THE GREEK ECONOMY: FOCUS ON THE FUTURE

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MINUTES

CLOSING DINNER ADDRESS, SECOND NIGHT. SPEAKER: Andreas Papandreou, Prime Minister of Greece

"The automobile of economic growth has ignition problems and cannot start. We will repair it. The automobile is still strong." With this statement, originally made by one of the founders of neoclassical economics, the Prime Minister expressed his confidence in the world economy's prospects for growth. While not hesitating to admit that John Meynard Keynes' statement had failed to come true, Papandreou unreservedly pledged his commitment to pull Greece out of recession. "The automobile of economic growth has never been stronger. Once we fix it, it will zoom to a new highway of material growth," he said. "But how this is to be achieved is yet to be discovered." Against this dramatic backdrop, Papandreou urged guests at the conference's closing dinner not to "lose our faith." He suggested that high technology would guarantee the prosperity of future generations and emphasised that the key to progress lies in the successful combination of old and new ideas. "Such a combination, I suggest, will remedy the ills of the Greek economy," he said, specifying its "high fiscal deficit, high public debt, high interest rates, high inflation, slow GDP growth, and unequal distribution of wealth, which has become worse over the last few years". At the heart of these problems lies the notion of "competitiveness," the Prime Minister stressed, echoing speakers who had addressed the conference earlier. The notion of competitiveness should be approached from a micro-economic point of view. "It is not states that compete, but businesses," Papandreou said. "It is here that I see old and new ideas coming together." Rejecting traditional views that competition relied on labor cost and production cost, Papandreou said the globalisation of the means of production has changed the rules of the game. The key notion to understand the concept of "national competitiveness which applies to Greece or any other state is productivity," which determines the level of wages and the productivity of capital. Today productivity is dependent on the so-called "acquired or dynamic comparative advantages". In other words, Papandreou said, those economies able to create such comparative advantages would rank high in competitiveness. In this process of creating a suitable economic environment for companies the role usually undertaken by the state is becoming less important. Instead what matters more is "the organisation of the productive unit".

Papandreou said there were two routes to organise production: the enterprise and the state. These follow contradicting ways. The enterprise becomes more competitive by specialising to the extent of "monopolising its products", whereas the state widens its cooperation with other states to create unions and federations, such as the European Union, the American NAFTA (North American Free Trade Association) and the Asian Free Trade Zone. "Within this changing model the Greek economy could grasp the opportunity to get off the ground," he said. Greece's modes of production, Papandreou said, were in tune with current international trends. By taking advantage of the European Union and its "flexible and specialized companies", it could overcome its economic problems and "rush into the 21st century". He insisted that the lack of heavy industry and multinational companies in Greece would not be an obstacle to economic growth in the 21st century and excluded the possibility that the state could play a dominant role in the process towards economic growth. "The state can only provide the spark," he said, while the rest is up to business initiative.

DINNER ADDRESS, FIRST NIGHT. SPEAKER: Miltiades Evert, Leader of the Opposition and President of the New Democracy Party

A stable and firm platform of social support is of paramount importance if Greece is to reform its economy and safely advance toward real growth. Economic policy tools can provide the desired results only if they are backed up by social consensus. However, at the heart of Greece's economic problems lies the lack of such consensus. What is therefore needed is radical social reform, Evert said.

The Greek people, including politicians, should become more sensitive to social issues and more concerned with the good of the whole rather then their individual interests. He suggested constitutional reform to distinguish more clearly between the role and scope of the government on the one hand and the parliament and the system of justice on the other. "This would be the crest of social reform", he said. Given social reform, Greece should clearly define its role toward the year 2000, Evert stressed. Attention should be paid to those sectors of the economy where Greece has or can develop considerable comparative advantage, such as tourism, shipping and the food processing industry, while the state should intervene less and let the private sector assume a dominating role in the direction of economic growth. Questioning whether more austerity without a policy to boost growth would remedy the country's economic ills, he called for the government to increase investment funds which, coupled with the Delors II funds, would finance large-scale projects to improve the country's infrastructure. This would, in turn, provide a solid base for Greek entrepreneurship to boost business both domestically and abroad, in such areas as the Balkans. Evert said the 1994 budget failed to spend enough on investment and to make provisions for interest rates to be reduced. However, despite its economic difficulties, Greece would manage to meet the Maastricht criteria in time, he said.

The New Democracy leader voiced his belief that political consensus would be the only way for Greece to increase its diplomatic muscle at international negotiating tables and to play a significant role in European politics. He also proposed a shift in Greece's policy in the Balkans. "Instead of being parties to judicial contests, we should become mediators for the Balkan problems," he stressed. In this context, he suggested that the northern Greek provinces of Macedonia and Thrace should be given more opportunities to develop their economic interests northwards and gradually become the center of economic activities in the Balkans.

THE VIEWS OF POLITIKI ANIXI ON THE GREEK ECONOMY SPEAKER: Antonis Samaras, President, Politiki Anixi Party

The PASOK government's economic policy is a bad version of the New Democracy's hopeless austerity programme, which relentlessly required more sacrifices by the poorer classes and put additional financial pressure on entrepreneurs, while offering no solution to Greece's acute economic problems, Antonis Samaras,leader of Greece's youngest and third strongest political party, Politiki Anixi (Political Spring), said in an address on the first day of the conference. Samaras fiercely criticised the draft of the 1994 budget, which had been released by the government only the day before, for failing to restore economic growth. He predicted gloomy days ahead for the Greek economy, with the primary deficit worsening and the fiscal deficit as a percentage of GDP increasing further, because of slow economic development and high interest rates. He gave a cautious welcome to the government's intention to reform the tax system and introduce "objective criteria" to clamp down on tax evasion, and suggested that a two-tier tax system, to complement the one proposed by the government, by providing taxpayers with the opportunity to seek "justice" in cases where the objective criteria failed to provide it, would be fairer. He said a new tax system was just one of a long series of fundamental changes indispensable for Greece to revive its economy. Such changes included re-definition of the state-citizen relationship, decentralisation of the public sector, which is currently based in Athens, more opportunities to younger generations, more incentives to entrepreneurs willing to invest in the country's less developed areas, and further liberalisationm of the banking and insurance sectors. Samaras said also that strengthening key sectors of the economy, such as shipping, tourism and agriculture, were of paramount importance for further development. He called also for the creation of a stock market based in Thessaloniki to breathe more life into Northern Greece's economy and stressed that special attention should be paid to organising the region's banking system, which, coupled with Greek business and economic expansion into the Balkans, could turn Greece's second largest city into a financial and trade center for the Balkans. The privatization of state companies should continue, except for companies of "strategic importance", such as the Hellenic Telecommunications Organization (OTE) and the Public Power Corporation (DEH), for which PASOK's intended strategy was correct — namely to partly privatize them by issuing shares on the stock market. "But the money generated should remain within the companies rather than go into the public coffers," he stressed. In regard to monetary policy, Samaras restated his long- standing proposal for what he called "aggressive devaluation of the currency", which he defined as gradual depreciation against other currencies at a steady rate according to a set timetable.

Such a monetary policy, he said, would provide a stable framework for the promotion of Greek exports, protect Greece from monetary crises and disentangle monetary policy from the austerity programme. So far, Samaras stressed, the country's monetary policy had been designed to assist fiscal policies, which was unacceptable. Monetary policy should be a means of economic growth rather than a platform for fiscal recovery.

Samaras proposed the creation of specific committees, including a "national council for competitiveness" and special councils for each economic sector, to promote economic growth. Samaras said his party's macro-economic programme and proposals for structural adjustments would increase annual revenues by around 3-3.5 trillion dr. Providing more incentives to small and medium size companies, removing constraints from certain overburdened sectors and introducing a system of licenses to others to guarantee that services offered meet certain requirements, are also high on the economic agenda of Politiki Anixi, he said.

LUNCHEON ADDRESS, FIRST DAY.
SPEAKER: Stefanos Manos, Member of Parliament, New Democracy Party

Has the government abandoned Greece's commitment to the Maastricht criteria of converging with the rest of the European Union economies?" This question was asked by Stefanos Manos, former Minister of National Economy and Finance, in addressing the conference's first-day luncheon. Drawing a comparison between the new government's economic policies and those of New Democracy, Manos said the New Democracy government had implemented free market policies in a large number of economic areas:

* Collective salary agreements between employers and workers' unions were reached without any political intervention, while major restrictions on capital flows, working hours and price ceilings were removed.
* A new framework was set for accountants, competitiveness was improved, the tax system was simplified, and foreign investment increased

Focusing on the 1994 budget, Manos said it suffered from a serious flaw, as a result of the new government's effort to pass onto 1995 some of the financial burdens that should be dealt with in 1994. "Mr Gennimatas' 1994 budget appears fair but only at the expense of 1995. It is a dead-end and it shows that the government's policy will soon stumble against the wall,"he said. He specifically criticized the government for reversing or delaying his privatization program and warned that the business world would come across some "bad surprises". In particular, he said, public revenues would be deprived of 620 billion dr because the government had cancelled the construction of the Spata airport and the Thisvi electric power production unit. He said the New Democracy government had planned to sign the contract for the Spata airport "on the very day it was forced to step down, after three years of hard work on this project". On top of this, 70 billion dr would be lost because the government had called off the competition for the casino licenses, while the state's share from the OTE sale would have generated another 43 billion dr. "The government as a result will have to impose more taxes," Manos stressed. Manos also criticised the government for contracting two loans with foreign banks just a few days before the conference: a 100 billion yen loan with Japanese banks and a $1 billion loan with British ones. These loans, he said, would exert inflationary pressures. For the same reason he criticised the government's intention to cut interest rates and to re-impose a special tax on banking services, which would increase the cost of borrowing for Greek businesses. Despite government policies, he said, he was confident there would be economic growth in the private sector. In particular, he described Greek small and medium sized enterprises as a driving force of economic growth, given that the world economy increasingly appeared disenchanted by massive production and the model of multinational companies and was shifting toward self-employment and small-scale production. In this context Manos called upon Greek entrepreneurs to invest "more aggressively" in the Balkan and Eastern European markets. "This is our own area," he stressed, comparing China's relation to Hong Kong with Greece's to the Balkans. Manos also stressed that Greece should focus on four economic areas, namely textiles, agriculture, tourism and services, and develop them sufficiently to compete with other countries. "We should aim at improving our performance in these areas rather than at entering other fields of production, in which other countries are already ahead of us."

FORMER BRITISH CHANCELLOR

Norman Lamont, member of the British House of Commons and former Chancellor of the Exchequer, addressing the luncheon of the second day, said that Europe has been at its best when involved in the creation of a single European Market and least successful when producing a top-down approach in trying to create monetary union.

However, he continued, Monetary Union is dead on account of economic divergence. The idea of Jacques Delors was to achieve monetary union by a progressive tightening of the ERM bands, which could not stand the strain of grappling with rigid measures. The only way to attain a single currency is not the gradual course once thought possible, but the more immediate complexities of an overnight change, as when German monetary union was achieved.

It is clear that the French government will not hand over its monetary sovereignty irretrievably to the Deutschmark.

Dr. Helmut Schlessinger, the former head of the Bundesbank, used to say that the Treaty plots a political end using monetary means without defining the primary objectives. A single market does not need a single currency. The ERM worked better before it became caught up with Maastricht. The purpose of Maastricht could be seen as chiefly political and not, as was once thought, completely economic.

There are two reasons why it would be extremely unwise for European politicians to embark on another push for political union, Lamont said.

The first is that there is simply no popular wish for it, as can be seen in the figures of recent referendums. Both Ireland and France have at least 50% disapproval of monetary union and other federalist tendencies.

The second is that Europe does not constitute a single cohesive electorate.

This can be illustrated by comparison with the United States where the swing to the Republican or Democrat candidates is the same across the whole country, whereas the swing in general elections has been the opposite in Scotland to what it was in England. In countries where this does not happen, it can lead to tension.

There is no prospect that elections to the European Parliament will be fought on the same issues by the same parties across the continent, and reflect any notion of popular rolition.

The 1996 intergovernmental conference will be more decisive than Maastricht was. Politicians cannot legislate in the face of economic fundamentals but can legislate though new political structures.

OPENING SESSION

The conference was opened with presentations by National Economy and Finance Minister George Gennimatas and Industry and Commerce Minister Costas Simitis on the policies of their resective departments.

After stressing the importance of discussion with the social partners on new tax measures, Gennimatas said Greece's allies and partners in the EC should realize that despite the immense difficulties faced by this country in relation to its public economy, Greece is a factor of stability in the wider area of the Balkans, including Turkey. Inviting his audience to "imagine the social problems (in former Yugoslavoa) once the bloodshed ends", he said Greece's role would then be crucial for the peace and tranquility of the region, provided that it succeeded in stabilizing its economy. Also, it must make use of its comparative advantages in the region in the sectors of consumer goods, construction and tourism. A reduction of the cost of borrowing was an essential condition for an improvement of the financial and credit picture, and for that reason the government had imposed no new indirect taxes. The policy it had chosen was one that would bring down inflation, while also stressing development, stability, social protection and investment. Gennimatas said the producer classes "have never before seen so austere a budget", though at the same time the purchasing power of the work force had to be protected, after three years of austerity,both for social reasons and because of the effects on the markets if it were reduced still further.

He said the government was following a "fan-like" policy based on stabilization accompanied by development. "Our great weapon - - currently my only weapon — is social dialogue. The work force, producer classes and merchants must realize the need for permanent social dialogue that takes account of competitiveness and productivity as well as of workforce education and training and technology transfer. Referring to "certain positive developments", Gennimatas said some of the 2 billion dollars that left Greece during the pre- election period was now being repatriated, reserves were high, demand for bonds was intense and the stock exchange was in a position to supply resources as companies went private. Describing the 1994 budget as "sincere, realistic and possibly a bit optimistic", he said every effort would be made to reach the objectives set. He said the target for inflation was a rate "below 10%" by the end of the year, there would be a "logical depreciation but not devaluatiom of the drachma, wage increases in the public sector would be in the area of 10% also, and the growth rate should be "close to 2% and at least above 1.5%."

The need for a modern, powerful and competitive industry that will help the economy to achieve high development rates in order to guarantee full employment and improve conditions of work, reduce regional inequalities and minimize social and environmental costs was urged by Simitis, speaking on "the new industrial and trade policy." He said basic policy axes aim at creating a favorable climate for the development of business activity, especially by small and medium-sized industries, the strengthening of the competitiveness of Greek industry, technological modernization and penetration of international markets. Selection of the means to be used arise from Greek and international experience over the past decade, present conditions in Greece and likely needs over the coming decades, and industrial development policies internationally. Development of business activity requires economic and social stability, transparent and stable rules of the game, and the removal of disincentives represented by unnecessary and ineffective regulations. This involves both social dialogue and the question of relations between the state and private sector, and also clear and applicable rules of competition. A second principle centers on comparative advantages, which are neither static nor solely dependent on geography and raw materials but concern business administration and technology, something that accounts for the existence in every sector of successful and unsuccessful enterprises. "This means that our industrial policy cannot have a sectoral character, but must be based mainly on horizontal measures and actions supporting the efforts of industries to develop their own internal comparative advantages." These measures and aims will concern infrastructure in its widest meaning — transport, telecommunications, energy, research and technology — and the development of the human potential through education and train ing, as well as support for efforts to penetrate foreign markets. Turning to competitiveness, Simitis said this is now a matter more of quality than price, at a time when the internationalization of markets has almost eradicated the differentiation between internal and external competitiveness. In these conditions, competitiveness can no longer be supported by traditional means, many of which in any case are now incompatible with Community rules. Industrial policy, therefore, apart from supporting efforts of enterprises to increase productivity, concerns also the creation of the appropriate institutional framework and special infrastructure that will assist industries in raising the quality of their products. On the question of size of industry, international experience over the past two decades has favored networks of small and medium-sized units — something that has led large foreign enterprises to break up into smaller, interlinked autonomous units. In Greece, however,only 15% of industry is of a size suitable to become part of such chains. There will therefore be support for mergers, various forms of cooperation and the development of networks across the whole spectrum of production and distribution. Simitis said the government is mot dogmatic on the question of denationalization and privatization. It appreciates that state involvement had increased beyond all reason, and that many state-owned enterprises must either return to the private sector or be allowed to go out of business. The quality of management of an enterprise, and its competitive administration, is more important than ownership. The exception concerns the strategic sectors of national defense, energy, telecommunications and transport. Even in this area, however, there are activities in which the public and private sectors can coexist competitively, or in a complementary way, just as there are arrangements of a private sector character that can upgrade the operations of enterprises; as an example he cited recourse to the stock market for funds instead of the money market or state subsidies. Insisting on the importance of dialogue, Simitis concluded:"Our aim is to place Greek industry on a development course; either we shall succeed all together or we shall not succeed at all."

anticipated increases on the revenue side of the 1993 budget. This failure, he said, caused the budget's deficit to reach 24.5 per cent of GNP, while the state's borrowing requirements were estimated at 13.9 per cent of GNP. While Greece handles state funds representing 49 per cent of its GNP - which is around the European Union average - it fails to do the same in terms of tax-generated revenue. There, Georgakopoulos said, Greece lags behind the European Union average by nine percentage points. "At the heart of this discrepancy lies the system's inability to generate the anticipated direct tax revenues," he said. To remedy the shortcomings of the tax system, Georgakopoulos proposed the implementation of "objective criteria" as the only fair and efficient way of assessing the income of those who attempt to evade taxes. Direct tax revenue represents only 30 per cent of the country's total tax revenues, and most of this is contributed by pensioners and salary earners. "Objective criteria" would enable the tax authorities to evaluate the income of the self-employed, who represent, along with farmers, half of the economically active Greek population, he said. Stressing the need for the support of the working and professional classes on a set of criteria based on social consensus, Georgakopoulos called on their representatives to embark on a dialogue with the government. Georgakopoulos said retention of the existing business tax status was "crucial for the country's economic development sectors", such as the Athens Stock Exchange and capital markets. His proposal to encourage the use of "plastic money" was welcomed by bankers participating in the conference, but his stated intention to create a company directory on which all companies -both Greek and foreign - operating in Greece would be obliged to register was viewed somewhat cautiously. Some participants suggested later that this initiative run the risk of becoming yet another bureaucratic burden on enterprises.

As part of the government's plans to re-organise the fiscal authorities, Georgakopoulos announced the creation of tax control centers in all prefectures and the upgrading of the department of economic crime prosecution. He also indicated that the government planned to intensify controls on cargoes. To simplify the existing "too sophisticated" tax legislation by introducing a system using various codes would also be a key aspect of the government's tax policies. Georgakopoulos said officials at the Finance Ministry had already embarked on the project.

ISSUES OF COMPETITIVENESS OF THE GREEK ECONOMY

SPEAKERS:

Jason Stratos, President of the Federation of Greek Industries (SEB)

Panayotis Thomopoulos, OECD Paris

Didier Maillard, Chief Economist Banque Paribas, Paris

Miranda Xafa, former advisor to former Prime Minister Constantine Mitsotakis

Christos Protopapas, President, General Confederation of Greek Workers (GSEE)

Nick Mourkogiannis, The Monitor Company, U.S.A.

Opening the discussion, Stratos said there is little chance for the competitiveness of the Greek economy to improve unless the state acts decisively to reverse the country's "unfavourable to growth" macro-economic environment, and the private sector assumes a "new aggressive policy" to fully integrate into the European business environment. He spelled out measures and decisions to be taken by Greece's public and private sector to restore competitiveness and to open the way for Greece to converge ultimately with the rest of its European Union partners. Despite the fact that there is consensus among Greece's productive sectors over the need to improve the country's economic competitiveness, Stratos stressed that "much confusion has prevailed over what sort of action should be taken" due to the "relative and comparative" notion of the term competitiveness. He concentrated on six factors which "decisively affect" competitiveness:

* economic, monetary and fiscal policies
* skills of the workforce
* technological research and development
* performance of the public sector
* state economic intervention
* quality of infrastructure

Any attempts to improve competitiveness should move hand in hand and entail coordinated policy to affect each one of these sectors. To this end Stratos called for the creation of a body, which he named Central Council of Competitiveness, to supervise and assess any efforts to improve competitiveness. The creation of such a body has been a long- standing demand of the Federation of Greek Industries. Stratos put the blame for the deterioration of the Greek economy on four factors. First, the public deficit puts pressure on inflation and interest rates to remain high, which in turn "hamper productive investment". Second, the "gigantic size of the public sector" makes it harder for private initiatives to break through. Third, the underdeveloped state of the country's infrastructure, including communications, energy, transport. And fourth, the lack of special training programs to meet the needs of various production sectors. To rid the economy of these ills, Stratos suggested the state should concentrate on a) restoring a balanced macro-economic environment, b) simplifying existing bureaucratic procedures, c) boosting a well-organised development of the country's infrastructure, d) promoting education, training and rehabilitation, and e) using European funds to promote means of improving technical and business know-how, which will ultimately assist the private sector in re-organizing its operations. As far as the private sector was concerned, Stratos called on Greek businessmen and industrialists to set the continuous improvement of competitiveness as the chief priority when it comes to setting out their enterprises' strategic planning. His advice to Greek business embraced three courses of action to be followed jointly. First, Greek firms should aim at establishing close links ,with European companies. Such a cooperation should run through all stages of production and include the stage of product distribution. Second, Greek firms should restructure their operational practises to set the foundations for the cost of production to fall and for the quality of products to improve. This effort should aim at improving productivity, boosting investment on research and technology and introducing a wider range of products to meet demand in an ever-changing market. Finally, Greek firms should look for "new specialised markets" within the European Union. Competitiveness is not a technical notion, which needs technical advice and expertise. "It is not a technical problem of comparative cost", Stratos stressed. Competitiveness could come about only as the result of a wider action to upgrade the economic and social environment.

Greece has not benefited yet from the globalization of economic activities, Thomopoulos told the panel, stressing that it should aim at attracting more foreign investment. "If Greece had attracted additional foreign investment of $ 12 billion, its GDP would grow at three per cent a year," he said. Some of the benefits of foreign firms to their Greek counterparts would include better product composition and overall higher productivity rates.

Thomopoulos warned that unless Greece cured its deep-rooted structural problems, its potential to attract more foreign investment would remain low. He referred to a set of criteria, which he called "efficiency criteria", that would have to be met."Despite the fact that these criteria are not measurable", Thomopoulos said, Greece obviously ranked badly. The criteria would call for less bureaucracy, more transparency, skilled personnel, more sufficient services, including telecommunications and transport, and a stable economic environment. He expressed his confidence that Greece could see its GDP growing significantly, if it seized the opportunity of expanding economically in the Balkans and Eastern Europe. In comparison with its European Union partners, Greece could take advantage of its geographical position and historical ties with the people in these areas to expand its business.

Maillard expressed the view that Europe will see its economy pulling out of recession next year, but the pace of recovery will be rather slow due to "the lack of prospect for a dynamic household's income". Apart from the United Kingdom, which is likely to see a 2.5 per cent rate of growth in 1994 against 2 per cent this year, the major European economies "will not grow by substantially more than one per cent next year". Maillard said Greece "should not allow itself any sort of exuberant optimism" since, despite predictions suggesting that the European economy will reverse its economic performance, "the economic situation in Europe will provide little help for Greece to tackle its economic problems in 1994". Focusing on the developments and prospects for the European economy "which no doubt affect Greece", he said there is little doubt that the economic developments in Europe have a rather significant effect on the Greek economy. Not only is Greece a member of the European Union, but it is also "a rather small economy within the Union", with a GDP share of only around one per cent. There are two other reasons which explain why the Greek economy is heavily affected by the economic developments within Europe. First, "through the channel of external trade" as two-thirds of Greek exports are directed towards the European Union. Second, because of the reliance of the Greek economy on the transfers from the European Union. "The economic climate in Europe may indeed impact on the strength and sustainability of this support and the related expectations" he warned. In order to justify Banque Paribas' forecasts that the European economy will improve only "slowly and moderately" in 1994, Maillard offered a brief explanation of the present economic trouble in Europe. He attributed the current problem to "the discrepancy between the economic developments in Germany and in the United States at the end of the 80s and beginning of the 90s", due to the German reunification. The German reunification, Maillard suggested, delayed the expected downturn of the German economy, as demand, generated from Eastern Europe, increased. This boost gave rise to inflationary pressures in Germany, which culminated in 1992 with double-digit wage increase claims. As a result the Bundesbank tightened its monetary policy and increased interest rates. These put pressure on the European economies through the European Monetary System. At the same time the US loosened its monetary policy, causing the Deutschmark and the European currencies, tied to it through the Exchange Rate Mechanism, to appreciate against the dollar and other world currencies. As a result Europe saw a loss of competitiveness which, coupled with high interest rates, depressed its economy. The Bundesbank's shift in policy in autumn 1992 was too "gradual" to prevent monetary tensions within Europe, which ended up in the collapse of the old exchange rate mechanism in August 1993. Maillard stressed that the Bundesbank's shift in policy "should go further" in 1994, as other European economies would be better placed to respond positively, as they have already started seeing their competitive position improving. The restoration of the competitive position coupled with "the drop of short-term interest rates and the big drop of long- term interest rates" are of crucial importance for Europe to pull out of recession. Maillard said the European economies have been moving on the right track. France, for example, saw its long-term interest rates going down to six per cent in November from nine per cent in summer 1993. Despite his optimism, Maillard warned that the European economies needed time to remove their economic concerns, which were likely to remain for some time. He saw Germany being preoccupied with wage adjustments, tax increases, booming unemployment, which has been around 30 per cent higher than its annual increase, and with the funding of the reunification process. France is more likely to be concerned over its increasing unemployment and social security expenditures,and Italy over the need for fiscal adjustment and its political uncertainties, while Spain would have to follow a policy of wage and fiscal adjustment before setting out for an economic recovery. Refraining from outlining a course of economic action suitable to Greece, Maillard warned the country's "authorities in charge of economic policy" that they "do indeed have the major share in influencing the evolution of the economic situation" despite Greece's reliance on the economic situation in other parts of Europe.

Xafa voiced her belief that the privatization of state-run companies and the gradual introduction of free market policies are indispensable tools to improve the competitiveness of the Greek economy, and said that any attempts to reverse such a policy, which had been pursued by the New Democracy government between 1990 and 1993, would have detrimental results for the economy's competitiveness and its potential to converge with the rest of the European Union economies. Outlining the economic policies initiated by the former government, she said they would play a crucial role in upgrading mthe country's economic competitiveness.

* Price controls were removed, foreign currency quotas were lifted, the banking system was liberated, and a series of regulations were abolished to stimulate competition among banks.
* Tax indices were decreased significantly and the special tax on banking operations was lifted to reduce the cost of borrowing.
* Modern practises and methods were introduced to the capital markets and banking system.
* Some state companies were privatized and others liquidated, allowing the state to use its funds for the development of more productive sectors.
* Legislation was introduced to allow the private sector to enter into such businesses as energy production and telecommunications, which had traditionally been state monopolies.
* Construction projects, such as the Spata airport, were contracted out to private companies through the self-financing system.

Xafa said these measures would benefit the competitiveness of the Greek economy, since they aimed at reducing the role of the state in the economic decision- making. This she saw as playing a significant role in boosting competitiveness. "The role of the state should be diminished both by cutting down on spending and by holding back from intervening in the economy," she stressed. "The state has failed to be a successful producer of goods and services worldwide." Xafa described denationalization as a key factor in improving productivity and competitiveness. Also, clamping down on bureaucracy is yet another factor of crucial importance to improving competitiveness. "Any action which boosts competition is beneficial to competitiveness," she said. "Those countries whose economies are strong have provided for intense competition within their domestic market." An obvious example, Xafa said, was Japan, where there are 16 computer manufacturers, 15 television set producers, nine car manufacturers and 33 shipyards. "The bulk of their production is exported, which shows that these companies are in no way dependent on the size of the local market." Xafa spoke strongly in favor of market-driven rather than state-sponsored measures to improve competitiveness. In Greece, she said, competition had usually been undermined by monopolies. "It is, for example, unacceptable that Greece, which is a tourist destination, should have no private casinos and marinas." The New Democracy government had passed a law providing for the creation of private casinos and the privatisation of existing marinas. The PASOK government had suspended both projects. Xafa said the only profit-making state companies in Greece are those operating as monopolies and enjoying the support of the state, such as OTE (telecommunications), DEH (power),the Sugar Industry, and ELDA (Hellenic Refineries, Aspropyrgos). Criticising the present government's decision to hold back on selling-off some of these companies, on the argument of "national interest", she declared: "state protectionism reflects a state's unwillingness to clash with certain lobbies or its aptness to succumb to other groups' invested interests."

Earlier in her presentation, Xafa had defined competitiveness as productivity. This, she said, meant that a country could improve its living standards only by constantly increasing productivity. This, in turn, could be made possible if products and modes of production are constantly improved, while production adjusts to market conditions. Xafa ruled out improvement of competitiveness through soft monetary policies or low interest rates. Germany and Japan, she noted, have strong currencies, but their competitiveness has not been harmed. Italy has high interest rates, yet it remains a strong and highly competitive economy. Xafa also drew the government's attention to the accelerating global economic integration, with Latin American and Eastern European states increasingly trying to gain a place in the international economic arena. These countries' efforts, she said, would cause economic competition to become sharper, which would require national economic policies to respond appropriately.

Protopapas expressed the view that the government's economic policy priorities should be to restore macro-economic balance, clamp down on tax evasion, reduce the rising unemployment, especially in underdeveloped areas, and use the funds of the Delors II package to promote growth rather than temporarily alleviate some of the country's financial problems. Calling on the government to place labor on an equal footing with other aspects of its economic policy, he said economic growth could be achieved only if workers and the government cooperated mclosely. He said the previous government's austerity programme had put unbearable economic pressure on employees and pensioners, while its monetary policy had deprived Greek products of their competitiveness in markets abroad. Protopapas, who has been an active member of the labor movement in Greece since the late 1970s and has held key positions in various labor unions, culminating in his election as president of the largest Greek union confederation on October 18, stressed that economic growth could result only from constructive dialogue among the various social classes. He called for the creation of a special committee to coordinate economic and social issues, as well as the introduction of a fourth criterion in the Maastricht treaty requiring member states to meet certain employment standards.

Insisting that competitiveness plays a key role in a country's struggle to develop its economy, Mourkogiannis described it as a "vaulting horse". He said Greece, given the right course of action, could soon see its economy pulling out of recession. Greece needed a new economic strategy, he said. Restoring macro-economic balance would not be sufficient to achieve high levels of productivity, and neither would the privatization of state-owned companies. To improve competitiveness, more fundamental changes would have to be introduced, some of them initiated by the business sector itself. Greek companies would have to become competitive against their international rivals. How would this be achieved? The Monitor Company had prepared a set of guidelines to assist companies operating within the Greek economic environment in their effort to compete in the international business arena. These guidelines, he said, form a "dynamic model" for action. "They are not descriptive, but a practical tool".