective opening of the markets for public works, supplies and services to international competition. In Greece important reforms have been undertaken in this policy area during the last years, primarily under the momentum provided by the European regulatory framework (see Box 3), but also on account of observed dysfunctions of the system. Public procurement markets are now open to European suppliers in accordance with EU rules, although the implementation of these rules has been very slow, even with respect to the deferred deadlines granted to the Greek government. For instance, rules with respect to utilities, overdue since 1998, were finally transposed in April 2000, although they were already enforced *de facto*.[18] Third country suppliers enjoy the rights afforded by virtue of the WTO Government Procurement Agreement, which entered into force in the European Communities on 1st January 1996. However, some foreign partners believe that, in Greece as in other EU countries, "*… firms from other EU Member States have an automatic advantage over non-EU contenders in winning Greek Government tenders.*[19]" Implementing legislation concerning third country access to procurement by utilities was due in Greece by mid-February 2000, but has not been introduced yet.

Government procurement in Greece is under the responsibility of the Ministry of Environment and Public Works for works,[20] of the Ministry of Development for supplies, and of the Ministry of National Economy for services. These Ministries have also a monitoring role for the overall coherence of procurement activities and the compliance with procedural requirements, including transparency. In addition to procurement centralised through these Ministries,[21] tenders can be directly organised by other public administration services, local authorities, utilities and other public undertakings, as well as private enterprises with a minimum of 50% state or public utility ownership or which are financed at a minimum of 50% by the state or a public utility. Procurement tenders are published in a special issue of the Government Gazette and transmitted to the related Chambers of Commerce. Summaries are also published in national economic dailies and in local newspapers in the case of local procurement. In case of violation of the publication requirements any award contract is null and void. Publication requirements imposed by the EU framework are very widely observed. Despite its small size, Greece has actually the highest number of procuring entities publishing their tenders at the Official Journal of the European Communities, 3186 entities in 1998. During that same year tenders published at the OJEC represented EUR 6.39 billion out of 14.31 billion of total public procurement in Greece, that is around 44.5%, against an average of 13% for the European Union countries.

Box 3. **EU rules on public procurement**

Public procurement in the European Union represents today approximately EUR 1 000 billion, or around 14% of EU GDP. Because of its economic importance it has been considered as one of the cornerstones of the Single Market[22] and led to the adoption of a series of rules aimed at promoting a climate of openness and fairness and securing enhanced competition in the area of public works, supplies and services. A special framework is applied to utilities (energy, water, telecommunications and transport). Some of the major requirements of EU rules on public procurement are the following:

Information: Contracting authorities must prepare an annual indicative notice of total procurement by product area, that they envisage awarding during the subsequent 12 months. The annual indicative list and any contract whose estimated value exceeds specific thresholds must be published in the Official Journal of the European Communities. Tenders must indicate which of the permitted award procedures is chosen (open, restricted or negotiated) and specify objective selection and award criteria. Contracting authorities must also make known the result of the tender procedure through a notice in the Official Journal of the European Communities. Provisions setting minimum periods for the bidding process ensure effective opportunity of interested parties to participate in the tender.

Remedies: Member States must provide appropriate judicial review procedures of decisions taken by contracting authorities. In particular, they must provide for the possibility of interim measures, including the suspension of procedures for the award of public contracts, for setting aside decisions taken unlawfully and for awarding damages to parties affected by the infringement. The EU Directives require that these procedures be effectively and quickly enforced. Effectiveness and speed may however be difficult to judge in practice, given the diversity of judicial systems across EU member states.

Non-discrimination: This principle, applicable among EU member states, is set by the Treaty of Rome which prohibits any discrimination or restrictions in awarding contracts on the grounds of nationality and prohibits the use of quantitative restrictions on imports or measures with equivalent effect.

Use of international standards: EU rules require the use of recognised technical standards in defining specifications, with European standards taking precedence over national standards.

In May 2000 the European Commission introduced proposals aimed at consolidating and modernising the regulatory framework on public procurement. Their main features are the consolidation of the directives on public works, supplies and services into a single text; incentives for a wider use of information technologies in public procurement; and an improved and more transparent dialogue between awarding authorities and tenderers in determining contract conditions. In addition, as utilities, starting with telecommunications, are opened to effective competition, they will be progressively excluded from the regulatory coverage.

However, despite a thorough observance of publication requirements, the openness of public procurement in Greece has been significantly obstructed in the past by the use of "… *loosely written specifications which are subject to varying interpretation.*".[23] Inadequate technical preparation of the tenders is believed to have been the main reason behind conflicting requirements, incomplete supporting studies and frequent miscalculations of the projected costs, which in turn have led to regular reconsiderations of the procurement financing. This state of affairs *de facto* reduced transparency of the tenders, even giving rise to allegations of corruption. It also indirectly encouraged less competitive suppliers to put forward underrated bids in order to win the contract, knowing that the renegotiation of the costs was easy to obtain.

The adequacy of specifications has been progressively improved through the increasing use of internationally harmonised technical standards, while particular attention has been paid to avoiding design-oriented standards mirroring specific suppliers. Furthermore, recent amendments of the regulatory framework aimed at tightening the procedures for drafting pre-selection and award criteria, attributing and making publicly available a mark for each criterion and clearly disconnecting the technical assessment from the economic assessment. In the area of public works, new provisions introduced arithmetical formulas for discarding particularly low-priced bids that would not be justified by the use of innovative cost-effective technologies and limited the possibility to reconsider the cost of the project in the absence of additional works that could not have been foreseen. A practical guide of all procedures, bodies, documents and remedies involved in tender and award procedures is now available on line and aims to help in particular SMEs and new entrants in the Greek market. The effect of amended procedures on the openness and cost-effectiveness of procurement markets has purportedly started bearing its first fruit.

Appeals related to the publication and running of the tender, the exclusion of a bidder or the award of the procurement contract have to be lodged as a first instance with the authority that supervises the procuring entity, in most cases the Minister in charge.[24] In the area of public works aggrieved parties can also address to the Body of Inspectors of Public Works, which are responsible for undertaking regular monitoring, as well as random inspections of the award, implementation and final delivery of public works. If the appeal is accepted the procedure has to resume at the point of the violation. Judicial appeals can be lodged with the Council of State for procurement by the State or by public undertakings, while procurement by private undertakings under state ownership or funding are subject to the jurisdiction of civil courts. The prospect of obtaining effective relief through judicial proceedings had been hampered on the one hand by the ambiguity of selection and award criteria and on the other hand by the delays commonly observed in such proceedings, which could range from one and a half or two years, to five years in case of appeal to a superior court. As courts were generally reluctant to order interim suspension of the procurement procedure because of the public interest to have the procurement carried out, especially in the case of public works financed through EU funds, by the time a court decision was issued the procurement could even be completed. However, in the context of the new procurement procedures, strict deadlines were introduced for judicial relief, which can no longer exceed 30 days for interim measures and 5 months for the final order. This has greatly enhanced the opportunities of affected parties to obtain effective relief.

2.1.6. General overview

Significant efforts have been made by the Greek authorities over the last years to reinforce the transparency of the regulatory framework. Formalised actions, like the establishment of the Economic and Social Council, the creation of the Hellenic Centre for Investment or the streamlining of public procurement procedures, have been supplemented by informal initiatives, such as the increasing use of informal consultation procedures and of the Internet. EU rules have also promoted transparency, particularly in the area of product regulations and of government procurement. However, more could be done to ensure that complete, accurate and timely information, as well as real and deliberate opportunities for comment are offered to all market players and in all circumstances. The introduction of more systematic and formalised prior notice and public consultation procedures would bolster the confidence of the citizens and the market to a rules-based and predictable operation of the economy. Access to the domestic market would also be greatly enhanced by concerted efforts to streamline the regulatory framework.

2.2. Measures to ensure non-discrimination

Application of non-discrimination principles, Most-Favoured-Nation (MFN) and National Treatment (NT), in making and implementing regulations aims at providing effective equality of competitive opportunities between like products and services irrespective of country of origin and thus at maximising efficient competition on the market. The extent to which respect for those two core principles of the multilateral trading system is actively promoted when developing and applying regulations is a helpful gauge of a country's overall efforts to promote a trade and investment-friendly regulatory system.

2.2.1. Non-discrimination in domestic regulation

There are no overarching requirements in Greek legislation to incorporate non-discrimination principles into the regulatory decision-making process, other than the general equality provisions contained in articles 4 and 5 of the Greek Constitution. However, in the specific field of economic relations, Greece has subscribed to the MFN and national treatment principles *inter alia* in the context of its membership to the WTO. These WTO commitments form an integral part of the Greek legal system by virtue of Article 28

of the Constitution and override any conflicting provisions in domestic regulation. The observance of these principles is supervised by the Ministry of National Economy, which has the responsibility of identifying regulations incompatible with Greece's international commitments and co-ordinating with the relevant Ministry their amendment or withdrawal.

Overtly discriminatory regulatory content is quite exceptional. Existing measures that discriminate against foreign ownership tend to be fairly limited in scope, while the ongoing deregulation across a number of sectors of the economy is likely to further enhance international market openness. However, enduring exceptions to this general trend remain. These often concern the need for non-EC residents to obtain an authorisation for certain types of investments, such as the acquisition of real estate in border regions,[25] or the establishment of a representative office or a branch of a foreign bank. Limitations of ownership to a minority share apply to domestic airline companies, domestic flag vessels and television and radio broadcasting companies. Expressly discriminatory elements against non-resident foreign companies were also contained in fiscal legislation, which taxed less heavily domestic companies listed in the Athens Stock Exchange as well as subsidiaries of foreign companies. Following complaints at the European level, the Greek government has recently revised the Law to suppress its discriminatory elements. The level of taxation of listed non-resident foreign companies is reduced to the level of listed domestic companies, while the taxation differential between listed and non-listed companies will be gradually removed over the next two years.

As other OECD countries, Greece maintains some exceptions to the non-discrimination principle in the area of services and in particular of professional services. In the context of the GATS Agreement, the list of exemptions to MFN treatment as well as the schedule of commitments to market access and national treatment have been decided at an EU-wide level and have been submitted to the WTO by the European Commission. These are composed of EU-wide exemptions and commitments as qualified by the additional restrictions attached by individual Member States (often replacing full commitments by partial commitments or unbound limitations). EU-wide commitments are generally considered to be among the least restrictive in the WTO context.[26] However, additional restrictions attached by EU Member States increase significantly the restrictiveness of the European Union market for services towards third countries.

Additional limitations introduced by Greece and affecting non-EU nationals concern principally the presence of natural persons, where conditions of nationality apply to legal practitioners, statutory auditors, engineers, urban planning and landscape architects, doctors, dentists and midwives, nurses, physiotherapists and paramedical personnel, pharmacists,[27] real estate services, teachers for primary and secondary education, employees in public hospitals, and tourist guides. Furthermore, cross-border supply is unbound for accounting services, bookkeeping services, engineering services, urban planning and landscape architectural services, while commitments with respect to public voice telephony and facilities-based telecommunications services will only be enforced as of 1st January 2003. Greece also maintains some additional limitations relating to the commercial presence of service providers. These are conditions of nationality for the managers of construction companies supplying the public sector and for the majority of members of the Board in private primary and secondary education schools. There are no commitments granted as regards the establishment of higher education institutions granting recognised State diplomas.

Because of the weight of the services sector in the Greek economy, the reduction of barriers to entry in regulated professions is bound to have a very important pro-competitive effect overall. The regulatory framework with respect to professional services is currently reconsidered by the Greek government in this perspective. An interministerial committee under the co-ordination of the Ministry of National Economy has undertaken to identify and assess entry barriers and operation formalities hampering the exercise of professional services or imposed on business activities. This review will be based on an analysis of the conditions applicable to all professions regulated by permits and licences and is expected to lead by the end of the year to the elaboration of a general policy framework. This framework will then be submitted for consultation to concerned constituencies.

2.2.2. Preferential agreements

While preferential agreements give more favourable treatment to specified countries and are thus inherent departures from the MFN and NT principles, the extent of a country's participation in preferential agreements is not in itself indicative of a lack of commitment to the principle of non-discrimination. In assessing such commitment, it is relevant to consider the attitudes of participating countries towards non-members in respect of transparency and the potential for discriminatory effects. Third countries need access to information about the content and operation of preferential agreements in order to make informed assessments of any impact on their own commercial interests. In addition, substantive approaches to regulatory issues such as standards and conformity assessment can introduce potential for discriminatory treatment of third countries if, for example, standards recognised by partners in a preferential agreement would be difficult to meet by third countries.

The most important preferential agreement in which Greece participates is obviously the European Communities, while all other preferential trade agreements that it applies form an integral part of the common European Union trade policy (namely the agreements with EFTA countries, the association agreements with Central and Eastern European countries and Mediterranean countries, the post-Lomé Agreement with ACP countries and the General System of Preferences for developing countries). The European Union manages these Agreements in a highly transparent manner. Information is readily available to interested non-parties through a variety of avenues, including the Internet or publications such as the *European Bulletin*. In addition, information on preferential agreements is made available to third through notifications to the WTO. The WTO Committee on Regional Trading Agreements reviews all preferential agreements, in a process that consists among other things of written questions and answers. Within this context recourse is available for third countries which consider they are prejudiced by these agreements. In considering proposals for new preferential agreements, the European Council addresses a number of strategic questions, including compatibility with all relevant WTO rules, the impact on the Community's other external commitments and the likelihood that the agreement would support the development of the multilateral trading system.

2.2.3. General overview

Discriminatory elements in the Greek regulatory framework are therefore mainly limited to the services area. The effect of such restrictions on the openness of the market may be considerable, given the importance of the services sector in the economy. The Greek government is currently reconsidering domestic policy with respect to professional services.

2.3. Measures to avoid unnecessary trade restrictiveness

To attain a particular regulatory objective, policy makers should favour regulations that are not more trade restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Examples of this approach would be to use performance-based rather than design standards as the basis of a technical regulation, or to consider taxes or tradable permits in lieu of regulations to achieve the same legitimate policy goal. At the procedural level, effective adherence to this principle entails consideration of the extent to which specific provisions require or encourage regulators to avoid unnecessary trade restrictiveness and the rationale for any exceptions; how the impact of new regulations on international trade and investment is assessed; the extent to which trade policy bodies as well as foreign traders and investors are consulted in the regulatory process; and means for ensuring access by foreign parties to dispute settlement.

2.3.1. The impact of regulations on trade

In Greece there are no explicit provisions requiring or encouraging regulations or administrative practices to be trade and investment friendly. Accordingly, it is up to individual ministries, agencies and the administration in general to apply regulations and administrative procedures in ways that do not affect the free flow of trade and investment. However, the interventionist and over-regulating tradition of the Greek State has not promoted the use of market-based approaches in the elaboration and the enforcement of regulation. Most government actions still rely on legalistic and procedural approaches with little attention to economic perspectives and policy performance. Regulatory inflation has made it particularly difficult to ensure coherent policies, especially in the absence of an efficient mechanism for assessing the impact of regulation on the economy. Above and beyond this, the widespread risk-aversion of the public service has often led to enforcement that was even more restrictive than required by the letter of the law. The negative impact of this state of affairs on FDI attractiveness, the competitiveness of Greek firms and economic development in general has been repeatedly highlighted by researchers and businesses and is increasingly recognised by the government and the administration.[28] In response to these concerns, several simplification projects have been initiated across the administration, some of which start now bearing their first fruits.

The potential impact of proposed regulations on trade and investment is not formally assessed when preparing new or modifying existing regulations. More generally there are no established mechanisms for undertaking prior cost-benefit analysis or assessing the expected social and economic impacts of proposed regulation, other than the constitutional requirement for a budgetary impact report supplementing all regulations with an impact on the public budget (for a detailed discussion on regulatory impact analysis see background report to Chapter 2). Likewise, the process for developing and amending regulations does not comprise a concrete appraisal of the prospects for proper enforcement, or the availability of alternative, more appropriate policy instruments for attaining the desired objective. Suboptimal consultation mechanisms, as described above, further deprive the administration of valuable insights on the potential effects of the regulation on the economic activity, and on the capacity of concerned constituencies to comply. As a result, regulation tends to impose burdens that are disproportional to its aims and induces non-compliance. When regulation fails to achieve its objectives or no longer corresponds to changed circumstances, the lack of a comprehensive assessment of the reasons behind regulatory failure may drive the regulator to just fill the gaps in a fragmented manner rather than envisaging a complete streamlining of the regulation.

In the absence of a formalised RIA system, the sole possibility for identifying and preventing trade and investment restrictive regulation is through the intervention of concerned Ministries in the framework of interdepartmental co-ordination. The co-ordination of regulatory production is conducted by the General Secretariat of the Ministerial Council, which centralises all draft laws and regulations forwarded by respective Ministries in order to be commented and approved by the rest of the government. The approval of the whole government is requested for proposals to proceed. More specifically, proposed regulation that may affect foreign economic relations and in particular the implementation of the country's obligations arising from international economic agreements is within the ambit of the Ministry of National Economy (YPETHO). YPETHO has the possibility to request the withdrawal of a regulation that violates international obligations or the redrafting of a regulation that may cause adverse trade effects. Any disagreement has to be arbitrated by the government in plenary. However, it can be very difficult for the interdepartmental co-ordination to correctly assess and rule out trade and investment restrictive regulation because of the lack of substantiated information on the necessity, efficiency and proportionality of the proposal and on alternatives.

2.3.2. Regulatory burdens on business operation

Surveys conducted in 1997 among foreign enterprises in Greece have shown that the bureaucracy and more generally the contacts with central or local authorities are perceived as one of the most significant problems faced by businesses operating in Greece, along with insufficient infrastructure, fiscal legislation, and labour and social security legislation.[29] According to the 1997 surveys bureaucratic burdens related more particularly to the lack of operational flexibility of the administration and the considerable delays in handling matters, namely on account of insufficient co-ordination between implicated services or between the centre and the periphery. Recurrent complaints also concerned the emphasis established procedures put upon form over content and the lack of a client-oriented culture within the civil service. In addition, the absence of a long-term perspective and the frequent changes in procedures and policies, in particular in the fiscal area,[30] were seen as seriously limiting predictability and inhibiting the possibility of strategic planning by the firms. Administrative burdens are obviously not unique to Greece, but the substantial role played by the Greek State in the economy confers on them a particular influence over private investment decisions.

Seventy percent of the surveyed firms considered that the type and degree of problems do not significantly differ among foreign and domestic firms, although it could be assumed that foreign firms might find those problems more difficult to overcome. However, the considerable amount of discretion that characterises the implementation process enables selective enforcement in favour of insiders. Especially where regulatory requirements are too complex to monitor and too costly to implement, the administration will often allow some leeway for established firms. Regulatory burdens are thus particularly demanding on new entrants, be they domestic or foreign, which have to devote considerable effort to adjust.

They are also quite exacting on small firms because they entail fixed costs, which do not vary significantly with the size of the firm. These non-productive costs have been partially quantified by the National Confederation of Greek Trade (ESEE)[31] in the framework of an investigation conducted in 1999 among commercial SMEs operating in 6 major Greek cities. The assessment focussed on a series of administrative formalities relating to fiscal and social security requirements and the delivery of the related clearance certificates from the concerned authorities. It concluded that such formalities could take up to 30 hours per month and even completely disrupt economic activity for certain micro firms. The situation is expected to improve considerably in the fiscal area with the completion of the Integrated Taxation Information System (TAXIS),[32] which rationalised the whole process through the use of modern communication systems. After a pilot operation at the beginning of the year, the system became fully operational as of May 2000, with 231 connected tax offices (over a total of 301), representing 95% of expected fiscal revenues. At that date TAXIS recorded 8 200 registered users, the majority of which are tax-consulting firms.

2.3.3. The example of licensing procedures

One of the areas that have attracted considerable criticism is the licensing of industrial activities where overlapping, redundant and time-consuming requirements hinder new entrepreneurial activities. The Federation of Greek Industries has estimated that it could take up to 45 different “steps” to set up a business activity. Some of these steps may concern duplicative permit requirements by different authorities, while others relate to assembling the various certificates requested from the applicant. Formalities can take very long depending on the services. Furthermore, each step is usually considered as a prerequisite for the next, so that it is difficult to speed up the formalities by parallel processing of the licensing requirements. Particular problems seem to be observed at the local government level, especially as regards zoning regulations. FGI believes that a couple of major greenfield investment projects in recent years may have been driven out of Greece because of excessive delays that prevented them from meeting

their own time constraints. A recent research project commissioned by the European Commission[33] concluded that in four cases investigated in Greece 2 to 8 licences were required, involving 3 to 9 different authorities. The time elapsed from the submission of the file to the granting of the authorisation varied from 4 months for the simplest case (renewal of mechanical equipment) to 33 months for a case including an approval for traffic connection.

In recent years the Greek government has made several attempts to contain the hindrance of administrative formalities, the most important of which were the creation of ELKE in 1996 (see above, Section 2.1.1) and the adoption of Law 2516 on the establishment and operation of industrial activities in 1997. One of the main functions of ELKE as a promoter of investment activities is to help potential investors secure the necessary licences for setting up their activity. ELKE assists the firm in understanding all licensing requirements, pulls together the required certificates, checks that the file is complete and takes care of all formalities and contacts with relevant administrations. On the other hand, ELKE has no competency to issue any of the necessary licences or grant investment incentives, and in that sense it is not really a "one-stop-shop". In case of excessive delays in the processing and in particular where conflicts arise between involved administrations, ELKE can convene these administrations to a special meeting in order to expedite the issue. Its ability to offer an efficient solution against administrative burdens is circumscribed by the fact that it has been given no real power to urge involved administrations for prompter service and that its assistance is not available for smaller investment projects nor for prospective investors that do not apply for cash grants or other incentives.

Law 2516 of 1997 aimed at simplifying industrial licensing procedures and at synchronising industrial development and environmental protection. It consolidated permits for the establishment of industrial activities into a single licence, issued by the regional department of the General Secretariat for Industry in each Prefecture. Each regional GSI department is responsible not only for formalities related to industrial policy but also for obtaining the necessary permits from environmental or zoning authorities and incorporating them into the single licence. GSI departments have to issue the licence or notify the reasons for rejecting the request within a period of 40 to 60 days depending on the type of activity, renewable once by Ministerial Decision. In case of non-respect of the deadlines, responsibility for issuing or refusing the licence is with the Ministry of Development, the silence of all other administrations equalling consent. Silence of the Ministry beyond a total of 3 months can be taken to the administrative courts. Permits for the operation of industrial activities were also consolidated into a single licence, applied for after the granting of the establishment licence. An interim authorisation has to be delivered within two months, valid until the definitive licence, or refusal thereof, is issued. In case of non-respect of the deadline the firm can start its activities without an authorisation.

Despite the introduction of a streamlined procedure, the law has not initially produced the efficiency gains anticipated, because the lack of appropriate resources and co-ordination with other Departments did not allow GSI services to meet prescribed deadlines and requirements. The judicial recourse provided in case of non-respect was hardly an efficient relief, since delays in judicial procedures are generally longer than licensing procedures. Moreover, the law did not provide for a simplification of requested certificates, which can be very complex and time-consuming to obtain. In order to deal with these problems, the Ministry of Development launched in May 2000 a major initiative to better translate the new regulatory framework in practice. This initiative included the codification of all requirements with a view to displaying them on the Internet together with an interactive guide to help applicants; the suppression of several unnecessary requirements; the development of industrial zones with attractive infrastructure conditions, in which no zoning permits are needed; the establishment of precise descriptions of all requirements introduced by other administrations so as to help GSI departments meet them; and the training of regional GSI departments to improve qualifications, co-ordination, service attitude and motivation. By way of example, formalities for establishing stock companies now take 4 to 8 days, down from 45 to 50 before the streamlining of superfluous requirements. Five prefectural offices started operating one-stop-shops on a pilot basis since June 2000. Lessons learned from their experience will serve to shape the project on a national basis.

Box 4. **Promoting competitiveness through the improvement of the business environment. Simplification initiatives in the European Union**[34]

Efforts to improve the business environment by enhancing regulatory quality and reducing the regulatory burden have been central to the European strategy for the achievement of the Single Market. Initiatives aimed at simplifying the business environment in Europe include the *Simpler Legislation for the Internal Market* (SLIM) project, the *Business Environment Simplification Task Force* (BEST) and the *European Business Test Panel.*

SLIM, which was launched in 1996, consists of an *ex post* regulatory impact assessment and consolidation mechanism. Small teams, composed of Member State officials and of users of the legislation, review Community legislation in particular sectors with a view to identifying concrete suggestions for simplification. These suggestions, which are not binding, may then be used as a basis for amendments proposed by the Commission to the Council. The focus is on provisions that give rise to excessive implementation costs and administrative burdens, diverging interpretations and national application measures and difficulties in application. Areas for review may be proposed by regulators or business associations, who should indicate what are the problems to be addressed and the benefits anticipated from simplification. Reviewed legislation is usually at least 5 years old in order to allow its strengths and weaknesses to be properly identified.

Since 1996, SLIM reviews have taken place in 14 sectors, including ornamental plants, classification of dangerous substances, pre-packaging, construction products, fertilisers, electromagnetic compatibility, banking, insurance and company law, recognition of diplomas, social security rules, VAT, internal trade statistics and nomenclature for external trade. The Commission has proposed amended legislation on six of these and three have been adopted by the Council and the Parliament. Proposals on the remaining sectors are underway. The effectiveness of the project has recently been reviewed by the Commission, which highlighted the importance of an appropriate follow up by EU institutions of the concrete suggestions put forward by the SLIM teams. Indeed, SLIM recommendations are formulated on average within six months but the process afterwards is quite protracted. As regulatory costs and red tape related to national and regional regulation, were estimated at 3-5% of the EU GDP, some SLIM teams have tried to incorporate parallel reviews of national implementation of the reviewed Community legislation. However, these attempts were too ambitious for the means and resources of the teams to ever be successful. It was thus proposed to complement SLIM reviews with co-ordinated parallel exercises in the Member States.

BEST was created in 1997 to investigate the regulatory and administrative environment and support measures that directly affect the competitiveness of SMEs. It was composed of business representatives, public officials and academics. Recommendations focussed on access to financing, human resources management and training, innovation and technology transfer, as well as all aspects of public administration and its contacts with the enterprises. As regards the improvement of public administration it was particularly stressed that the assessment of regulatory impact on business should be central to the decision-making process; that the launching of SMEs should be facilitated by simplifying applicable procedures; and that the transparency and efficiency of rules of operation should be enhanced. An Action Plan was established in 1999 on the basis of the BEST report. Most of its actions are currently underway.

European Business Test Panels were first set up in 1998 as a pilot tool in the framework of the European Commission business impact assessment system. The Panels were designed as a complement to the existing consultation procedures and aimed at assessing compliance costs and administrative burdens, especially in the area of trade and industry, and identifying alternative solutions. They would be set up at the national level in each Member State that volunteered to participate, and operate according to the Member's consultation traditions and procedures. Panels would bring together representative firms from the concerned sectors and work under very short timescales to avoid delaying the legislative process. Their conclusions would then feed into the cost-benefit analysis undertaken by the Commission.

During the trial phase Business Test Panels were convened to assess proposals on VAT fiscal representation, Accounting and Waste from Electrical and Electronic Equipment. They allowed consulting from 1067 to 1744 businesses around Europe. The response ratio to the questionnaire was from 35% to 43%. After each consultation a report was issued explaining the opinions of respondents and the steps the Commission envisages in view of these opinions. After two consultations on less contentious matters, the Panel on Electrical and Electronic Waste showed that 77% of the affected businesses found the proposal to be an administrative burden and around half of them that it would require additional investments. The Commission will take into account these concerns when finalising its proposal.

2.3.4. The example of customs procedures

As tariff levels have declined through GATT/WTO rounds, the costs imposed by customs procedures have attracted growing attention from businesses. Customs procedures encompass formalities and procedures in collecting, presenting, communicating and processing data requested by customs for and related to the movement of goods in international trade. Costs are generated by compliance with documentary requirements (acquiring and completing the documents and paying for their processing) and by delays of cargo processing at borders. The aims of customs procedures (to collect revenue, to compile statistics, to ensure that trade occurs in accordance with applicable regulations, such as those aiming at protection of human safety and health, protection of animal and plant life, environmental protection, prevention of deceptive practices, etc.) should be pursued so as to ensure that the procedures do not create unnecessary obstacles to international trade. In other words, the lowering of trade barriers may not achieve the full efficiency of liberalisation without harmonised, simplified, fast and secured customs procedures.

Customs services in the Greek Ministry of Finance have taken measures to simplify customs procedures in the framework of the European rules set in the EU Common Customs Code. Greece has not acceded to the World Customs Organisation (WCO)'s revised Kyoto Convention,[35] as there remains legal-technical issues to be resolved within the European Union. However, along with other EU customs authorities, the Greek authorities have implemented trade facilitation measures provided by this international convention, such as pre-arrival import declarations. These measures have significantly improved transparency in customs regulations and operations, and accelerated customs clearance, without compromising regulatory objectives, such as revenue collection.

Until recently, the customs system made only limited use of electronic means. Computerisation of the system was organised and financed in the framework of successive Community Support Framework Programs. This involved the establishment of an electronic data interchange system (EDI system),[36] called Integrated Customs Information System (ICIS). The main objectives of the system were to avert custom duty evasion, improve the service to customers, facilitate transactions, improve public health protection through better monitoring of shipments, and facilitate the performance of trade statistics. Infrastructure work for ICIS and basic training of customs officers were completed in April 2000. In May 2000 ICIS was launched on a pilot basis and is progressively expanded to other customs offices as computer equipment is put in place and applications' training is proceeding. It is expected that 90% of customs offices will be connected by spring 2001. The totality of customs declaratives offices in Greece have already been equipped and connected to the system, as well as an increasing number of major importing firms.

ICIS enables importers to submit import declarations and to receive customs clearance electronically. Through its implementation it helps harmonise the interpretation and implementation of customs regulations across all border points and ensures equality of treatment for all customers. Its effects on the speed of the clearance process is considerable, since for connected customs offices the average clearance time fell to 30 minutes down from 5 to 6 hours previously.

2.3.5. Overview of measures to avoid unnecessary trade restrictiveness

Unnecessary trade restrictiveness of regulations, regulatory enforcement and administrative practice seem to be one of the major shortcomings of the Greek regulatory framework. The government and the administration have neither the experience nor the tools for assessing the potential impact of regulation on the business activity in general. Regulatory burdens are perceived to be widespread and to impact heavily on productivity and competitiveness alike. Several simplification and facilitation measures have been directed at these burdens in recent years, including the computerisation of tax and customs procedures, the rationalisation of licensing procedures or the creation of an investor's "help desk". Given

the complexity of the Greek regulatory system, these measures need time to produce tangible results. However, neither these nor future endeavours can succeed without properly targeting the roots of the problems and avoiding piecemeal approaches. The development of regulatory impact assessment tools will thus be critical for devising a successful simplification policy.

2.4. Measures to encourage use of internationally harmonised measures

The application of different standards and regulations[37] for like products in different countries – often explained by natural and historical reasons relating to climate, geography, natural resources or production traditions – presents firms wishing to engage in international trade with significant and sometimes prohibitive costs. Hence, when appropriate and feasible, reliance on internationally harmonised measures, such as international standards, as the basis of domestic regulations can facilitate trade flows. National efforts to encourage the adoption of regulations based on harmonised measures, procedures for monitoring progress in the development and adoption of international standards, and incentives for regulatory authorities to seek out and apply appropriate international standards are thus important indicators of a country's commitment to efficient regulation.

2.4.1. The European influence

The current Greek policy with respect to technical regulations is shaped to a large extent by Greek membership in the European Union. This entails not only a clear commitment towards harmonisation, but also limits government intervention wherever possible to the setting of essential requirements, leaving technical details to be worked out by means of standardisation, testing and certification by and for industry (see Box 5). These principles are part of the institutional framework for standardisation activities as laid down in Law 372 of 1976, subsequently amended to reflect Greek obligations under EU directives and the WTO TBT Agreement.

A basic principle, which underlies European standardisation, is subsidiarity with respect to global standards, based on the assumption that conformity of European standards to global standards is likely to facilitate access of European products to world markets. Apart from the standardisation work mandated by the Commission (see Box 5), most standards are prepared at the request of industry. On the one hand, a growing number of European and national standards are in fact transpositions of international standards produced by ISO, IEC and ITU; on the other hand, various initiatives have been developed at the European level to promote transparency and co-operation at the international level:

- The standardisation process is undertaken in close co-operation with all parties involved, such as the Member States (through the membership of all European Union national standardisation bodies), industry and consumers (through the representation of industry, consumers, and trade unions associations on the technical committees and working parties responsible for the preparation of the standards) and trading partners (through the association with EFTA and other countries and the co-operation agreements described below); the standards produced are publicly available by means of paper and electronic publications of the standardisation bodies, as well as of official publications of the European Commission.

- The numbering of European standards clearly indicates the relationship with international standards, for instance, whenever a CEN standard is a transposition of an ISO standard it will be referenced by the same number by simply adding the EN prefix in front of the ISO prefix (f.i. EN-ISO 5079 on textile fibres); the same applies for national references (f.i. ELOT-EN-ISO 5079).

- Co-operation agreements have been signed between ISO and CEN (Vienna Agreement) and between IEC and CENELEC (Dresden Agreement) to secure the highest possible degree of approximation between European and international standards and avoid duplication of work. A similar agreement is being prepared by ETSI and ITU to take into account the specificities of telecommunications.

- Furthermore, the European Union is a party to the UN-ECE 1958 Agreement on Automotive Standards. This agreement provides a basis for the technical approval of motor vehicle equipment and parts. It has been supplemented by additional regulations developed by the UN-ECE Working Party on the Construction of Vehicles. UN-ECE regulations have played a major role in the harmonisation process of regulations within the European Union. Thirty five of them have been recognised equivalent to EU directives that specify technical requirements for the type approval of motor vehicles.

Box 5. **Harmonisation in the European Union**[38]

The New Approach and the Global Approach

The need to harmonise technical regulations when diverging rules from Member States impair the operation of the common market was recognised by the Treaty of Rome in Articles 100 to 102 on the approximation of laws. By 1985 it had become clear that relying only on the traditional harmonisation approach would not allow the achievement of the Single Market. As a matter of fact, this approach was encumbered by very detailed specifications which were difficult and time consuming to adopt at the political level, burdensome to control at the implementation level and requiring frequent updates to adapt to technical progress. The adoption of a new policy towards technical harmonisation and standardisation was thus necessary to actually ensure the free movement of goods instituted by the Single Market. The way to achieve this was opened by the European Court of Justice, which in its celebrated ruling on *Cassis de Dijon*[39] interpreted Article 30 of the EC Treaty as requiring that goods lawfully marketed in one Member State be accepted in other Member States, unless their national rules required a higher level of protection on one or more of a short list of overriding objectives. This opened the door to a policy based on mutual recognition of required levels of protection and to harmonisation focusing only on those levels, not the technical solution for meeting the level of protection.

In 1985 the Council adopted the **"New Approach"**, according to which harmonisation would no longer result in detailed technical rules, but would be limited to defining the essential health, safety and other[40] requirements which industrial products must meet before they can be marketed. This "New Approach" to harmonisation was supplemented in 1989 by the "**Global Approach**" which established conformity assessment procedures, criteria relating to the independence and quality of certification bodies, mutual recognition and accreditation. Since the New Approach calls for essential requirements to be harmonised and made mandatory by directives, this approach is appropriate only where it is genuinely possible to distinguish between essential requirements and technical specifications; where a wide range of products is sufficiently homogenous or a horizontal risk identifiable to allow common essential requirements; and where the product area or risk concerned is suitable for standardisation. Furthermore, the New Approach has not been applied to sectors where Community legislation was well advanced prior to 1985.

On the basis of the New Approach manufacturers are only bound by essential requirements, which are written with a view to being generic, not requiring updating and not implying a unique technical solution. They are free to use any technical specification they deem appropriate to meet these requirements. Products, which conform, are allowed free circulation in the European market.

For the New Approach, detailed harmonised standards are not indispensable. However, they do offer a privileged route for demonstrating compliance with the essential requirements. The elaboration at European level of technical specifications which meet those requirements is no longer the responsibility of the EU government bodies but has been entrusted to three European standardisation bodies mandated by the Commission on the basis of General Orientations agreed between them and the Commission. The CEN (European Committee for Standardisation), CENELEC (European Committee for Electrotechnical Standards) and ETSI (European Telecommunications Standards Institute) are all signatories to the WTO TBT Code of Good Practice. When harmonised standards produced by the CEN, CENELEC or ETSI are identified by the Commission as corresponding to a specific set of essential requirements, the references are published in the Official Journal. They become effective as soon as one Member State has transposed them at the national level and retracted any conflicting national standards. These standards are not mandatory. However conformity with them confers a presumption of conformity with the essential requirements set by the New Approach Directives in all Member States.

The manufacturer can always choose to demonstrate conformity with the essential requirements by other means. This is clearly necessary where harmonised European standards are not (or not yet) available. Each New Approach directive specifies the conformity assessment procedures to be used. These are chosen among the list of equivalent procedures established by the Global Approach (the so-called "modules"), and respond to different needs in specific situations. They range from the supplier's declaration of conformity, through third party type examination, to full product quality assurance. National public authorities are responsible for identifying and notifying competent bodies, entitled to perform the conformity assessment, but do not themselves intervene in the conformity assessment. When third party intervention is required, suppliers may address any of the notified bodies within the European Union. Products which have successfully undergone the appropriate assessment procedures are then affixed the CE marking, which grants free circulation in all Member States, but also implies that the producer accepts full liability for the product.[41]

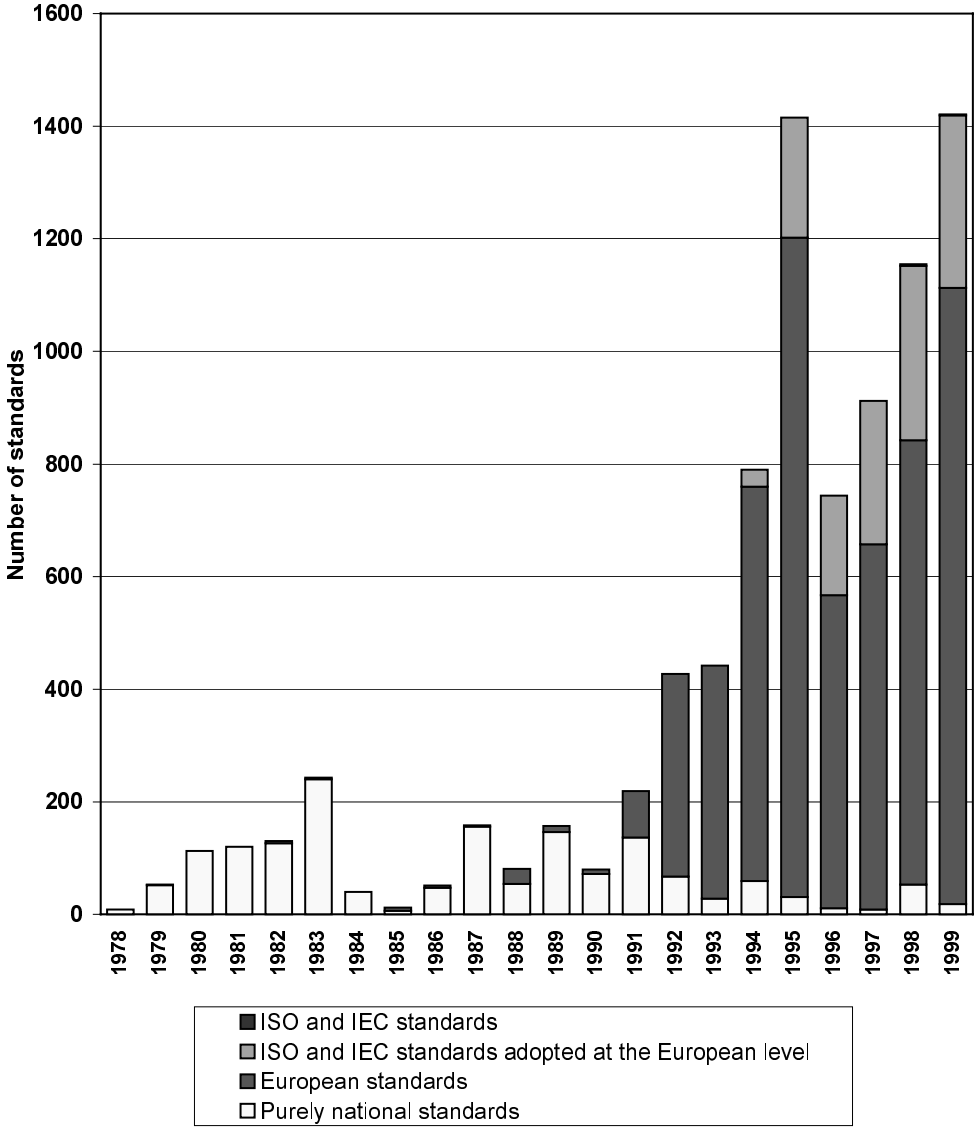
The strength of the New Approach and the Global Approach lies in limiting legal requirements to what is essential and leaving to the producer the choice of the technical solution to meet this requirement. At the same time, by introducing EU-wide competition between notified bodies and by building confidence in their competence through accreditation, conformity assessment is distanced from national control. The standards system, rather than being a means of imposing government-decided requirements, is put at the service of industry to offer viable solutions to the need to meet essential requirements, which however are not in principle binding. The success of the New and Global Approaches in creating a more flexible and efficient harmonised standardisation process in the European Union heavily depends on the reliability of the European standardisation and certification bodies and on the actual efficiency of control by Member States. First, European standardisation and certification bodies need to have a high degree of technical competence, impartiality and independence from vested interests, as well as to be able to elaborate the standards necessary for giving concrete expression to the essential requirements in an expeditious manner. Second, each Member State has the responsibility to ensure that the CE marking is respected and that only products conforming to the essential requirements are sold on its market. If tests carried out by a notified body are cast in doubt, the supervisory authorities of the Member State concerned should follow this up.

2.4.2. Standardisation activities

Law 372/1976 established the Hellenic Organisation for Standardisation (ELOT), which is the national central standardisation and certification body. ELOT is a state-owned, non-profit, limited company under the supervision of the General Secretariat for Industry of the Ministry of Development. Its operations are based on 155 technical committees and working groups bringing together representatives of the producers, the consumers, scientific institutions and the administration. ELOT is financed on the one hand by the contributions of its members, the sale of standards and the remuneration of its testing, quality control and certification services and on the other hand by the Greek government. With the progressive development of ELOT activities, own resources, which represented 29% of the ELOT budget in 1995, have risen to 59% in 1999.

ELOT standardisation activities are clearly geared towards the adoption of European and international standards, resulting in an easier access of foreign products to the domestic market as well as an additional competitive edge in the global market for Greek producers. This commitment was already present in the founding Law, which stipulates in its present version that "*Greek standards and specifications shall be harmonised, where appropriate, to those of the European and international standardisation organisations.*" The breakdown of ELOT standardisation activities demonstrates its international orientation. By the end of 1999 ELOT had published 8772 finalised standards, only 1594 of which were purely national standards. The rest of them were transpositions either from European standards (CEN, CENELEC and ETSI) or from international standards (IEC and ISO) not yet adopted at the European level. The number of purely national standards has steadily declined over the years as the scope for European harmonisation has increased and limited the need for national standards. Similarly ELOT has only a limited activity of harmonisation against existing international standards as this work is mainly carried out by the European standardisation bodies. The adoption of harmonised standards is thus increasingly related to the European Single Market.

Figure 1. **ELOT Standardisation Activities**



Source: OECD on the basis of figures provided by ELOT.

At the national level technical rules continue to be devised in areas where there is an absence of European harmonisation as well as in areas where there is EU legislation, but European standards are not available. In addition, ELOT has a particular standards-setting activity in the area of Greek "*cultural requirements*",[42] producing national standards which are then promoted as international ones. In order to speed up the pace of harmonisation, ELOT can propose the interim direct use of existing international standards, pending their translation into Greek standards. This practice is widely applied by many EU countries as regards European standards. Although technical specifications produced by ELOT are of course voluntary, in line with the European regulation, some of them may be ascribed a mandatory character by means of Ministerial Decision for particular reasons pertaining to human health and safety or the protection of the environment.

In parallel to its commitments towards the adoption of harmonised standards, ELOT is bound by its founding Law to actively participate to the activities of foreign and international standard-setting bodies and to fulfil the related international obligations of Greece. ELOT thus maintains close-working relationships with national standards and certification bodies of other countries and participates actively in the work of the European standard-setting bodies (CEN, CENELEC and ETSI) and of ISO and IEC. It has concluded memoranda of co-operation with standard-setting bodies in neighbouring countries (including Armenia, Bulgaria, Cyprus, the Former Yugoslav Republic of Macedonia, Romania and Ukraine) providing for technical assistance to help these bodies upgrade their infrastructure and proceed with the adoption of harmonised standards. ELOT is designated as the Greek contact point for notifications of draft technical standards and regulations under Directive 98/34/EEC, as well as under the WTO TBT Agreement. It has accepted the WTO TBT Code of Good Practice for the preparation, adoption and application of standards and is thus committed to operate according to the principles set therein.

ELOT is also active in the areas of testing and certification and is the national body for conformity assessment activities in the framework of the Global Approach. As its infrastructure capacities to perform testing and certification are insufficient to meet growing market needs,[43] it operates in parallel to several private organisations (among others VERITAS, Lloyd's and VDE) which have set up certification operations in Greece. Although annual certification output of ELOT (including certification of quality systems, environmental management control and health and safety control) has expanded from 137 certificates in 1995 to 554 certificates in 1999, this represents a drop from 70% to 50% of market share. The importance of certification activities is growing not only in the private but also in the public sector. Tendering authorities have only recently introduced the systematic use of certification as an additional qualification or even a prerequisite for participating in government tenders, as in the past such condition would *de facto* eliminate most Greek firms. A series of programs to promote the concept of quality among Greek firms have been developed by the Ministry of Development. By 1999 there were 1685 firms certified to ISO 9000 management system standards (from 20 only in 1993) and 21 firms certified to ISO 14000. Since 1998 even a number of public administration services have sought ISO 9000 certification, but the number of certified services is still negligible.

2.4.3. General Overview

Greece is strongly committed to the international harmonisation of technical standards and regulations. Standardisation activities are largely shaped in accordance with European standardisation policies and the national standardisation body is also actively involved in regional harmonisation initiatives. Quality control initiatives are still at an early stage but benefit lately from increased attention from the administration and businesses alike.

2.5. Recognition of equivalence of other countries' regulatory measures

In cases where the harmonisation of regulatory measures is not considered feasible or necessary, the recognition of equivalence of other countries' regulatory measures in attaining the same regulatory objective may be the most appropriate avenue for reducing technical barriers related to regulatory divergence. Despite the development of global standards, there are still many areas where specific national regulations prevail, preventing manufacturers from selling their products in different countries and from enjoying full economies of scale. Additional costs are also raised by the need to demonstrate the compliance of imported products with applicable regulations in the import country through testing and certification accepted in that country. Recognising the equivalence of differing standards applicable in other markets, or of the results of conformity assessment performed elsewhere can greatly contribute in reducing these costs. The success of international endeavours to achieve mutual recognition is naturally reliant on the quality of testing, certification and accreditation. In order to ensure the adequacy of these activities to the needs of evolving markets, governments increasingly leave them in the hands of private entities.

2.5.1. Intergovernmental initiatives

Within the European Union the principle of mutual recognition applies among Member States (see above, Box 3). This means that all products lawfully produced or marketed in one Member State must be accepted by the others even when they have been manufactured in accordance with technical regulations differing from the domestic ones.[44] The principle of mutual recognition has helped build progressively a Single Market for European products, even though the European Commission considers that much remains to be done and has developed mechanisms to better monitor and enhance the application of the principle.[45] Greece has been among the few EU Members to have complied with the monitoring requirements and its record with respect to mutual recognition infringement cases is rather good (10 cases out of a total of 228 for the period 1996/98).

Beyond its effect on the movements of European products, the principle of mutual recognition in the framework of the Single Market has perceptibly benefited third country manufacturers, which no longer need to face the requirements of each and every EU member they seek access to, as long as they satisfy the requirements for one. Access to European markets is further assisted by European policies aimed at recognising the equivalence of regulatory measures and results of conformity assessment performed in third countries. These policies are elaborated at the European Union level, although their implementation is partly incumbent on national authorities or institutions. They are based on the negotiation and adoption of Mutual Recognition Agreements (MRAs), which are for the time being limited to mutually recognising the results of conformity assessment performed in third countries.

Each MRA includes a general framework agreement and a series of sectoral annexes. The framework agreement specifies the conditions under which each party accepts the results (studies and data, certificates and marks of conformity) of conformity assessment issued by the other party's conformity assessment bodies, in accordance with the rules and regulations of the importing party. These rules and regulations are specified on a sector-specific basis in the sectoral annexes. A certification by a conformity assessment body in the exporting country that a product covered by a MRA is in conformity to the rules and regulations of the importing party has to be accepted as equivalent by the importing party. This is particularly beneficial to small-and-medium sized enterprises that will be able to use less costly local testing facilities for the examination and certification of products for export. On the basis of negotiating directives issued by the Council in 1992 the European Commission has signed agreements on the mutual recognition of conformity assessment with the United States, Canada, New Zealand and Australia. By June 2000, the European Commission had also completed negotiations with Switzerland and Israel and undertaken negotiations with Japan and central and eastern European countries.

Table 2. **Mutual Recognition Agreements concluded or under negotiation by the E.U.**

	Mutual Recognition Agreements							**PECAs**[d]			
	Australia	New Zealand	United States	Canada	Israel	Japan	Switz-erland	Czech Republic	Hungary	Estonia	Latvia
Construction plant & equipment							✓				N
Chemical GLP[a]			N	N							
Pharmaceutical GMP[b]	✓	✓	✓	✓		N	✓			N	N
Pharmaceutical GLP[a]					✓		✓			N	N
Medical devices	✓	✓	✓	✓		N	✓		N		
Veterinary medicinal products			N								
Low voltage electrical equipment	✓	✓	✓	✓			✓	N	N	N	N
Electromagnetic compatibility	✓	✓	✓	✓		N	✓	N	N	N	N
Telecom terminal equipment	✓	✓	✓	✓		N	✓			N	
Pressure equipment	✓N[c]	✓N[c]				N	✓	N			
Equipment & systems used in explosive atmosphere							✓	N			
Fasteners			N								
Gas appliances & boilers							✓	N			
Machinery	✓	✓				N	✓	N	N	N	N
Measuring instruments							✓				
Aircraft	N	N									
Agricultural & forestry tractors							✓				
Motor vehicles	✓						✓				
Personal protective equipment							✓	N	N		
Recreational craft			✓	✓							
Toys							✓				
Foodstuffs										N	N

√ Concluded
N Under Negotiation
a Good Laboratory Practices
b Good Manufacturing Practices
c The Agreement covers simple pressure equipment. Extension to other pressure equipment is considered.
d Protocols on European Conformity Assessments. In February 1997 the European Commission signed an agreement with Poland regarding preparatory steps on conformity assessment, precursor for a real PECA.

Source: European Commission.

2.5.2. Accreditation mechanisms

Accreditation is a procedure whereby an authoritative body gives formal recognition that a body or person is competent to carry out specific tasks.[46] Accreditation mechanisms are used to assess and to audit at regular intervals laboratories, certification and inspection bodies by a third party as to their technical competence against published criteria. They provide confidence on the competence of conformity assessment bodies, which is essential for the success of mutual recognition. In that sense, international co-operation on accreditation is seen as an important supporting measure to promote recognition of equivalence in regulatory systems.

Accreditation mechanisms have been developed only recently in Greece. A National Accreditation Council (ESYD) was instituted in 1995, but has been inactive until 1999. Accreditation activities were thus exclusively undertaken by foreign institutions until recently. ELOT itself is certified since 1997 by the Italian accreditation body SINCERT. In June 2000 ESYD has delivered its first accreditation certificate to the drug-testing laboratory for the 2004 Olympic Games. Six other laboratories

expected accreditation before the end of the year 2000. The Secretariat of ESYD is provisionally held by ELOT. On the other hand, ELOT is a member of the IQNet (International Network of Quality System Certifiers), which provides for the mutual recognition of quality certificates issued by any of the 29 participating national certification bodies in the world. The lack of accreditation mechanisms has proved a serious hindrance for certification activities, as the reliability of non-accredited laboratories was widely questioned by the private sector.[47] A strengthening of accreditation mechanisms would be essential for improving business confidence.

2.6. Application of competition principles from an international perspective

The benefits of market access may be reduced by regulatory action condoning anti-competitive behaviour or by failure to correct anti-competitive private actions that have the same effect. It is therefore important that regulatory institutions make it possible for both domestic and foreign firms affected by anti-competitive practices to present their positions effectively. The existence of procedures for hearing and deciding complaints about regulatory or private actions that impair market access and effective competition by foreign firms, the nature of the institutions that hear such complaints, and adherence to deadlines (if they exist) are thus key issues from an international market openness perspective. These issues will be the focus in this sub-section, while a more detailed discussion of the application of competition principles in the context of regulatory reform can be found in the background report to Chapter 3.

Under the Greek Competition Act, the basic decisions and actions on competition matters (with the exception of the telecommunications sector)[48] are taken by the Greek Competition Committee, an independent authority under the supervision of the Ministry of Development. The Competition Committee is competent for competition issues related to private behaviour, including clearing notified conduct, granting exemptions, issuing merger authorisations, initiating investigations *ex officio* and hearing complaints. On the other hand, it has no competence for dealing with competition problems raised by regulatory policies and decisions. Mergers prohibited by the Competition Committee can be subsequently approved by a joint decision of the Ministers of National Economy and of Development on grounds of public and general economic interest.

The Competition Committee has jurisdiction over all anti-competitive behaviour that has or may have effects within the country, even if it concerns agreements, mergers or collusive practices of firms taking place outside Greece or if it relates to firms that have no establishments in Greece. This includes abuse of dominance or of economic dependence that affects the Greek market. In parallel, the European Commission can take action against practices that limit the access of foreign firms to domestic markets. Many notified transactions are among foreign firms, whose turnover in Greece is sufficient to require them to file there. On the other hand, there seems to be no particular provision in the law for the case where a firm with market power in Greece impairs competition in other markets. The Competition Act could be read to apply in such cases only to the extent that the incriminated market conduct has a noticeable effect on the Greek market. No complaint of this kind has been made yet. Given the relative size of firms that might enjoy dominant position in Greece in relation to third markets where they operate, this has presumably not been an issue in the past. The situation could however change with the growing penetration of Greek firms in Balkan and Eastern European markets.

Firms wishing to advance complaints against alleged anticompetitive horizontal or vertical agreements, abuse of dominance or abuse of economic dependence must take their complaints to the Competition Committee. The complainant has the right to attend the hearings, examine the file and present his arguments before the Committee. The Committee must reach a decision on the complaint within six months, but can prolong this deadline by two months under exceptional circumstances calling for further investigations. Decisions of the Competition Committee, as well as Ministerial decisions on mergers can

be appealed to the Athens Administrative Court of Appeal within 20 days from their notification. Further recourse is possible against the decision of the Court of Appeal by writ of error to the Council of State. There is no legal provision for an independent private suit under the Competition Act. However, civil or administrative courts can reach a decision on alleged anti-competitive behaviour on which there is no previous ruling by the Committee or on the validity of Committee or Ministerial decisions that have not been appealed on time in the framework of cases that are contingent upon them. Such court decisions are not binding on the Committee, the Court of Appeal or the Council of State. Foreign firms have the same rights as domestic firms to bring a case before the Competition Committee or the courts and enjoy equal treatment in every respect.

Thus far competition policy has had low priority in Greece and the Competition Committee has lacked resources and political support to be able to operate in a meaningful way (see background report to Chapter 3). A considerable shift in policy has taken place after the elections, but the announced amendments in the regulatory framework and the reinforcement of means and resources of the Competition Committee are too recent to have yet produced tangible results. Although Greek regulatory procedures for initiating and advancing complaints about alleged anticompetitive private behaviour offer equal opportunities for action between foreign and domestic firms, the limited capacity of the Competition Committee to provide effective protection overall and in particular as regards trans-national effects or regulatory actions that restrict competition is not supportive today of a market open to global competition. How satisfactory the application of competition principles from an international perspective will be under the new regulatory framework remains to be seen.

3. ASSESSING RESULTS IN SELECTED SECTORS

This section examines the implications for international market openness arising from current Greek regulations in four sectors: telecommunications services; telecommunications equipment; automobiles and components; and electricity. For each sector, an attempt has been made to draw out the effects of sector-specific regulations on international trade and investment and the extent to which the six efficient regulation principles are explicitly or implicitly applied. Particular attention is paid to product standards and conformity assessment procedures, where relevant. Issues addressed here include efforts to adopt internationally harmonised product standards, use of voluntary product standards by regulatory authorities, and openness and flexibility of conformity assessment systems. Electricity and telecommunications are reviewed in greater detail in background reports to Chapters 5 and 6 respectively.

3.1. Telecommunications services

The telecommunications sector is currently one of the most dynamic sectors of the Greek economy. Reforms of the regulatory framework have been driven on the one hand by Greek obligations under the EU telecommunications regulatory package, and on the other hand by the two main objectives of recent Greek telecommunications policy: to modernise the network and reorganise the incumbent operator so as to cope with increased international competition; and to extend activities to Balkan and Black Sea countries with a view to becoming a telecommunications hub for the wider area.[49] Modernisation of the sector has started rather late, supported by EU financing through the 1st Community Support Framework (1989-1993); despite the substantial expansion of the sector during the last ten years, the prospects for further rapid development remain promising. Fixed-line connections have reached 53.3% connections per 100 inhabitants by the end of 1999, close to the EU average. Digitalisation of the network has passed from 42.7% in 1998 to 92% in 2000. Mobile phone subscriptions rose from 32 500 in 1993 to 2.057 millions in 1998 and 3.9 millions in January 2000.

Until 1992, all telecommunications services were supplied by a state-owned monopoly, the Greek Organisation for Telecommunications (OTE). In 1992 Greece began services in the cellular telephony market through licences for GSM cellular phones to two private operators, PANAFON, majority-owned by British Vodafone,[50] and TELESTET (owned by the Italian Stet, Interamerican and Bell-Atlantic-Nynex). The licences provided for special rights in the market for mobile phones for 8 years. In December 1995, a third mobile licence was awarded to OTE. In April 1997 70% of the license was transferred to OTE's subsidiary COSMOTE and the remaining 30% to the Norwegian Telenor. At the beginning of 2000 the three operators held 42.7%, 30.4% and 26.9% of the market respectively and had invested a total of close to 1 billion dollars. Internet provision services, electronic data interchange services and other value added networks have been liberalised since 1994, but restrictions of access to OTE leased lines for providing the liberalised services were only lifted in 1996 and the incumbent has delayed access of other operators until 1998. Parts of OTE were offered for sale through public flotation or direct sale of stock in different stages (the last sale in July 1999 reduced government holding to 51%).

Complete liberalisation of the market for EU nationals in accordance with EU requirements, and in particular termination of the OTE monopoly on voice telephony, will only take effect on January 2001 because of the special exemption negotiated between the European Commission and the Greek government. Liberalisation of the market for non-EU nationals will take effect on January 2003, because of limitations Greece introduced to EU-wide commitments on telecommunications. After that, MFN and national treatment will apply, as trade in this sector is regulated by the WTO Agreement on Basic Telecommunications under which the European Union did not ask for any exceptions. There are no foreign ownership, size of shareholding or other ownership restrictions on individuals or corporations investing in public telecommunication operators.

Responsibility for telecommunications policy and the establishment of the regulatory framework of the sector rests with the Ministry of Transport and Communications. In addition an independent regulator, the National Telecommunications and Postal Commission (EETT), was founded in 1994 to implement the telecommunications policy and supervise the market with particular regard to the competition and user protection issues. During its first years of operation, some trading partners have claimed that the allocation of responsibilities between EETT and the Ministry was not clear-cut.[51] The new draft framework law on telecommunications, which was publicised by the Ministry of Transport and Communications in June 2000, provides that EETT would be responsible *inter alia* for licensing, numbering, domain name regulation, universal service, setting of price-caps, unbundling of the local loop, spectrum allocation, type approval of terminal equipment, imposing sanctions and arbitrating disputes. It could refer cases of anti-competitive behaviour to the Competition Committee or ask for assistance from it. The Ministry, beside its policy-making and regulatory responsibilities, would hold direct responsibility for the National Allocation Table for frequencies and satellite orbits assigned to Greece by ITU.

Other concerns raised by domestic market players and foreign trading partners related to the insufficient staffing of EETT and the seconding of staff from the incumbent operator.[52] In particular, new entrants have felt that the Commission was not sufficiently proactive in dispute resolution and have found dispute resolution procedures too long. They have also reported delays in the licensing procedures for liberalised services. Staffing problems were mainly due to the former obligation of EETT to hire through very strict bureaucratic procedures and are now practically solved. Greek authorities also hope to address these problems through the new framework law, which confirms the administrative and financial independence of EETT and offers it hiring flexibility, a sizeable staff with appropriate scientific qualifications and a clearer allocation of responsibilities. Practical implementation of the new regulatory framework will be the main challenge in the near future.

Since 1999, the telecommunications regulators have taken some significant steps towards increased transparency, by facilitating access to information and setting up consultation mechanisms. The Ministry of Transport and Communications is one of few Greek authorities to have instituted "notice and comment" procedures when preparing regulation (see above, Section 2.1.1). EETT has developed a comprehensive website that contains information on applicable regulations and decisions.[53] Issues under the responsibility of the Commission are systematically displayed in the site and open to comments by all interested parties. Public consultations have been launched to date on the allotment of spectrum in the frequency bands of 2nd generation mobile telephony and the granting of relevant individual licenses; on the licensing of public telecommunication networks based upon DECT technology; and on the licensing for fixed wireless access (FWA). A different type of public consultation and opinion exchange has been undertaken on the issue of the introduction of UMTS third generation mobile telecommunications systems in Greece. EETT entrusted the organisation of the consultation to a team of scholars from the National Technical University of Athens, who addressed to all parties active in the field of telecommunications and computer sciences in Greece, including businesses and academics. As all these consultations are still very recent, it is not clear yet what the practice of the regulator will be in managing the process and reacting to opinions received.

3.2. Telecommunications equipment

Domestic production of telecommunications equipment is mainly directed to infrastructure equipment (71.3% of total production) to meet the needs of the incumbent operator in particular as regards digital line systems.[54] Domestic production supplies 92% of domestic infrastructure demand. This segment is dominated by two major industrial companies, Intracom and Siemens. The demand for infrastructure equipment has been boosted by the ongoing conversion of analog telephone networks to digital networks. The remaining 28.7% of domestic production covers private use equipment, mostly telephone parts. The demand of telecommunications equipment for private use, and in particular the increasing demand for mobile phone devices, is met mainly by imports, representing 78% of the market. This segment is characterised by strong competition between several firms (Lucent, Intertech, Doxiadis, Nokia, Motorola, Ericsson) but Ericsson covers about half of the market for mobile phone devices.

Regulations relating to telecommunications equipment have been mainly driven by the harmonisation process at the EU level. The main framework has been set with two "New Approach" Directives, Directive 98/13/EC on telecommunication terminal and satellite earth station equipment superseded by Directive 99/5/EC on radio and telecommunication terminal equipment. Standards to meet the Directives requirements are currently being developed by the European Telecommunications Standardisation Institute (ETSI). By July 2000, 65 out of 73 standards had been published in support of Directive 98/13 and 10 out of 99 standards had been published in support of Directive 99/5, with another 54 finalised and under approval. The Hellenic Organisation for Standardisation (ELOT), in co-operation with the Ministry of Development General Secretariat for Industry, and the Ministry of Transport and Communications and OTE as ETSI members for Greece, participates in the development of these standards and is in charge of transposing European standards into Greek standards.

In accordance with EU provisions, all terminal equipment connected to the Greek telecommunications network must meet the essential requirements set by the EU Directives. The placing of the product to the market is no longer subject to type approval. The manufacturer can draw up a declaration of conformity either on the basis of harmonised standards, or, where such standards are not available, through the provision of technical documentation demonstrating the conformity of his product to the requirements. On the other hand, a number of MRAs with non-EU countries, which also apply to telecommunications equipment, allow under certain conditions for the acceptance of results of conformity assessment performed in Australia, New Zealand, the United States, Canada and Switzerland.

3.3. Automobiles and components

Concerns about market openness and domestic regulation of automotive industries around the world are not new. Due to the historic dynamism of global economic activity in the sector and traditionally interventionist policies of some governments aimed at protecting domestic automotive industries, trade tensions related to domestic regulatory issues in general, and to standards and certification procedures in particular, have long figured on bilateral and regional trade agendas. This reflects the fact that automobiles remain among the most highly regulated products in the world, primarily for reasons relating to safety, energy conservation and the environment. Divergent national approaches to the achievement of legitimate domestic objectives in these key policy areas are therefore likely to remain a significant source of trade tensions as global demand for automobiles continues to rise.

There is no automobile manufacturing industry in Greece, other than fairly limited spare parts and components manufacturing activities. Local production of tyres by Pirelli and GoodYear was terminated in 1991 and 1996 respectively. The needs of the local market for automobiles and components are thus almost entirely met through imports. The near total of the Greek passenger car market is shared between EU and Asian car manufacturers (in 1998 57.8% and 40.6% respectively, the latter figure covering 27.5% of Japanese and 13.1% of Korean cars). As a country wholly dependent on imports, Greece maintains no restrictions on the import of cars. Products imported from non-EU countries are subject to the EU common external tariff schedule.

However, until recently the automobile market has been overburdened and distorted by very high vehicle registration tax rates.[55] Transactions in passenger and utility vehicles have been one of the most important sources of fiscal revenue for the Greek State. In contrast, utilisation fees are extremely low. On the other hand, the engine capacity of passenger vehicles is used by the fiscal authorities as a non-contestable element of evidence in order to calculate the level of taxable income. Until recently this fiscal treatment kept passenger vehicle transactions below real needs, heavily oriented the market towards small to medium sized vehicles and slowed down considerably the renewal of the fleet. The situation changed considerably in 1998,[56] when serious reductions in the vehicle registration fees (ranging from 31 to 57%), adopted in the framework of the overall government policy to reduce inflation, resulted in a 10% drop in average car prices. Following this reduction, new car registrations surged by 60.4% during the first quarter of 1999, 31.5% and 36.4% in the second and third quarters and 65% in October 1999 after a further tax reduction.

A sluggish automobile market kept the average age of the car fleet at around 11 years. This in turn created serious air pollution problems, especially in the metropolitan Athens area, and increased the rate of traffic accidents. From 1991 to 1993 the government introduced a series of fiscal incentives for withdrawing old polluting cars and replacing them with environmentally friendly technology cars. The measures brought the average age down to 8.84 years in 1993 but after their termination it returned to 10 years by 1996, with 26% of vehicles older than 15 years. The withdrawal programme was complemented with exhaust emission regulations in 1992, and inspection programmes including fines for non-conformity since 1995. The 1998 reform of the registration tax involved a reshuffling of the calculation of the fiscal value, determined in the past only on the basis of engine capacity, to take into account the environmental performance of the vehicle. Latest technology vehicles are taxed from 7% to 88% according to the engine capacity and the fiscal burden gradually increases for older technology cars to reach from 41% to 385% for conventional technology cars. Following the adoption of the new fiscal policy, conventional technology cars (which numbered 1 300 000, against 1 109 000 catalytic converter cars in December 1997) dropped to 1 300, against 2 868 000 catalytic converter cars as of April 2000.

As an EU Member, Greece applies harmonised EU safety standards for motor vehicles based on a type-approval system and abides by the mutual recognition requirement of type-approval certification applicable among EU Member States. Within the EU, technical requirements for motor vehicles have been fully harmonised since 1993. Unlike the areas covered by the New Approach Directives, detailed technical requirements are specified in various EU Directives and applicable throughout the EU and EFTA countries. In its Framework Directive (92/53/EEC), the EU has also recognised the equivalence of 35 UN-ECE Regulations to relevant EU technical Directives. The certification of technical requirements is done through a system of type-approval of motor vehicles. Before it can be marketed, each vehicle model, whether domestically produced or imported, must be brought to a national Regulatory Body - in Greece the Ministry of Transportation - that will test it and certify whether the vehicle or separate technical units satisfy the technical requirements as specified in relevant EU Directives.

Since 1996, EU type - approval certification for a passenger vehicle in one Member State is valid in all other Member States and the vehicle can be registered or marketed in all EU States. Since 1998, mutual recognition of EU type-approval certification is extended to all vehicles except large vehicles. Type-approval procedures are usually initiated by automobile importers before the marketing of a model in any EU market. The procedure is extremely complicated and lengthy, so that an individual wishing to import directly a car originating from a third country and not yet type-approved in the EU cannot realistically expect to go through it successfully.

3.4. Electricity

In Greece, power generation, transmission and distribution are dominated by the Public Power Corporation (DEH), a state-owned enterprise. It controls 100% of transmission and distribution services and owns more than 97.5% of the total domestic generating capacities. In 1994, Law 2244 authorised autogeneration, provided it used renewable energy sources or generated electricity through combined heat and power producing systems. Law 2244/94 also provided for the preferential treatment of autoproducers by the system operator. Total commitments of such plants amount today to approximately 450 MWs, while there exists a much larger amount of applications. Imports accounted for about 2% of Greek demand in 1998.

Reform in the electricity sector is mainly driven by Greek obligations under EU rules for the internal market for electricity, whereby Greece must open at least 30% of its electricity demand to competition by 19 February 2001. In this context a new energy law was adopted in 1999, removing the legal prohibition on entry of new generators and liberalising supply for certain customers. DEH retains its vertically integrated structure, ownership of existing generation and supply facilities, transmission and distribution grids, and the monopoly in the supply of captive customers. 49% of the company will be capitalised, while the State will retain majority ownership. Regulatory responsibility remains with the Ministry of Development for licensing, tariff setting, and the imposition of public service obligations. Two new entities are also created: the Energy Regulatory Authority (ERA) which has monitoring, advisory and referral responsibilities, especially with respect to competition and consumer protection; and the System Operator which will operate, ensure the maintenance and development of, and interconnections with other networks of the transmission system.[57] (For more details on the reform in this sector, see background report to Chapter 5).

Large-scale domestic entry is unlikely because entrants face high barriers, in particular access to fuel, switching costs of potential customers, and low prices to large industrial customers. Lignite, representing 68% of generation, and hydroelectric power plants, representing 9.8%, are state-owned. Natural gas, accounting for 12% in 1999 and expected to develop further in the coming years, will be under state monopoly until 2006.[58] In addition, although effective and non-discriminatory access to transmission and distribution is statutorily guaranteed by the System Operator, its *de facto* dependence from DEH in the first years after liberalisation should make such access difficult to ensure.

Greece has no direct electricity connections with other EU or IEA Member countries. Connections with other Balkan countries are used only for transactions between electricity monopolists. A memorandum for the interconnection of the power systems between Greece and Turkey has recently been signed, while an interconnection link with Italy is expected to begin commercial operations after 2001. However, the impact of this link will be limited because of its small capacity and engineering and geographical constraints. Beyond interconnection constraints, imports would face quite burdensome conditions on supply authorisations. Applicants must own adequate generating capacity, installed in an EU Member State, and provide "satisfactory long-term confirmation" that they have access to sufficient transmission and interconnection capacity to transmit the electricity they will supply. Within the regulatory framework to be enforced from February 2001, competition to generate and supply electricity is thus not likely to develop in Greece in the foreseeable future.

4. CONCLUSIONS AND POLICY OPTIONS FOR REFORM

4.1. General assessment of current strengths and weaknesses

Over the last five years Greece has undertaken serious macroeconomic reforms with a view to improving economic performance and meeting the criteria set for membership in the European Monetary Union. These efforts have provided a strong impetus for rethinking government practices and changing the role of the State in the economy. They have produced considerable results, which should put Greece on the path towards a more open and competitive business environment. Structural reforms associated with the macroeconomic convergence program have been more timid until now. Although the vicious economic cycle of the previous twenty years, from 1974 to 1994, has been broken, the improvement cannot be sustained unless market principles are introduced more boldly into the regulatory environment.

According to summary indicators on product market regulation developed by the OECD in 1999 (Nicoletti *et al.*, 1999), the regulatory environment in Greece appears as one of the less friendly to market mechanisms among OECD economies. This largely reflects a restrictive domestic environment and in particular important state control over the economy (relating to public ownership of business enterprises and the involvement of the state in the operation of private businesses) and strong recourse to command and control regulations and price controls. The overall picture is now steadily improving as privatisation and liberalisation are progressing, but the cultural leap away from past regulatory practices remains to be made.

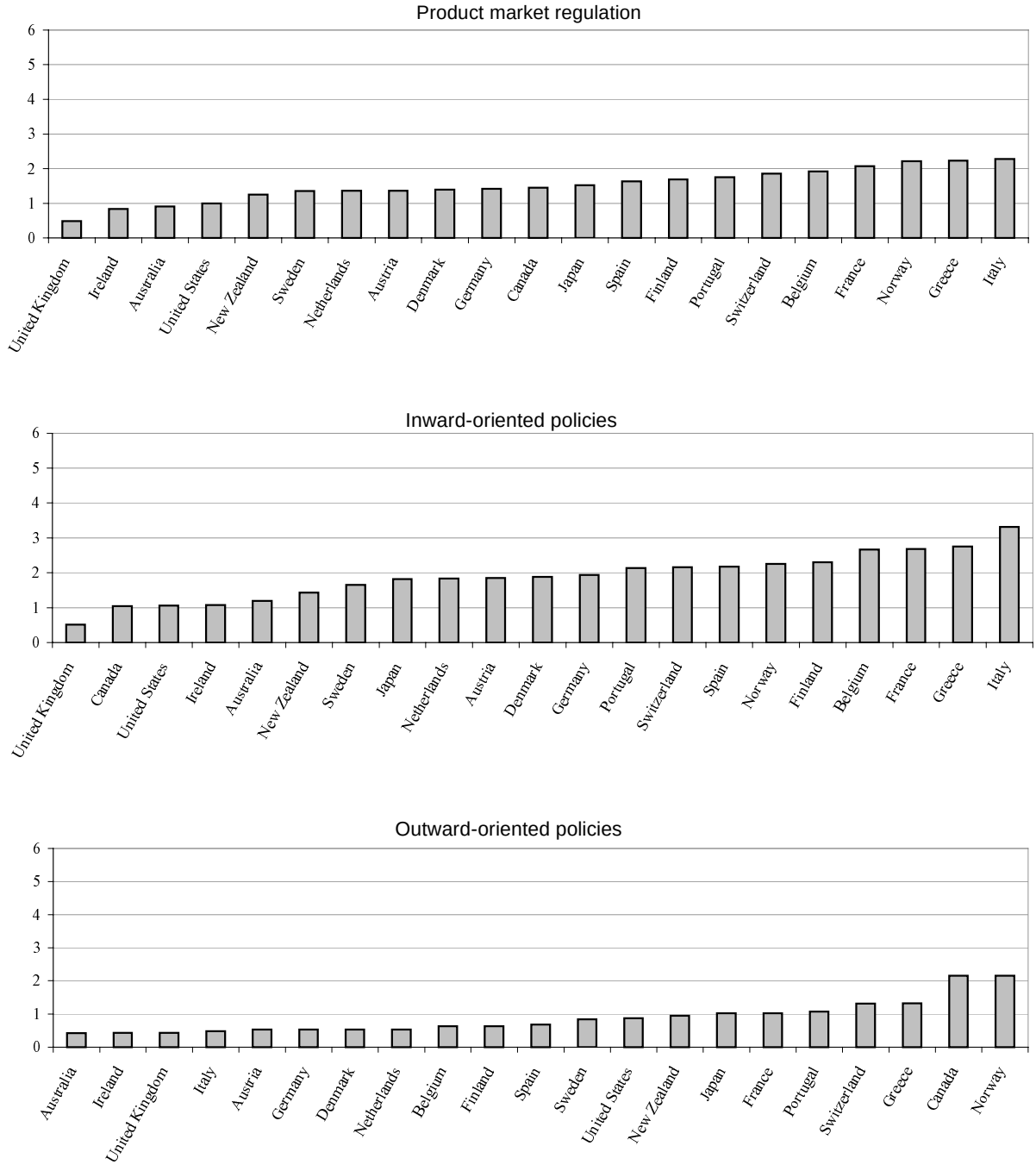
Not all of the six efficient regulation principles examined in this review are expressly codified in Greek administrative and regulatory oversight procedures to the same degree. Available evidence suggests that the principles of use of harmonised standards and of recognition of equivalence of foreign measures are given ample expression in practice. WTO and EU disciplines have played a key role in giving them prominence in the Greek regulatory environment, but Greece has also been active in promoting them and broadening their effects to the wider Balkan area. Regulatory practices also generally abide by the principle of non-discrimination, although numerous exceptions still exist with respect to professions.

As regards the other efficient regulation principles, several formal or informal steps have been made in the right direction lately. They include *inter alia* the increasing use of electronic means to make regulatory information more widely available and to facilitate the access of individuals and businesses to administrative services; the informal "notice-and-comment" procedures newly introduced in the rulemaking process; the creation of an "investors' desk" and of administrative "one-stop-shops" for licences and permits at the local level; the clarification of criteria used in public procurement procedures; the development of a computerised system for customs procedures; and the strengthening of the Competition Committee. All these steps are liable to enhance regulatory quality and promote a trade-friendlier regulatory environment, but are still too recent for their effective results to be assessed.

Several concerns relating to the market orientation of the Greek regulatory framework have been dealt with only partially. The discretionary character of public consultation and the ensuing distrust of involved parties seriously undermine the efficiency of what could be a valuable tool for better policymaking. Only little progress has been made in improving the coherence and user-friendliness of the body of existing regulation and plans to repeal unwarranted regulation have not materialised. Rules to simplify the licensing procedures for industrial firms have not yet produced tangible results for lack of accompanying enforcement measures. The implementation deficit, due to the inherent flaws of regulations, as well as the deficiencies of enforcement mechanisms, offers little incentives to comply with regulations and penalises individuals and businesses that do. Several sectors, including telecommunications and electricity, are not yet open to competition. Moreover, Greece has yet to consider introducing regulatory impact assessment in the framework of the rulemaking process.

Overall, the most important weakness of the current regulatory framework seems to be the climate of mistrust between the regulator and the society, as well as the market. This state of affairs not only maintains over-regulation, discourages market-oriented alternative policies and stifles initiative, but also casts discredit on regulators and the administration as a whole. It dissuades potential foreign investors from setting up new economic activities in the country. In the long run it compromises the capacity of the government to convincingly implement the necessary reforms. The most important strength in the current circumstances is probably what appears to be an agreement virtually across the political spectrum that these reforms are no longer optional.

Figure 2. **Restrictiveness of regulatory approaches in OECD countries**



Source: Nicoletti Giuseppe *et al.* (1999), reproduced from *OECD Economics Department Working Papers* No. 226.

4.2. The dynamic view: challenges for future reform

The qualitative transformation of the role of the State in economic activity, entailing its withdrawal from direct involvement in production and the removal of excessive regulation of economic and social arrangements, will be a major challenge for years to come. It is very encouraging that the government henceforth assumes that "*the State should no longer get involved in the operation of private enterprises, neither pretend to be a businessman*".[59] The streamlining of public revenues and expenditures requires the State to focus on those activities that are a clear government prerogative and which cannot be assumed satisfactorily if resources are wasted in tangential activities. Likewise, control and monitoring activities should not go beyond what is needed to improve market operation. The need for all governments to address market failures through sound regulatory action is an undisputed sovereign prerogative. Nonetheless, ill-conceived, excessively restrictive or burdensome regulation exacts a heavy price on commercial activity, domestic or foreign, and places a disproportionately heavy burden on small-and medium-sized enterprises. Given the large percentage of small and micro domestic firms in the Greek private sector, remaining regulatory burden is likely to be even more detrimental to these firms than to larger foreign-owned enterprises that can avail of larger staff and expertise and wider financial basis.

A second major challenge relates to the move towards effective transparency, consistency and user-friendliness of the economic and administrative regulatory environment. The task ahead is significant and will require priorities to be established. In any event, a clear reform strategy is needed to avoid piecemeal approaches, conflicting measures and equivocal remedies. The mastery of assessment tools should be among the first priorities in order to allow other needs to be properly prioritised and adequate solutions to be elaborated. Establishing realistic goals should be another central concern in order to avoid loosing momentum through aborted attempts. Yet, in order to identify realistic goals, the main criterion should not be the expected opposition from vested interests; these are certainly the most vocal but not necessarily the most representative of the needs and opinions of the Greek society. The communication deficit of the administration has been high enough in the past to suggest that conflicts with society would be reduced if only sufficient transparency efforts were made.

The third major challenge is to incorporate market principles not only in regulation, but also in the everyday operation of the administration. This requires adequate training of civil servants, both at national and local levels, as well as transparent monitoring mechanisms. Rethinking such central concepts as performance, incentives and accountability of the civil service is a long-term task, but in the meanwhile improvement can be achieved through the generalisation of tools such as the silent consent or the liability for non delivered service.

4.3. Policy options for consideration

This section identifies avenues for future action. The following recommendations are based on the assessment presented above and the policy recommendations set out in the 1997 OECD Report to Ministers on Regulatory Reform. Founded on international consensus on good regulatory practices and on concrete experiences in OECD countries, they are likely to enhance the adaptation of the regulatory environment in Greece to the conditions of a global economy.

- *Make information on applicable regulations more easily accessible.*

Informal and occasional initiatives to display information on the Internet should be formalised and applied in a systematic manner across the administration. Efforts should be made to display elements of interest to foreign partners in English. Information desks and call centres should also be more widely used across the administration. Local gateways allowing access to information at the prefectural and

municipal level should be further developed. Authorities initiating new regulation should have the responsibility to consistently bring local or central information desks, such as the ELKE, up to date with regulatory requirements.

More attention should be paid to the clarity and quality of regulation. Regulations should be complemented with a better developed preamble clarifying the grounds for adoption of the regulation, so as to obviate the need for subsequent interpretative statements and ensure consistent enforcement. Once RIA tools are developed, they could serve as a basis for developing preambles.

The ongoing efforts for improving the clarity of pre-selection and award criteria for public procurement should be actively pursued and given concrete expression in practice. The recent improvement of opportunities of affected parties to obtain effective judicial relief through speedy and low-cost appeal procedures is an important step in this direction and should be further encouraged.

The Greek government should intensify endeavours to streamline existing regulation by consolidating all applicable provisions on a specific policy issue under a single text and by repealing regulations that have become outdated, irrelevant or inoperative. The development of electronic inventories could greatly assist such endeavours. Moreover, while regulatory consolidation and simplification is not yet completed, allowing public access to the inventories will improve the transparency of the regulatory framework in a useful manner. In this case attention should be paid to present inventories in a user-friendly manner and to update them on a regular basis.

- *Improve the transparency of the rulemaking process and widen the opportunities of concerned constituencies to provide input.*

Prospective regulation should be made available to concerned constituencies for information and comments through formal channels. Although informal channels may usefully enhance the transparency of the rulemaking process, responsibility for bringing regulatory proposals to concerned constituencies should rest with the administration. Efficient "notice-and-comment" procedures would greatly enhance the predictability of the market and enable strategic planning by the firms. They would also provide the regulators with valuable input from market players, allowing them to better adapt regulations to the needs of the market. Recent examples of "notice-and-comment" procedures used by the Ministry of Transport and Communications could serve as a model for expanding and formalising this tool across the administration. Other forms of dissemination, such as formal publication to the daily and professional press, should also be envisaged in order to reach constituencies that have not access to electronic means of communication.

Consultations with respect to proposed regulation should be organised in a timely manner so as to allow meaningful interaction between concerned constituencies and the administration. Such consultations should take place sufficiently early in the rulemaking process so that they can have an incidence on the proposed regulation. They should allow sufficient time for consulted groups to reflect constructively and formulate an opinion.

In order to improve the efficiency of consultation, it is essential to promote the confidence of the private sector and the citizens in general in the consultation mechanisms. Confidence-building measures mainly consist of clear rules of the game and transparent outcomes. Consultation timetables and participation criteria should be clearly identified. The positions of various participants in the consultation process should be made publicly available and the policy conclusions drawn by the administration following the process should also be publicised and motivated. This would urge the administration to reflect more methodically on the incidence of proposed regulatory action; improve the prospects of compliance on behalf of the concerned parties; and provide serious safeguards against regulatory capture by specific interests.

- *Reduce discriminatory elements in the regulatory framework for services.*

The ongoing review of the applicable regulatory framework for professional services is a good opportunity for reconsidering existing discriminatory elements. Constraints on entry into regulated service markets, and in particular limitations on foreign service providers, should be assessed and their effect on the domestic competitive environment clearly documented.

- *Introduce a coherent regulatory impact analysis (RIA) system for the whole range of regulations, including administrative rules; develop a consistent practice for the assessment of trade and investment effects of proposed regulations.*

Regulatory impact analysis should be introduced for all new and amended regulation. An efficient and cost-effective analysis should include an initial screening stage whereby regulation warranting further scrutiny would be identified on the basis of predetermined criteria. The screening would prevent holding up resources, which could be used on a more efficient assessment of scrutinised regulation. Expertise in assessing the impact of proposed regulation and identifying alternatives should be progressively build through training in all rulemaking parts of the administration. Useful models for developing such expertise could be drawn from the participation of the Greek administration to European projects like the SLIM reviews and the Business Test Panels.

RIA procedures should explicitly cover impacts of proposed regulations on business activity and in particular on trade and investment. A valuable basis for identifying impacts and costs on the business activity is the input provided by concerned constituencies during the process of prior consultation. The efficiency of trade impact assessment procedures would thus be enhanced by further promoting the incorporation of market players concerns through the improvement of consultation procedures. Intra-governmental co-ordination should be further strengthened to allow trade policy makers to be an active part in this process.

The outcomes of RIA procedures should be made publicly available before the regulatory proposal is finalised. This would greatly enhance transparency of the rulemaking process, improve the democratic legitimacy of the regulatory framework, enhance the quality of RIA procedures through external scrutiny and assist parliamentary control.

- *Strengthen the administrative capacity for the enforcement of applicable regulation and reinforce a client-oriented culture*

The staffing of services in everyday contact with users should be enhanced both in terms of quantity and of quality. The overall distribution of human resources across the administration should be rethought to allow for increased staffing for certain services and a clearly defined accountability for "front-line" civil servants. A client-oriented culture should be promoted through training and performance-linked incentives.

- *Accelerate efforts to rationalise administrative procedures affecting businesses and eliminate unnecessary restrictions to business operations and trade flows*

The authorities have engaged in a series of projects to rationalise administrative procedures affecting citizens in general and businesses in particular. Some of them, like the TAXIS project, are now operational, while others, like the simplification of industrial licensing procedures, are still in the process of being set up. The Greek government will have to monitor the operation of these projects in close consultation with affected parties, in order to check their efficiency, single out failures and gaps and identify further needed improvements. On the basis of lessons learned, simplification endeavours should progressively be extended to other areas of the economy.

Attempts to rationalise procedures should not be limited to simplifying the compliance process through the use of novel technologies but should involve a rethinking of all administrative requirements to ensure that nothing is asked that is not indispensable. Such rethinking should take into account not only the implementation cost for the administration and the compliance cost for the citizen but also the real prospects of perfect enforcement and the consequences of non-enforcement. An ongoing monitoring would be necessary to ensure that requirements that were once justified but no longer warranted are regularly repealed.

Beyond the regulatory streamlining of administrative burdens, the very attitude of implementing authorities needs to be made more efficient. The experience of past simplification reforms shows that a simple amendment in regulation to require swifter procedures is not enough if implementation in the field does not follow suit. For instance, in the area of licensing procedures, strict deadlines should be introduced for regulatory action, after the expiry of which silence of the administration should be interpreted in favour of the applicant. Deferral of a decision should not be allowed without communicating duly motivated grounds or clearly defined conditions upon which the decision will ultimately be taken. Particular attention should be paid to improving the co-ordination between various involved parts of the administration or between the central and the local level. Personnel staffing the prefectural "one-stop-shops" currently developed should benefit from appropriate training to learn assessing the impact of their actions on business activity.

- *Continue to encourage the use of international standards as a basis for national standardisation activities and to promote international harmonisation at the European, regional and international level.*

The widespread use of internationally harmonised standards not only facilitates the access of new and innovative foreign products to the domestic market for the benefit of Greek consumers but also enhances the market opportunities of Greek firms and products world-wide. Assisting neighbouring countries to move towards harmonised standardisation systems will help consolidate efficient and transparent markets in the wider Balkan and Black Sea area, where many Greek businesses actively seek to expand activities. The increased reliance on market-driven specifications will offer domestic firms the necessary flexibility to pursue the most efficient business strategies and promote innovation.

Quality control and certification need to gain more prominence in business culture for the Greek market to benefit fully from the use of internationally harmonised standards. Ongoing information campaigns by the government and major professional associations to promote the concept of quality control should be actively pursued. Domestic firms, and especially SMEs, should be encouraged and assisted in resorting to certification. ELOT should continue its efforts to reinforce its quality control and certification mechanisms.

As part of a wider endeavour to build market confidence in the operation of harmonisation and mutual recognition systems, the Greek government should step up efforts to activate domestic accreditation mechanisms. The National Accreditation Council should intensify operations and should be given the means to establish rapidly a reputation of reliability.

- *Promote the application of competition principles from an international perspective.*

The new regulatory framework adopted recently aims at reinforcing the importance of competition policy among the overall economic policy priorities of the Greek government. As this new framework hopefully grows up to become an efficient remedy against anti-competitive behaviour, it should pay sufficient attention to potential trans-national effects.

4.4. Managing the reform

The objective environment in which Greece operates as a result of its membership to the European Union and its integration into an increasingly global economy makes structural reform an inescapable policy option for the country. The problem thus is on the one hand how to bring about the subjective awareness that the option is unavoidable and very broadly beneficial to help foster and shape the process of change and make it more acceptable to the large social strata affected by it; and on the other hand how to formulate policies that minimise the social and political costs of structural change.

While the effects of macroeconomic convergence and the accession of Greece to the EMU have received large publicity, too little attention has been paid so far to communicating with the public and all major stakeholders with respect to the short and long-term effects of opening the markets and on the distribution of costs and benefits. Citizens can see clearly the impact of an inefficient administration on their everyday lives and can readily appreciate reforms aimed at improving service to the citizen. It is more difficult for them to have a comprehensive picture of the incidence of market opening reforms on their jobs, quality of life and future prospects. Communication strategies have to include the early delivery of visible benefits for the consumer, like the drop in prices brought about by the telecommunications or financial services liberalisation, which concern the totality of the Greek population.

The most dynamic segments of the Greek economy, such as certain services or export-oriented manufacturing sectors, which are held down by current inefficiencies, are likely to be the major reform allies. However it is equally important to overcome the resistance of the segments most affected by change by a balanced reform programme emphasising both liberalisation to allow market forces more space, and a more efficient regulation of such forces to protect consumers, health, safety and the environment, and prevent anti-competitive behaviour. In addition, a particular focus should continue to be given to the integration of SMEs into the new domestic economy and to their prospects for successfully competing in a global economy.

NOTES

1. Figures in this and the following paragraph come from the OECD Main Economic Indicators of July 2000, and the National Statistical Service of Greece.

2. Centre of Planning and Economic Research (KEPE), *"The Size and Role of the Public Sector in Greece. Developments and Comparisons with other Countries"*, Athens 1999.

3. Economist Intelligence Unit (1999-2000), *Country Profile Greece*.

4. For a detailed overview see Chapter 1 on the macroeconomic perspective of the reform.

5. Nikiforos Diamandouros "Greek Politics and Society in the 1990s" in *The Greek Paradox. Promise vs. Performance*, The MIT Press, 1997. The author identifies three structural weaknesses explaining in part the underperformance of the economy from 1974 to 1995: the discriminatory political system in post-war Greece, which introduced political nonmeritocratic and clientelistic criteria for state employment, causing deficiencies in civil service skills and the impossibility of effective quality control; the particularistic logic of distribution of social and economic benefits in society, reducing the accountability of the State and producing perceptions of inequity; and the resulting fragmentation of productive structures, which made them dependent on State protection for their continued growth and survival.

6. Recent privatisations included five public-sector banks, ELVO (Greek Arms Manufacturers), Hellenic Petroleum, Olympic Catering, the Athens Water company, large shares in the National Bank of Greece, the Athens Stock Exchange and the Greek Organisation for Telecommunications (OTE) (although the government retains voting control on all three), and assets of the National Tourist Organisation (EOT). The Duty Free Shops were sold to the Agricultural Bank of Greece, still under State control.

7. Surveys conducted by the Athens American Chamber of Commerce in 1992 and 1997 among foreign investors in Greece showed that only 10 to 14% of investors in the sample had chosen Greece in order to service the domestic market.

8. According to the World Markets Research Centre *"it is as a base for expansion into the Balkans that the country will lay claim to further foreign direct investment."* http://www.worldmarketsonline.com.

9. See also Spanou, Calliope (1996), "On the Regulatory Capacity of the Hellenic State: a Tentative Approach Based on a Case Study" in *International Review of Administrative Science*, Vol. 62.

10. Spraos (1998), *Quality in Public Administration: Recommendations for Changes*, financed by the National Bank of Greece.

11. According to the US Department of Commerce *"Foreign companies consider the complexity of government regulations and procedures -and their inconsistent implementation by the Greek civil administration- to be the greatest impediment to operating in Greece.*" (Country Commercial Guides. Greece FY 2000 "*Investment Climate"*). See also the World Markets Research Center Country Assessment for 1999.

12. Act 2232/1994, Article 1:2.

13. At 15 April 2000, a total of 109 EU Directives were overdue in Greece (the EU average transposition deficit at the same date was 52 Directives), while there remained a total of 159 Directives to be implemented before end of 2000. EU Single Market Scoreboard No. 6, May 2000 at http://europa.eu.int/comm/internal_market/.

14. The Capital Market Commission was established as a separate Public Law Legal Entity in 1991. It operates at arms length from the Ministry of National Economy and is accountable to the Parliament. It enjoys financial (through fees on Stock Exchange transactions and on Initial Public Offerings -IPOs-) and functional independence, as it has regulatory powers on the capital markets, can issue and revoke licences and impose administrative sanctions and financial fees without Ministerial intervention.

15. This notification procedure is separate from that of Directive 83/189/EEC.

16. http://europa.eu.int/comm/dg03/tris/.

17. This procedure was established by a December 1995 Decision of the European Council of Ministers and the European Parliament (Decision 3052/95) and came into effect on 1st January 1997.

18. However, 192 framework contracts were concluded in the utilities sector in 1997, just before the expiry of the dispensation period, predominantly with domestic suppliers. These contracts will have the practical effect of foreclosing new entrants from this market for several years.

19. USTR 1999 National Trade Estimate Report on Foreign Trade Barriers – European Union.

20. The Ministry of Environment and Public Works is the most important procuring entity in Greece, responsible for around one third of total public procurement. This covers public works of national importance, such as highways, airports and major ports, irrigation, sewage and flood-protection systems. All other works are managed at the prefectural or municipal level. The importance of public works in total procurement reflects the major share of infrastructure projects in the Greek economy in the recent years, both for catching up with the domestic infrastructure deficit and for meeting the needs for the 2004 Olympic Games.

21. For example, in the area of supplies approximately 10% of total procurement, corresponding to the needs of the various Ministries, is handled by the Ministry of Development, General Secretariat of Commerce. All such needs are registered once a year to the Single Program for Government Procurement, so as to enhance transparency and enable potential suppliers to take advance notice. The Program is available online (http://www.gge.gr), but only in Greek.

22. European Commission, *The cost of non-Europe in public procurement* (Cecchini Report), 1988.

23. USTR 1999 National Trade Estimate Report on Foreign Trade Barriers – European Union.

24. Appeals against public works tenders organised by the local authorities can be lodged with the Minister of Public Works since 1999. According to the Ministry most appeals introduced during the first year concerned tenders at the municipal level.

25. According to the EU Schedule of Commitments to the GATS Agreement, such authorization is easily obtained in practice when the acquisition is part of a direct investment project.

26. See, for instance, USITC "*General Agreement on Trade in Services: Examination of Major Trading Partners' Schedules of Commitments*", Publication 2940, December 1995.

27. Greece, like several other EC Members, restricts access to the profession to natural persons only. In addition it imposes a monopoly for pharmacists on the supply of pharmaceuticals to the general public. Hence, the limitation on the presence of natural persons amounts to a *de facto* closed market for commercial presence too.

28. See, inter alia, Spraos (1998), *Quality in Public Administration: Recommendations for Changes*, financed by the National Bank of Greece.

29. See Hassid, Joseph, *Strategies for the Attraction of Foreign Direct Investment in Greece,* Study commissioned by the Ministry of Development to the University of Piraeus, July 1997 and *Foreign Enterprises in Greece,* Survey conducted for the American Chamber of Commerce in Greece, September 1997. On the problems related to the fiscal legislation and to labour and social security legislation, see Chapter 1 on the Regulatory Reform in Greece, covering macroeconomic issues.

30. "*The complexity and excessive amount of regulation … are due to the frequent changes of the fiscal regulation, its innumerable cross-references and exceptions and the absence of popularisation informative material for the taxpayer."* Spraos (1997), *A More Efficient Management of Public Revenues*, Commission for the Review of Long-term Economic Policy, Athens.

31. National Confederation of Greek Trade (ESEE) (1999), *The increase of the functional cost of a commercial enterprise because of the necessary bureaucracy procedures*, Athens.

32. The Integrated Taxation Information System (TAXIS) is one of the major computerisation programs of the Ministry of Finance in the framework of the Operational Project for the Modernisation of the Public Administration ("Kleisthenis" Project), co-financed by the European Communities. It aims at speeding-up procedures and reducing operational costs by "de-materialising" (through fax, Internet and mobile phones) the contacts between the citizen and the administration. This includes general and detailed fiscal information and assistance manuals, and the possibility to submit fiscal declarations or deliver compliance certificates. It is also designed to allow electronic payment of taxes in the future.

33. Austrian Institute of Economic Research (WIFO) "*Benchmarking Licensing, Permits and Authorisations for Industry, Emphasising SMEs*", Background Document for the Industry Council of 18 May 2000.

34. See European Commission "*Communication from the Commission to the European Parliament and the Council. Review of SLIM: Simpler Legislation for the Internal Market*" COM(2000)104 final; European Commission "*Communication from the Commission to the European Parliament and the Council. The Strategy for Europe's Internal Market*" COM(1999)464; European Commission "*Action Plan to Promote Entrepreneurship and Competitiveness*" COM(1998)550 final; European Communities "*Report of the Business Environment Simplification Task Force*", Vol.I and II, 1998; European Commission "*Communication from the Commission to the European Parliament and the Council. The Business Test Panel. A Pilot Project*", 1998.

35. The objective of the "International Convention on the Simplification and Harmonisation of Customs procedures" (the so-called "Kyoto Convention") that entered into force in 1974 was to simplify and harmonise customs procedures across countries. In June 1999, the Council of the World Customs Organisation (WCO) adopted a revised text in order to adapt the convention to the development of international trade. The new procedures will increase transparency and harmonisation of customs procedures by using new information technology and modern clearance techniques based on risk analysis. The revised convention is now open for signatures. It shall enter into force three months after forty contracting parties will have signed the amendment protocol without reservation. As of end June 2000, ten members of the WCO have signed it.

36. The establishment of a computer network between customs offices and traders allows the latter to submit customs declarations electronically, which are then automatically processed by the customs computers. This addresses bottlenecks and cuts back communication time.

37. In accordance with established terminology in the WTO TBT Agreement, mandatory technical specifications are referred to as "technical regulations", while voluntary technical specifications are referred to as "standards".

38. See Dennis Swann "*The Economics of the Common Market*", Penguin Books, 1995; European Commission "*Documents on the New Approach and the Global Approach*", III/2113/96-EN; European Commission, DGIII Industry, "*Regulating Products. Practical experience with measures to eliminate*

barriers in the Single Market"; ETSI "*European standards, a win-win situation*"; European Commission "*Guide to the implementation of Community harmonisation directives based on the new approach and the global approach (first version)*", Luxembourg 1994.

39. Decision of 20 February 1979, Cassis de Dijon, Case 120/78, ECR, p. 649.

40. Energy-efficiency, labelling, environment, noise.

41. See the Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the liability for defective products.

42. In the area of standardisation the term "*cultural requirements*" refers to a series of language parameters used in computer science, including fonts, coding of characters, keyboard setting, sorting of words, date and time formats, etc.

43. ELOT has established four laboratories to perform certification tests for low voltage electric and electronic appliances, electric cable, toys, and polymers and plastics, all areas where external testing capacity was not available. All other certification testing is subcontracted to external laboratories in Greece or abroad. The policy of ELOT has thus been to rely to available external laboratories offering satisfactory guarantees of reliability. However, the lack of appropriate accreditation mechanisms in Greece has, until recently, restricted the trust of the business sector to this system. The development of a more satisfactory network of testing laboratories and the establishment of a Greek Metrology Institute in 1999 have been among the major axes of the 1994-1999 Operational Programme for Industry conducted by the Ministry of Development and co-financed by the 2nd Community Support Framework.

44. The limits of this principle, such as the exception in Article 36 of the EEC Treaty, led to the efforts for harmonisation of technical specifications for products and subsequently to the adoption of the "New Approach".

45. Such as the notification of all derogations, according to European Parliament Decision 3052/95 and the drawing of evaluation reports. See European Commission, "Principle of mutual recognition: Working towards more effective implementation", *Single Market News n°17*, July 1999.

46. ISO/IEC Guide 2, EN45020.

47. See Nikos Kastrinos and Fernando Romero (1997), "Policies for Competitiveness in Less-favored Regions of Europe: a Comparison of Greece and Portugal" in *Science and Public Policy*, 24(2), June.

48. In the telecommunications sector primary responsibility on competition issues lies with the National Telecommunications and Postal Commission (EETT) -see below, Section 3.1-. However, EETT can refers a matter to the Competition Committee or request assistance from it.

49. In the last years, OTE has made several foreign direct investments in telecommunications operators in the wider region, such as Telekom Serbija, ArmenTel, RomTelecom, etc.

50. Data Holdings S.A and Intracom own each 10%. France Telecom owns another 20% share but announced end 1999 its intention to sell it.

51. USTR (1999), *National Trade Estimate Report on Foreign Trade Barriers*, and European Commission (1998), *Fourth Report on the Implementation of the Telecommunications Regulatory Package.* The Ministry has always rejected these claims.

52. European Commission (1999), *Fifth Report on the Implementation of the Telecommunications Regulatory Package*, COM(1999) 537 final, November.

53. The address is http://www.eett.gr. The first decision of the EETT to have been displayed is the decision on the management of the domain name [gr].

54. Data in this paragraph are drawn from Panagopoulos, Yiannis (1998), *Telecommunications Equipment*, Sectoral study, Foundation for Economic and Industrial Research (IOBE), July.

55. Registration taxes are imposed on all vehicles, new or second hand, when they are brought into service in Greece for the first time.

56. Act 2 682 of 1997.

57. The Greek Electricity Transmission Operator will be owned 51% by the State and 49% by power generators. The 49% share will initially belong to DEH and will be transferred progressively to new entrants.

58. Greek Public Gas Corporation (DEPA) is owned directly by the State, except for a blocking 35%, owned by Hellenic Petroleum, itself 80% state owned.

59. Minister of Development, Press Conference on 11th May 2000. Reproduced in the website of the Ministry at www.ypan.gr. Unofficial translation by the Secretariat.

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