

**MCGILL UNIVERSITY
NORTH AMERICA AND THE GLOBAL ECONOMY (CPL2-561-781)
TRADE RESEARCH REPORT**



GREECE
HELLAS

**"It's better to have an hour as a free man than forty years as a slave"
Rigas Feraios 1757-1798**

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SECTION 1: Country Profile

1.1 BACKGROUND:

Greece's riches stem from its vast history and its beauty. It is a country whose strength is captured in its immortal ruins, which demonstrate the true nature of its culture: health, love and resilience. The influence of Greece can be seen in every continent and felt in every nation. Greece is the birthplace of western civilization, medicine, democracy, the Olympics, theatre, drama, comedy, philosophy, geometry, architecture, art, culture, and city-states. The Bible was first written in Greek; the Parthenon, part of the Acropolis in Athens, and one of the Seven Wonders of the World was built at a time when neither technology nor electricity was in existence, yet it still defines architectural beauty and historical importance. Greece's contribution to humanity is extensive.

1.2 HISTORY:

The cultural heritage of Greece is tremendously rich, stemming as far back to the Ancient Greeks. The actual Hellenic civilization ruled from 1100 BC to 700 AD. The emergence of the classical Greek city-states governed by dictators led to the development of democracy in Athens in the 5th century BC. Greek city-states flourished until they were overshadowed by the powerful Macedonian kings, most notably Alexander the Great. Alexander conquered as far east as Persia and died in 323 BC in India. Alexander's empire left Greek monarchies in Macedonia, Syria and Egypt. The Byzantine civilization is from 284AD to 1453AD. Between 1453 and 1821 the Greeks were occupied by the Ottoman Empire.

March 25th 1821 marks Greek Independence day, a date that is highly celebrated today by Greeks all over the world through festivities, parades and school plays. Between 1821 and 1945 the Greeks strongly focused on building their nation and reconstructing their position within Europe. However, this period also consisted of WWI, a Greco-Turkish war, WWII, including an invasion by Italy and an occupation by Germany, as well as a period of civil war between 1945-1950. Despite all of these events, Greece was able to join NATO in 1952. Greece joined the EC or the European Community in 1981, which later on became the EU or European Union in 1992. The country then joined the euro zone in 2001, becoming the 12th member. Greece's rebuilding process reached its zenith with the hosting of the Olympic Summer games in Athens in 2004

1.3 POPULATION & DEMOGRAPHICS:

As of January 1st 2004, the total population of the EU was 456.4 million, with Greece's population numbering just under 11 Million, or approximately 2 %.

As of 2004, 66.8% of the population in Greece consists of people from the ages of 15 to 64 years of age. The total median age of Greece is 40.5 years, revealing an aging population. The population growth rate is 0.19%. There are only 9.72 births per 1000 people, however there are 10.15 deaths per 1000 people. This depicts the country's low birth rate. Please see the further statistics below:

This is the age structure of the population of Greece:

0-14 years: 14.4% (male 791,227/female 744,178)

15-64 years: 66.8% (male 3,561,689/female 3,564,675)

65 years and over: 18.8% (male 884,497/female 1,122,088)

The following below shows the median age:

Total: 40.5 years

Male: 39.39 years

Female: 41.65 years

One may also consider life expectancy at birth:

Total population: 79.09 years

Male: 76.59 years

Female: 81.76 years

In terms of literacy, 97.5% of the population is literate. The country spends 4.5% of its GDP on education thus showing their commitment to the future growth of Greece. This high level of literacy enables Greece to adapt to a rapidly changing technology-driven world, thus the economic development of Greece is at an advantage.

Greece is an extremely homogeneous society in terms of ethnic diversity. 98% of the population is native Greek; with the remaining ethnic group in Greece are native Greeks, which consist of 98% of the population. The remaining 2% of the population consists of other nationalities, such as Albanians, Africans, However, the Greek Government states there are no ethnic divisions in Greece. This may be because of the fact that most the immigrants in Greece do not have a Greek status, such as Greek citizen, nor permanent resident.

As for religious composition, 98% of Greeks are Greek Orthodox, 1.3% is Muslim, and 0.7% is other including Roman Catholic, Protestant, and Jews.

1.4 GEOGRAPHY:



Figure 1: Map of Greece

Greece is a peninsular country situated in southern Europe and surrounded by the Aegean, Ionian and the Mediterranean Seas. It dominates the Aegean Sea, and approaches the Turkish Straits. It possesses an archipelago of approximately 2000 islands. It is the crossroad of Europe, Asia, and Africa, bordered by the Balkans, Albania, Macedonia, and Bulgaria towards the north. Italy is to the west, and Turkey to the east. About 80% of Greece consists of mountains or hills thus making it one of the most mountainous countries in all of Europe. Mount Olympus forms the highest peak

in Greece at 2,919 metres above sea level. The total area of Greece is 131,957 sq.km. and the total land area is 130,800 sq.km.

In terms of climate, Greece enjoys a Mediterranean temperature, consisting of hot dry springs and summers, long warm autumns, as well as mild wet winters. In general, Greece has over 250 days of sunshine annually.

The largest city, and capital of Greece is Athens, with a population of over 4 million. Located in the province of Attika(i) this city constitutes the gateway to Greece. The Athens metropolitan region is the home to one third of the Greek population and produces approximately one third of Greece's GDP. Other major commercial cities of Greece are Thessaloniki, the capital of Macedonia, and Patra on the west coast. Along with other major ports and terminals in Agioitheodoroi, Aspropyrgos, Irakleion (Crete), Pachi, Peiraius, and Thessaloniki, Patra serves as one of the maritime links between mainland Greece and its many islands.



Figure 2: Map of Attika

1.5 ECONOMY:

The economy of Greece is capitalistic, with the public sector consisting of approximately 40% of the GDP. The GDP per capita is 70%. Also, 15% of Greece's GDP is attributed to tourism. 1/5th of the workforce stems from immigrants, mainly in menial jobs. Greece's economy benefited a great deal by joining the European Union. It acquired much aid from the EU amounting to approximately 3.3% of annual GDP. Greece has received \$8 billion from the European Union since 2000. The Greek economy grew by about 4.0% between 2002 and 2005. This is due to a large investment boom and infrastructure upgrades for the 2004 Athens Olympic Games. However, its economic growth staggered to about 3% in 2005, and Greece has not met the EU's Growth and Stability Pact budget deficit criteria of 3% of GDP since 2000. Consequently, it is experiencing higher than the euro zone average public debt, inflation, and unemployment rates. The Greek government has therefore committed to turning its economy around by cutting government spending, reducing the size of the public sector, and reforming the labor and pension systems.

The GDP (purchasing power parity) of Greece is \$242.8 billion USD. This value states the gross domestic product (GDP) or value of all final goods and services produced within a nation in a given year. A nation's GDP at purchasing power parity exchange rates is the sum value of all goods and services produced in the country valued in US\$ currency. (THE WORLD FACTBOOK)

The GDP (official exchange rate) of Greece is \$215.9 billion. This measure depicts the value of output.

The GDP real growth rate is 3.3%. This entry gives GDP growth on an annual basis adjusted for inflation and expressed as a percent.

The GDP per capita (purchasing power parity) is \$22,800. This value shows GDP growth on an annual basis adjusted for inflation and expressed as a percent.

Investment & Savings Rates:

25.3% of GDP represents gross fixed investment income.

This figure denotes the total business spending on fixed assets, such as machinery, equipment, dwellings, and inventories of raw materials. This entry is quite high because of the enormous amounts of money invested on the 2004 Olympic games; on infrastructure, transportations systems, venues, etc...to support this event. This provides the basis for future production.

In 2003, the household savings rate was 10.9% of disposable income. This is broadly in line with fundamentals, as well as the European average, highlighting its sustainability. Therefore, saving is not likely to undergo any unexpected

upward adjustments, which is a threat to countries that experience low savings rates such as the United States.¹

The productivity growth rate is: (Industrial Production Growth Rate) 1.7% Based on the following industries: tourism, food and tobacco processing, textiles, chemicals, meta products, mining, and petroleum.

Greece's inflation rate is 3.8% on consumer prices; therefore illustrating that it has managed to keep the growth rate of its prices within the standards set forth by EU concerning inflation. However, in terms of employment Greece faces a major challenge.

The unemployment rate is 10.8%; this figure is high, considering that the total population of the labor force is 4.72 million people and its demography is aging.

1.6 STRUCTURE OF ECONOMY:

GDP can be broken down into the following three sectors:

- 1) Primary - Agriculture: 6.2%
- 2) Secondary - Industry: 22.1%
- 3) Tertiary - Services: 71.7%

Greece is a leading producer of wheat, corn, barley, sugar beets, olives, tomatoes, wine, tobacco, potatoes, beef and dairy products.

The industries that Greece does business in are tourism, food and tobacco processing, textiles, chemicals, metal products, mining, and petroleum.

Greece is a strong provider of defense Industry services such as aerospace, military, shipbuilding, metal works, command control and communication systems, as well as arms and weapon systems. It is also a provider of electrical equipment, such as electro optics.

1.7 GOVERNMENT FINANCES:

In 2005, the Greek Government acquired approximately \$94.13 billion worth of revenues and incurred expenses amounting to \$103.4 billion. It is apparent that Greece faced a budget deficit in 2005. Greece has a public debt equal to 108.9% of GDP, thus demonstrating that Greece is increasing its debt and will leave its future generations to pay off its current expenses. If Greece is in debt to subsidize current production i.e. investing in capital, then it is possible that it is to the country's benefit to be in debt. However, if the debt is unproductively invested then Greece may face a future recession if interest rates of the lending

¹ . <http://www.nbg.gr/en/>

countries increase. Consequently, in 2005 Greece also spent 25.3% of its GDP on investment. This demonstrates an active approach to building the structure of its economy. Greece declared a \$75.1 billion debt in 2005.

The 2004 Olympic Summer Games in Athens helped contribute to this figure by forcing Greece into serious debt amounting to a budget deficit of 6.1% of GDP in 2004--double the limit of the percent specified under the European Union's Stability and Growth Pact. Investment in venues, subway systems, hotels, restaurants, and various other infrastructure projects to support the games has been the major contributor to this debt, but also had beneficial impacts on unemployment levels. Tourism and construction associated with the Olympic Games helped the economy to grow at a rate of 4.2% in 2004, which is slightly lower than a 4.7% growth in 2003. In the short run, this may have been seen as an expensive project to manage, however, in the long run, despite their high cost, the improved infrastructure will contribute to Greece's potential growth in productivity and trade, making it a more attractive partner.

1.8 BALANCE OF PAYMENTS POSITION:

The complete Balance of Payments account can be seen in Appendix B. However, we will list some of the key highlights in order to give a good understanding of the status of Greece in 2005. The 2005 statistics state that total number of exports by Greece is \$18.54 billion, whereas its total imports are \$48.2 billion. It therefore experienced a current account deficit balance amounting to \$-14.5 billion in 2005.

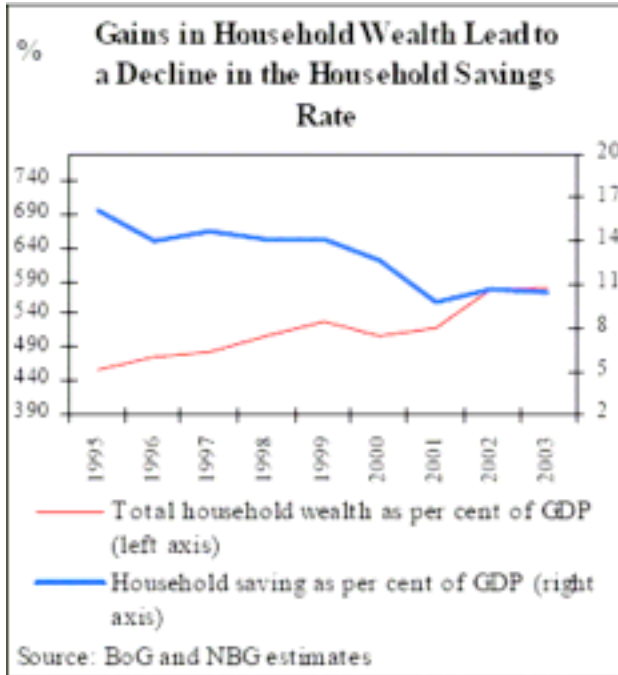
In 2005, Greece's reserves of foreign exchange and gold amounted to \$2.3 billion US.

The exchange rates in terms of Euros per US dollar for the past 5 years are as follows :

YEAR	EXCHANGE RATE (Euros per USD)
2001	1.1175
2002	1.0626
2003	0.886
2004	0.8054
2005	0.79697

This demonstrated a very strong currency in 2001 and 2002, primarily due to the declining US dollar at that period. The US suffered a stock market crash in 2000 as well as the September 11th terrorist attack in 2001, which turned off investors from the US dollar and led them towards the Euro. However over the past two years it has stabilized between around 0.79 and 0.80.

The Household Savings rate has been dropping over the past ten years, but has stabilized somewhat in 2003.



1.9 POLITICS

Greece has been a parliamentary republic as of December 8, 1974 when Greeks rejected the monarchy under which they had previously been governed. Unlike Canada, it has both a prime minister and a president. The Head of the State is the President and is elected by the Greek Parliament every five years. The President can serve a maximum of two terms of five years. The President also appoints the leader of the party that wins the majority in the national elections as Prime minister. According to the constitution, "The President of the Republic regulates the functions of the institutions of the Republic."² It is in fact more of a symbolic position, since all real power is vested in the parliament and its ministers and any action by the president must be approved by the minister responsible.

The Prime Minister serves as leader of the parliament, consisting of 300 deputies that are elected for 4-year terms. Legislative powers are exercised by Parliament, the Prime Minister, and executive powers are vested in the Government, and the President. The constitution was formed on June 11th 1975 and has been amended twice, both March 1986 and April 2001. Greece's legal system is based on codified Roman law; judiciary divided into civil, criminal, and administrative courts.

² "Powers of the President of the Republic", Presidency of the Hellenic Republic website, <http://www.presidency.gr/en/armodiothtesproedr.htm>

The most recent parliamentary elections were held on March 7 2004 and were won by the New Democracy Party (ND), led by Konstantinos Karamanlis. The ND party took 45.4% of the vote, and 165 of the 300 seats. This victory unseated the Panhellenic Socialist Movement (PASOK), led by Yiorgos Papandreou, which took 40.6% of the vote but only 117 seats. PASOK had formed the government since the early 1980's, except for a three year period from 1903-93, so this election signaled a significant shift in the political power structure of the nation. Other parties with significant followings are the Coalition of the Left and Progress (aka Synaspismos), the Communist Party of Greece (KKE), and the Popular Orthodox Rally (LAOS). The current Ministers of note can be seen in Appendix A.

1.10 MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS:

Greece is a member of a large number of international intergovernmental organizations and associations. Greece joined the EU/EC in 1981, becoming the 10th member of the European Community. It joined the WTO on January 1st, 1995. Greece was one of the original members of the United Nations, officially admitted on October 25th, 1945. Its principal objectives as a member of the UN, according to the Greek Ministry of foreign Affairs, are “the promotion of democratic principles of governance, the peaceful resolution of disputes, strict adherence to international law and respect for human rights.”³ In January 2005 Greece was elected to sit on the Security Council as one of the 10 non-permanent members. The two-year term will end on December 31st 2006.

A complete list of the organizations in which Greece participates is displayed to the right.

Figure 1: International Associations

ACCT (associate), Australia Group, BIS, BSEC, CE, CERN, EAPC, EBRD, EIB, EMU, EU, FAO, G- 6, IAEA, IBRD, ICAO, ICC, ICCT, ICFTU, ICRM, IDA, IEA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, ISO, ITU, MIGA, MINURSO, NAM (guest), NATO, NEA, NSG, OAS (observer), OECD, OPCW, OSCE, PCA, UN, UN Security Council (temporary), UNCTAD, UNESCO, UNHCR, UNIDO, UNMEE, UNMIS, UNOMIG, UPU, WCO, WEU, WFTU, WHO, WIPO, WMO, WToO, WTO, ZC.

Note: see appendix for list of Acronyms

1.11 CURRENT TRADE DISPUTES:

There are two dispute settlement cases open in the WTO with Greece as respondent. However, this figure may be somewhat deceiving since most disputes are brought against the EU/EC as a whole. The two disputes that involve Greece itself were both brought by the United States. The first, DS124, deals with the Enforcement of Intellectual Property Rights for Motion Pictures and Television Programs and was raised in conjunction with a dispute against the EU

³ “Greece in the UN”, Greek Ministry of Foreign Affairs, <http://www2.mfa.gr/www.mfa.gr/en-US/Policy/Priorities/International+Organisations/UN/Greece+in+the+UN/>

as a whole (DS125). The request for consultation was submitted May 4, 1998. The basis of the complaint was the contention by the US that many television stations in Greece broadcast television programs and movies without receiving authorization from the copyright owners. In the opinion of the United States this constitutes a violation of the TRIPS agreement protecting Intellectual Property rights. The dispute was resolved in March of 2001.

The second dispute involving Greece, DS129 was brought by the US on May 5, 1998. This allegation involves a measure of Greek income tax legislation that might constitute a subsidy for exporters in the form of an annual income tax deduction. The dispute is still unresolved as of December 1st, 2005.

1.12 FOREIGN POLICY DISPUTES

Relations with Turkey

Relations between Greece and Turkey have been strained for centuries. However, with Turkey's application to the EU relations began to improve since the two countries would be forced to collaborate to establish themselves as strong participants in the European Community. For the first time in 16 years the prime minister of Turkey made a formal visit to Greece in 2004. Recep Tayyip Erdogan of Turkey and Prime Minister Karamanlis of Greece pledged cooperation in resolving the conflict over Cyprus. Greece also announced that it would support Turkey's bid for inclusion in the European Union.

The Cyprus Problem

Cyprus has had a long history of conflict and division. It was ruled by the Ottoman Empire from 1570 until 1878 when it was ceded to Britain in exchange for British support of Turkey in the Russo-Turkish War. In the 1940s and 50s Cypriots began to demand independence from their British rulers with the hopes for a union with Greece. The island eventually won independence in 1960, after which the Greek and Turkish leaders of the state pursued a non-aligned policy, thereby widening the gap between Greek and Turkish Cypriots. Greek Cypriots in favour of a union with Greece led a coup d'état in 1974. In response Turkey invaded the island, claiming the northern section as its own. After a period of fighting that lasted for several weeks the UN was able to negotiate a ceasefire and established the 180 kilometre-long Green Line buffer zone.⁴

After long and arduous negotiations chaired by UN secretary of State Kofi Annan an agreement was reached on March 31st 2004 to form a united Cyprus. The United Cyprus Republic would be a union of the Greek Cypriot state and the Turkish Cypriot state and would be governed by a newly drafted constitution. However, the Greek Cypriots rejected the Annan Plan in a referendum in April 2004. Nonetheless, the entire island became a member of the United Nations as one of the ten countries admitted in May of 2004.

⁴ Veteran Affairs Canada, <http://www.vac-acc.gc.ca/remembers/sub.cfm?source=history/canadianforces/cyprus>

Human Rights Issues

In order to bring itself into line with European Union requirements with regard to equality and human rights Greece has recently taken steps to pass legislation mandating the equal treatment of all people regardless of ethnicity, gender or race. However, intolerance still persists within the country, as can be seen in Greece's treatment of the Roma and common perceptions held in the church and the media regarding Albanian and Turkish immigrants.

1.12 BILATERAL RELATIONS WITH CANADA

The bilateral relations between Greece and Canada are enhanced by the large number of Greek expatriates living in Canada. The Government of Canada estimates that almost 250,000 people of Greek origin live in Canada as of 2005.⁽⁵⁾ There are a number of joint Non-Governmental agencies that act to strengthen interpersonal relations between Greece and Canada. These NGOs include: the Hellenic Canadian Congress, The Hellenic Heritage Foundation and AHEPA, the Greek Heritage Organization.

Many first generation Greeks living in Canada came to this country from rural, agricultural backgrounds in Greece, however, few of them, and almost none of their children, work on farms today. The majority immigrated to the largest cities in each province, primarily in Montreal, Toronto and Vancouver. However, since the 1970's the flood of immigrants from Greece has slowed, due in part to increased prosperity and democratically elected governments at home. Some young Greeks travel to study in North America for postsecondary education, but they eventually return to Greece.

1.13 GLOBAL RANKINGS:

Competitiveness

According to the IMD World Competitiveness Yearbook of 2005, Greece ranks 50th in the world with a score of 50.332. This rank is a drop from 2004's position of 44th.⁶ In comparison, Canada is ranked 5th, the US is ranked 1st and Mexico is ranked 56th.

Human Development Index (HDI)

The United Nations HDI measures and ranks each member nation based on three aspects of human development: life expectancy at birth, knowledge (using adult literacy rate and gross enrollment ratio) and GDP at Purchasing Power Parity. In 2005 Greece was in position 24, no change from their ranking in 2004.

⁵ "Canada & Greece Relations," CANADAEuropa website. http://dfait-maeci.gc.ca/canada-europa/greece/right_nav/canada_greece_901-en.asp

⁶ [World Competitiveness Scoreboard 2005, World Competitiveness Yearbook, Institute for Management Development \(IMD\), Lausanne, Switzerland, p. 5. reprinted in North America and Global Economy Coursepack 2006.](#)

In comparison, Canada is ranked 4th, the US is ranked 10th and Mexico is ranked 53rd.⁷

Quality of Life Index

The Economist magazine issues an annual Quality of Life Index. This index uses a number of qualitative as well as quantitative measures to evaluate the quality of life in a country as a supplement to the pure GDP ranking. Some criteria that the index considers include life expectancy at birth, political stability, climate and geography, political freedom and community life. In 2005 Greece ranked 22nd, with a score of 7.163 out of 10. This can be contrasted with Greece's rank of 27th globally in terms of GDP per person at PPP.⁸ In comparison Canada ranked 14th, the United States ranked 13th and Mexico ranked 32nd.

Freedom Index/Democracy Index

The Freedom House Freedom in the World Index for 2005 lists Greece as Free, with a score of 1 in Political Rights and 2 in Civil Liberties.⁹

Index of Economic Freedom

This index scores and ranks countries based on a set of 50 variables in 10 categories of economic freedom. For 2005 Greece ranked 57th, with a total score of 2.80. In comparison Canada ranked 12th, the USA ranked 9th and Mexico ranked 60th.¹⁰

Corruption Perception Index (CPI)

According to Transparency International's annual Corruption Perceptions Index, Greece is ranked 47th in the world for 2005. This index measures how a country is perceived by business people and country analysts using polls by independent institutions. In comparison Canada is ranked 14th, the US is ranked 17th and Mexico is ranked 65th.

Greece's CPI Ranking	
YEAR	RANK
2001	42
2002	44
2003	50
2004	49
2005	47

⁷ Human Development Report 2005, Published for the United Nations Development Program, reprinted at <http://hdr.undp.org/reports/global/2005/>

⁸ The Economist Intelligence Unit Quality of Life Index, http://www.economist.com/media/pdf/QUALITY_OF_LIFE.pdf

⁹ Freedom House index of Freedom in the World, 2005, <http://www.freedomhouse.org/template.cfm?page=211&year=2005>

¹⁰ "Index of Economic Freedom", The Heritage Foundation website, <http://www.heritage.org/research/features/index/countries.cfm>

SECTION 2: International Trade

2.1 INTERNATIONAL TRADE STATISTICS

Greece's main trading partners are in Europe. In 2003 56.1% of its trade was with EU nations.¹¹ In 2004 its largest trading partner was Germany, totaling 13.1% of Greek exports. Furthermore, Greece exported 10.3% to Italy, 7.5% to the UK, 6.3% to Bulgaria, 5.3% to the United States, 4.6% to Cyprus, 4.5% to Turkey and 4.2% to France. As for Greece's import partners, again Germany is the most active partner, representing 13.3%. The second largest import partner is Italy at 12.8%, followed by France at 6.4%. the Netherlands at 5.5%, 5.5% from Russia, 4.4% from the United States, 4.2% from the UK, and 4.1% from South Korea.

According to the Ministry of Foreign Affairs the top export sectors and the primary destinations as of 2004 were:

1. Apparel and furs....Bulgaria, France, Cyprus
2. Base metals...Spain, USA, Poland
3. Chemicals and chemical products.U.K., Germany, Italy, Cyprus
4. Textiles..Italy, Bulgaria, U.K.
5. Foods & Beverages ...U.K., U.S.A., F.Y.R.O.M.¹²

2.3 POLITICAL RELATIONS WITH CANADA:

Canada and Greece have had a long history of cordial relations stretching back to the Second World War. The two nations have cooperated internationally in terms of several multilateral organizations. In terms of foreign policy, Greece and Canada share similar goals. For instance, Greece is a member of the Human Security Network and Foreign Minister Papandreou participated on the Advisory Board of the International Commission on Intervention and State Sovereignty (ICISS), which is chaired by former Canadian Foreign Minister Lloyd Axworthy. Canada has supported Greece in its stance in relation to Cyprus, even stationing peacekeepers on the island between 1964 and 1993. High-level dignitaries from both countries regularly pay visits to enhance this close relationship. In May 2000 President Constantinos Stephanopoulos paid an official state visit to Canada. Canadian ministers, including former heritage minister Sheila Copps and former defense minister Art Eggleton traveled to Greece in 2001.

¹¹ http://europa.eu.int/abc/keyfigures/tradeandconomy/tradingpower/index_en.htm

¹² <http://www2.mfa.gr/www.mfa.gr/en-US/Policy/Economic+Policy/Foreign+Trade/>

2.3 TRADE RELATIONS WITH CANADA:

Over the past four years, Greece has experienced rapid economic growth well above the EU average, thus allowing the economy to develop and offer increasing opportunities for business cooperation. Trade between Canada and Greece has seen a steady growth over the last few years with bilateral trade reaching an all time high of \$350 million Canadian dollars in 2001.¹³ Greek exports to Canada include fruit, olives, olive oil, wine and cheese, bentonite and building stone, fur apparel, textiles, and clothing, aluminum plate, sheets and strips.¹⁴ Canadian exports to Greece include transportation equipment, pulp/paper, furs, lentils, general purpose machinery, as well as information technology hardware and software. Some large Canadian firms exporting or pursuing opportunities in Greece are, Nortel Networks, Bombardier, Orelikon Aerospace, and SNC Lavalin. In order for these Canadian companies to be successful in this Greek market, there needs to be much patience, persistence, and commitment.

Canada has been one of the largest foreign investors in Greece in recent years, while Greek FDI in Canada is almost negligible. (Statistics for Canadian Investment in Greek Stocks can be seen in the adjacent table.)

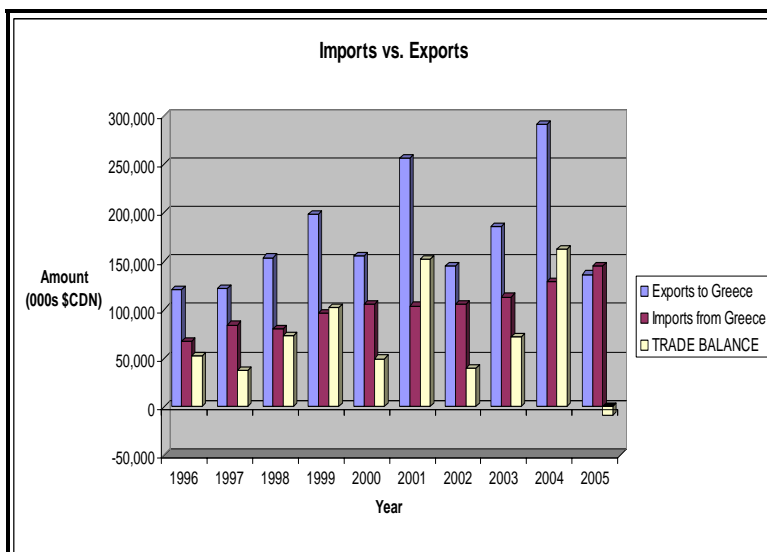
There are a few Greek firms investing in Canada, such as the Athens company Neoset; ready to assemble furniture company, which owns three retail stores in Toronto. In addition, The National Bank of Greece, the Popular Bank of Greece and Olympic Airways have representative offices in Canada's largest cities.

Canadian Direct Investment Abroad (Stocks) - Millions of dollars							
	1999	2000	2001	2002	2003	2004	Ranking
Greece	404	487	116	58	83	268	41
Greece (% of total)	0.139%	0.137%	0.029%	0.013%	0.021%	0.060%	N/A
All Countries	290,730	356,506	399,253	433,364	403,444	445,063	N/A
Source Statistics Canada, CANSIM Table 376-0051 May 2005							

When the data is displayed graphically one can see that Canada's trade balance with Greece has fluctuated over the past ten years. More importantly it can be seen that 2005 saw a positive trade balance for Greece as its exports to Canada grew to the highest level in ten years. According to the statistics below Greece is maintaining a large export balance in services as well. However, it remains to be seen whether this positive balance will continue in the future.

¹³ GOVERNMENT OF CANADA, CANADA EUROPA WEBSITE

¹⁴ *ibid.*



Canadian Trade Balance with Greece (Value in Thousands of Canadian Dollars)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Exports to Greece	120,525	121,746	153,928	198,564	155,981	256,320	145,645	185,663	291,567	136,571
% of total Exports	0.04%	0.04%	0.05%	0.06%	0.04%	0.06%	0.04%	0.05%	0.07%	0.03%
TOTAL (ALL COUNTRIES)	275,819,202	298,072,025	318,444,036	355,420,330	413,214,848	404,085,073	396,381,337	381,000,026	411,839,619	435,641,376
Imports from Greece	67,964	84,508	80,163	96,497	106,263	104,144	105,849	113,380	129,133	145,444
% of total Imports	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%	0.04%
TOTAL (ALL COUNTRIES)	232,565,711	272,946,323	298,386,345	320,408,693	356,992,185	343,110,508	348,956,754	336,103,579	356,055,522	379,576,609
TRADE BALANCE	52,561	37,238	73,765	102,067	49,718	152,176	39,796	72,283	162,434	-8,873

Source of data: Statistics Canada

Canada's International transactions in services with Greece, (in millions of dollars CDN)						
	1998	1999	2000	2001	2002	2003
Total Services Receipts (exports)	165	246	176	155	184	251
Travel	21	20	18	13	17	19
Commercial services	12	20	14	8	28	65
Transportation and government services	132	206	143	133	140	167
Total Services Payments (imports)	637	613	722	701	712	716
Travel	81	70	65	108	105	80
Commercial services	18	8	3	3	4	23
Transportation and government services	538	534	653	590	604	613

Source: Statistics Canada

2.3 CAPITAL FLOWS

Investment:

There are approximately 331 companies listed on the Athens Stock Exchange ASE¹⁵ and 140 stocks listed on the FTSE/ASE Composite Share Price Index. The largest trading sectors are banks, heavy construction and materials companies and fixed line telecommunications services. The big six banks are the National Securities, EFG Eurobank Securities, Alpha Bank, Emporiki Bank, Piraeus Sigma Devletoglou Securities, and ATE bank. On Thursday, February 9th 2006 the ASE composite share price closed at 4,118.28 points, a gain of 13.44 points or 0.33 percent.

The main sectors that are represented on the ASE are the following:¹⁶

- oil & gas
- chemicals
- basic resources
- construction & materials
- industrial goods & services
- food & beverage
- personal & household goods
- health care
- retail
- media
- travel & leisure
- telecommunications
- utilities
- banks
- insurance
- financial services
- technology

Market capitalization for the Athex composite share price index as of February 28th 2006 is 114, 406,174.11 in thousands of Euros.¹⁷

Multinational Corporations:

Some Greek multinational corporations consist of the following: OTE, a telecommunications company traded on the New York Stock Exchange, Fage, the largest dairy producer in Greece, Delta Holdings, another dairy producer, Chipita International S.A.;. produces salted snacks, croissants, bakery, and

¹⁵ <http://www.ase.gr/content/en/members/profiles/>

¹⁶ <http://www.ase.gr/content/en/companies/ListedCo/Profiles>

¹⁷ http://www.ase.gr/content/en/Indices/Daily/Daily_Indices.asp

confectionary products. The National Bank of Greece trades on the New York stock exchange as well, and has branches around the world.

Bilateral Relations with the USA

Relations between Greece and the United States have been close ever since the American involvement in the liberation of Greece during the Second World War. However, the percentage of trade has never amounted to a significant amount in either direction. In 2000, American investments in Greece amounted to 0.05% of the American capital invested abroad, while Greek investments in the USA totaled \$942 million within the same period. According to statistics for the year 2000, Greek exports to the US amounted to \$577.5 USD million. Imports from the US total \$971 USD million, creating a negative balance of trade for Greece of \$393.5 USD million. Subsequently, the trend continued for 2001 with a trade balance deficit of \$319.3 USD million, with Greek exports totaling \$226.5 USD million.

Bilateral Relations with Mexico

Greece maintains a positive friendly relation with Mexico and all Latin American countries (LAC). In 2000, Greece experienced a negative trade balance of \$137,857 USD with the Latin American countries in general. Imports amounted to 338.054 USD, and exports totaled 200.197 USD. However, the government of Greece is stressing great importance on promoting bilateral legal framework of Agreements with LAC, with a major emphasis on the Promotion and Mutual Protection of Investments, Economic and Technological Co-operation, Marine Transports and Tourism. In addition, "Greece fully bilaterally supports and sponsors to the extent of its ability, humanitarian and development aid projects."¹⁸ Furthermore, Greece takes initiatives towards the progress of regional cooperation and integration in the region. The fact that there are many prosperous Greek communities in many Latin American countries is a link for mutual cultural awareness and cooperation.

The figures below illustrate Greece's specific relations with Mexico and illustrate that there is considerable room for growth in the trading relationship.

Table of imports and exports between Greece and Mexico in thousands

		1996	1997	1998	1999	2000
	Imports	17.697	31.158	20.280	15.337	12.700
Mexico	Exports	7.721	8.054	4.590	15.052	28.048
	Balance	-9.976				

¹⁸ [HELLENIC REPUBLIC MINISTRY OF FOREIGN AFFAIRS WEBSITE
http://www.mfa.gr/english/](http://www.mfa.gr/english/)

This stipulates a negative trade balance for Greece with Mexico. In 1996, the negative trade balance amounted to 9,976 USD, and in 2000 it amounted to 15,348 USD. Therefore there is not much consistent trade between these two countries. Of course, the geographical distance between Greece and Mexico, or any other LAC may be a factor to this negative trade balance.

SECTION 3: Trade Policy

3.1 GREECE'S TRADE POLICY

Greece's current overall Balance of Payments Deficit reveals the challenges that Greece faces and the steps it needs to take in its trade policy decisions.

Greece's exports have traditionally been dominated by agricultural products and apparel. However, recently

The Greek Ministry of Foreign Affairs lists several sectors in which it believes that Greece has the potential to increase its exports, including Medical precision instruments & optics, electrical machinery and equipment, Machinery and parts, plastic and rubber products and metal products.

This shift to higher value, more industrial products can be seen as a step in the right direction for Greece and as a result of the advantages resulting from the expansion of the European Union. This can especially be seen in the increase in exports to former Soviet countries like Poland and Bulgaria and with new EU member states like Slovenia as well as the Balkan States.

After the election of the New Democratic Party in March 2004, the newly appointed Prime Minister Konstantinos Karamanlis spoke to parliament about the new government's proposed changes in his Platform Speech.¹⁹ He emphasized three goals of a new policy that he would institute as the new leader of the Greek Parliament. First, he would lead an investment in Culture and Education. Second, he would move for the refounding of government. Finally he would implement a New Economic Policy to increase economic growth and better distribute benefits to the Greek population. Some of the central objectives of this economic policy were to increase productivity and enhance global competitiveness, to achieve growth rates over 5% and to reduce public debt. Karamanlis also made commitments to reduce government spending, increase transparency and accountability and promote privatization and market deregulation, to increase investment in research and development, to establish a community network of Greeks abroad with the goals of increasing exports, to initiate infrastructure projects to ease trade with neighbours, and increase investment in tourism. Karamanlis also identified unemployment as, "The most serious economic and social problem in Greece today" and set the target of reducing it by 3 points over four years.²⁰ It remains to be seen if Karamanlis can achieve this goal.

3.2 THE DOHA ROUND

The focus of the current Doha round is to take multilateral decisions that incorporate and emphasize the viewpoints and wishes of developing nations. The most important mandates of the negotiations involve agricultural subsidies, market access for industrial products and trade in services. As part of the EU,

¹⁹ [Speech by Prime Minister Mr Kostas Karamanlis to Parliament giving an outline of government policy, 20 March 2004, reprinted at http://www.primeminister.gr/gr/lang/en/pdf/platform_speech_1.pdf](http://www.primeminister.gr/gr/lang/en/pdf/platform_speech_1.pdf)

²⁰ *ibid.*, p 7

Greece's viewpoints in these matters are aligned with its partners in order to assert the EU's position in negotiations. In terms of the specific issues up for debate in this round Greece should be particularly interested in progress on the issue of services since this is such a large portion of its exports. Reductions in agricultural subsidies will make Greek products less competitive versus African, Asian and Eastern European goods. Unfortunately the negotiations have not produced any clear resolutions and in fact, seem to be at a standstill. Greece's ministry of foreign affairs, in alignment with EU leadership, believes that "the Doha round of negotiations has lost momentum."²¹

3.3 FUTURE OUTLOOK

With the change in leadership, the success of the Olympic Games, the proximity to a solution to the Cyprus Problem and a more established place in the EU Greece is at a major crossroads in its modern history. The recent enlargement of the EU means that Greece is no longer the only member nation that will struggle to meet EU standards. The eventual inclusion of Turkey could potentially make Greece a major artery for goods passing from East to West and vice versa. Greece must resolve its political disputes to foster a working relationship with Turkey in the short term. Greece must also define a clear trade policy, both in terms of its position in the EU and with its foreign trade partners. Greece needs to develop its economy through the privatization of selected sectors as a means to attract foreign investment. Greece must also reduce public debt and make accountability and fiscal responsibility a priority within the Government. Finally Greece must invest in education to develop its workforce. Greece now sits in the middle of the pack, both in the EU and in the World economy. The next five to ten years will dictate if it will remain there or if Greece has the strength to climb back into prominence.

3.4 CANADA'S POTENTIAL FOR FUTURE TRADE

Whether Greece is successful in the undertakings listed above will determine the attractiveness of the nation as a partner for Canada into the future. The strong political and cultural bonds that we have will mean that there will always be a certain level of trade between our two nations. Tourism, services and specialty goods, such as food and beverages, will continue to flow back and forth regardless of the success of Karamanlis' new economic policy. If the relationship is to develop beyond this level, however, Greece will need to follow through with its plans to harness the momentum gained from the 2004 Olympics and the change in leadership. Greece does offer substantial investment incentives for everything from new manufacturing facilities, to tourism ventures to investments in advanced technology.²² Greece has a literate yet low priced labour force that

²¹ <http://www2.mfa.gr/www.mfa.gr/en-US/Policy/Economic+Policy/International+Organizations/>

²² Ministry of Foreign Affairs, Investment Incentives by Sector, <http://www.agora.mfa.gr/>

could potentially be developed as a European centre for manufacturing of high tech products. However, it will need to make itself more appealing if it hopes to attract Canadian investments over the competition in Eastern Europe, South America and Asia.

APPENDIX A: Ministers in the Greek Parliament

As of February 20th, 2006 the Greek Cabinet Consists of the Following Elected officials:

President:
Karolos Papoulias

Ministry of Rural Development & Food:
Evangelos Basiakos

Prime Minister:
Konstantinos Karamanlis

Ministry of Tourism:
Fani Palli-Petralia

Ministry for the Aegean & Island Policy:
Aristotelis Pavlidis

Ministry of Transport & Communications:
Michael Liapis

Ministry of Development:
Dimitris Sioufas

Ministry of Economy & Finance:
Georgios Alogoskoufis

Ministry of Employment & Social Protection:
Savvas Tsitouridis

Ministry for the Environment, Physical Planning
& Public Works:
Georgios Souflias

Ministry of Foreign Affairs:
Ntora Bakogiani

Ministry of Health & Social Solidarity:
Dimitrios Avramopoulos

Ministry for the Interior, Public Administration
& Decentralisation:
Prokopis Pavlopoulos
Ministry of Justice:
Anastasios Papaligouras

Ministry of Macedonia: Thrace
Georgios Kalantzis

Ministry of Mercantile Marine:
Manolis Kefalogiannis

Ministry of National Defence:
Evangelos Meimarakis

Ministry of National Education & Religious
Affairs:
Marietta Giannakou

Ministry of Public Order:
Byron Polidoras

