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LOCATION OF NATIONAL INDUSTRY WITHIN
A WIDER ECONOMIC CONTEXT

Submitted by the Government of Greece

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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

1. The purpose of this paper is to examine the existing pattern of location of Greek Industry and proceed to investigate any possible developments which may take place within the new international politico-economic framework of the post-war period. Moreover, since these developments and problems have appeared in most countries of the world, an attempt will be made to generalise on the content and conclusions of the relevant propositions.

2. It must be stressed that the development of industry in its different branches is not the concern of this paper; its aim is the investigation of its spatial development under the influence of:

- (a) the international, inter-regional or bilateral economic associations in which national economies belong; and
- (b) regional development policies.

In order to justify the above mentioned developments examples of Greek experience in this field will be used. As a starting point, therefore, it has to be said here that the location of Greek Industry in the past concentrated along the axis which cuts the country from North to South, in the middle of the total area of the country approximating to the diameter of a circle.

3. The greatest concentration of industrial activity is to be found in the middle of this diameter, in the Greater Athens Area (28 per cent of industrial establishments, 47 per cent of employment and 55 per cent of industrial product) and a considerable proportion in Thessaloniki (6 per cent of establishments, 9 per cent of employment and, approximately 10 per cent of industrial product). The rest of the country shows no other substantial industrial concentrations. Taken together, the six greatest urban centres, i.e. the towns of Patrai, Volos, Larissa, Kavala, Chania and Heraclion, do not constitute even 10 per cent of the country's industrial activity.

4. The causes of the location of Greek industry in the Athens area are, mainly, its superior infrastructure, the availability - quantitatively and qualitatively - of labour and management, the size and proximity of markets, agglomeration advantages and external economies.

5. With the development of the Greek economy to take-off levels, the industrial policy of the country began to orientate itself towards decentralization, aiming at the industrial development of the regions. The problem was, therefore, how to create comparative advantages of location in places outside the Athens area. Many measures were introduced and many incentives were offered for the attraction of industry to the regions (public investment in provincial infrastructure, establishment of industrial zones, credit, tax, tariff and investment incentives for regional industries) with greater or lesser effects on regional development.

6. The association of Greece to the E.E.C. countries has created a new geographical framework to the west of Greece, and the weight of Greek industry has consequently to be transferred towards the western departments of the country, through the creation of another industrial axis to the west. This axis is parallel to the existing one and of a complementary character, since the Greek economy is no longer restricted to its national boundaries but is to become a part of a larger area to the west of the country.

7. The argument for the creation of a second industrial axis is based on certain principles of economic deontology from which the successful application of Greek policy - with its dual objectives - may be inferred; these objectives are:

- (a) Decentralization and de-acceleration of the development of industrial concentration in the Greater Athens area.
- (b) The foundation, on a healthy basis, of a programme of regional development for Western Greece which includes the certain departments (such as Epirus) which do not possess prerequisites for self-sustained development.

8. The new industrial axis is oriented to the E.E.C. from the outset since it is inherently aimed at attracting industrial investment from abroad and particularly from the E.E.C. countries; it was chosen for its proximity to Italy and therefore to the whole E.E.C. area.

9. The industrial axis in Western Greece ought to be extended along vital points of the area that possess the economic prerequisites for the self-sustained development of industries with the minimum of State assistance; such points are

likely to be:

- (a) The town of Kerkyra, with a population of 27,000^{1/} inhabitants, considerable industrial tradition in provincial terms, with a sophisticated cultural and social structure, international airport and port with special air and ferry-boat connexion with Italy, and an internationally famous and cosmopolitan tourist industry.
- (b) The town of Preveza (about 100 kilometres south of the port of Kerkyra) with a population of 11,000 ^{1/} inhabitants today (about 200,000 in ancient times due to its association with the larger economic area of the Roman Empire), Preveza is planned to be used as the "Gate" to the Common Market area after the appropriate arrangements are made for the full exploitation of the great natural advantages of the port, after developing the recently completed international airport near Akteon and, finally, after developing the industrial potentialities of the fertile inland areas by the establishment of an industrial zone in the town.
- (c) Greater area of Patrai-Messolonghion: This area, with a population of approximately 150,000, rated as the third most important industrial centre in Greece, forms the basis of the proposed new industrial axis. There already exists an active industrial sector and international commercial activity in Patrai, which has a good international port; Patrai is also connected with Italy by regular ferry-boat services, while the cultural and social structure is very satisfactory. The area of Messolonghion in particular possesses considerable quantities of raw materials for establishing chemical industrial complexes of a location-fixed nature. Technical preparations have already been made and the respective investments are to be undertaken shortly.
- (d) District of Catakolon: This area forms the gateway to the sea of the very fertile plain along the rivers Pinios and Alphios. The FAO has carried out a development study for this area based on the construction of a large dam. The small town of Catakolon already possesses port facilities and rail and road connexion with the inland areas; it also has a number of resin and raisin-processing factories.
- (e) District of Pylos and Calamai: This area lies on the southernmost end of the axis. The town of Pylos in particular possesses a large natural port where great new shipyards - a joint venture of Greek and Japanese co-partners - are to be established. Recently, too, the establishment of a new oil-refinery for exports only has been approved. The town of Calamai, with 38,000 population, possessed in the past a very lively industrial activity which fell into decadence during the

^{1/} 1961 census of population.

post-war years, for various external reasons. However, by placing the town in the framework of the industrial axis of Western Greece it would certainly become possible to activate and develop the industrial potentialities of the area so as to enable it to support certain competitive industrial units.

10. The indication of the above-mentioned five points for the development of industrial activity is not contradictory to the idea of industrial concentration, based mainly on a consideration of external economies. On the contrary, the aim is to exploit the existing infrastructural and other advantages and to develop a limited number of material-oriented or non-location-fixed industrial units on an internationally competitive basis.

11. Particularly in the case of Preveza an attempt could be made to establish a pioneer scheme of establishing a twin industrial pole on a bilateral basis in the form of a Taranto-Bari-Preveza pole, since both these areas are planned for industrial development (within the context of a national policy of regional development) in their respective countries, Italy and Greece.

12. Notwithstanding the proven feasibility of an industrial axis in Western Greece, the realisation of such a project would be faced with great difficulties if the requisite preparatory operations, particularly in the sector of transport, are not undertaken.

13. The provision of easy and regular transport services by air and sea transport and especially by ferry-boats from the different points of the axis to the nearest points in Italy should be the basic prerequisite; the same can be said for the connexion of these areas - by road and rail transport - with the rest of the Greek mainland.

14. The conclusion of the above argument is that the new pattern of economic activity induced by international co-operation has become a significant regulating force in the national location of industry and that this new pattern - combined with the attempts made by all nations to achieve systematic economic development - cause a further improvement to international economic relations and a more rational redistribution of industrial location not only within the national bounda-

ries but also within larger, supra-national areas.

15. It is clear, too, that the above comments apply even to a greater extent to countries with an industrial sector which has reached that stage of development where it begins to show extrovert tendencies. This, of course, does not include those industrial activities which are by nature location-fixed.

16. Greece is typically an example of such a development since her industrial activity has just begun to seek export outlets on the one hand and, on the other, the further development of her industrial sector is based, under existing conditions, on non-location-fixed industrial activities.

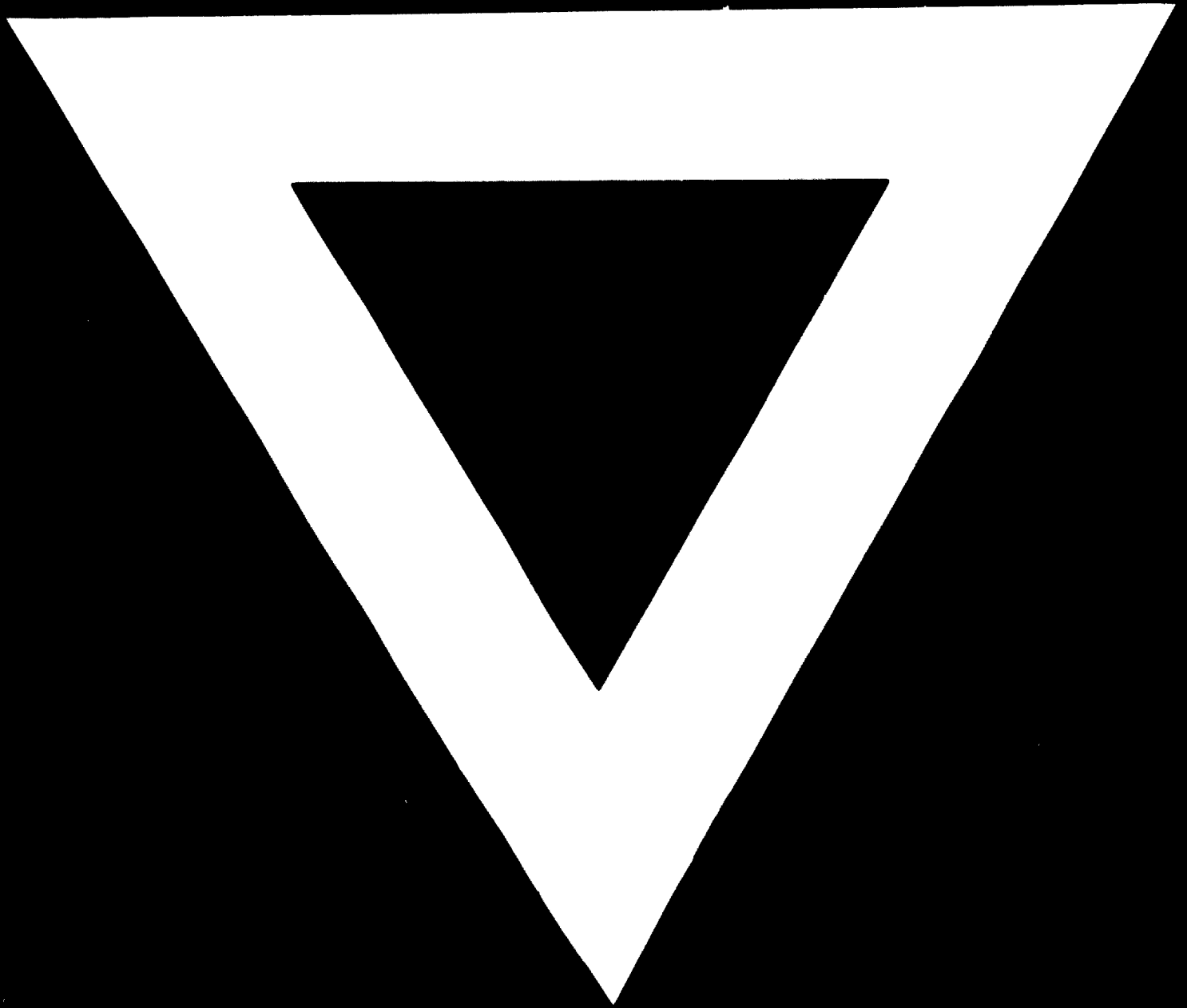
17. Certain other countries, however, with a highly developed industrial sector and a traditional export orientation are confronted with a similar problem namely the change in the pattern of their international transactions as a result either of their participation in new international associations or organizations or of the loss of their old markets. The industries of such countries will tend to concentrate (other things being equal) in areas nearest to their new external markets, because, apart from any considerations of lower transport costs, there would certainly be the advantage of saving time during attempts to "place" their product, as well as in the course of normal business communications. This tendency will be stronger the nearer the new external market happens to be.

18. However, the result of the above tendencies in all countries (developed and underdeveloped) will be a more economic location of industry within a larger framework of economic activity inducing, in turn, greater specialization of the factors of production within larger markets, and consequently creating new and more advantageous conditions of industrial development.

19. However, all of these would be impossible to achieve without the intervention of the State or some supra-national collective body which is in a position to examine the problems inseparable from adopting a wider point of view, taking into consideration either the interests of the whole economy, present or future, or other social aims or targets..

20. Interventions of this nature, under present economic and social conditions, are based mainly on macro-economic criteria aimed at directing or leading the location decisions of individual entrepreneurs by seeking to offer the most appropriate and effective incentives. These incentives should be of a longer term nature the less developed the area chosen for development happens to be. This has been a significant factor for consideration in this paper and in the propositions concerning the envisaged industrial locational pattern in Greece which are presented therein.





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