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## **PRESS RELEASE**

### **Comparative Advantages of the Sectors of Greek Economy**

A country like Greece, with a small, open economy, is particularly vulnerable to the effects of the international economic reality. In order to keep up with international competition, the liberalization of the markets of goods, capital, services and more generally the globalization of markets, Greece must develop a productive base that will allow dealing with global challenges.

The conditions in which Greek economy must operate include risks, but also significant opportunities. However, small economies, such as Greek economy, have limited choices and thus they are obliged to choose the development of sectors and industries, in which they have or could develop comparative advantage. Greece, whose dependence on foreign trade exceeds 30%, must count on export sectors, as to ensure sustainable growth course.

Therefore, there is the need to develop specialization in production, focus on facing international competition and addressing to a large and growing market, with elastic demand. The relevant exchange balances can be used as a reliable indicator for the selection of competitive sectors, as they reflect the positive or negative performance of the respective sector.

The twenty year period 1960-80 the average annual growth rate of tourism was about twice as that of the industry, while in the following twenty years 1980-2000 it became twelve times higher. At the same time, the agricultural sector was constantly declining and the last twenty years has recorded negative growth rates. The development of these three sectors of the Greek economy is reflected in the respective balances, which show the long-term deficit of the industry, the declining course and the deficit development of the agricultural sector, as well as the growth trend of the tourism sector, which records significant surplus. The development becomes even more evident, if we take into account the shares of bank funding, but also development laws, obtained by these sectors, with industry being the most advantaged. Despite limited funding in the tourism

sector, the contribution of tourism to GDP has an increase rate and is 10 times higher in the last 40 years, while industry – and mainly agriculture- record a decrease rate.

The Greek merchant shipping present a growth rate similar to that of tourism, since during the period 1965-2000 the Greek-owned fleet increased 5 times compared to 3 of the global and thus increased its share in the world from 11% to 15,2%. Maritime exchange inflows cover 46% of the industrial balance deficit and the GDP produced directly or indirectly from it is around 7%. The potential development capacity of shipping is much higher, if we take into account the percentage of Greek-owned shipping operating under a foreign flag 68% compared to 48% for the rest of the world and therefore it should be one of the first priorities for the development policy.

The forecasts of the World Tourism Organization (WTO) for the course of international tourism until 2020 are very optimistic. The growth rate of international tourism is estimated to be 4% by 2010 and 4.5% for the next decade by 2020. Greece can record high growth rate in tourism and even higher if it follows an economic policy responding to modern developments. It is expected that the foreign exchange receipts from tourism and foreign exchange surplus will have a positive course.

One of the main measures to increase tourism demand in our country must be the promotion of Olympics; otherwise the created positive results will be short-term. At the same time, Greece has to be effectively advertised and promoted with emphasis on three axes: a) sun-sea b) city tourism- elderly tourism c) maritime tourism (special infrastructure). Conference tourism stands out from the other infrastructures. Also, special infrastructures must be developed driven by domestic tourism.

In addition, the efforts of our country to attract tourists must turn on the one hand to the traditional overseas countries of origin with strong Greek element and on the other hand to the crowded and economically rising countries of Common wealth of Independent States, as well as Eastern countries and Southeast Asia. Finally, the intervention of the State and Local Government is significant in order to improve the quality and the balance between prices and services offered.

Regarding supply, the distribution of resources is a priority, for the upgrading of infrastructure, superstructure and beds – and therefore of quality- related to rooms for rent and hotels of lower categories. The further expansion of these categories (that already form 70% of the total bed capacity) should not be encouraged. On the contrary, it is recommended to support high categories and chains of branded product to create new beds.

From a regional point of view, the creation of tourism infrastructure and the incentive policy should focus on 1-2 coastal areas of non-island Greece. Lastly, Greek tourism should not depend on 2-3 countries of origin and has to collaborate with new developing countries.

Merchant shipping is the other development sector in our country that should be supported, especially in exports. Therefore, state should include shipping to the development policy, due to its potential ability to increase the inflow of foreign exchange with positive effects on the current account balance. The obstacles regarding shipbuilding and shipbuilding industry, the financial-insurance infrastructure and other institutions such as the classification society, arbitration and the courts regarding shipping, must be fought. The issue concerning the transformation of Piraeus into international shipping center is a large plan, but it will never be able to compete with established international shipping centers, such as London. However, many other things can be done with the cooperation of shipping companies, who know the reasons why their capitals and other business activities are turned to other countries.