C.2 OVERVIEW OF ECONOMIC AND POLITICAL CONDITIONS IN COUNTRIES WITH OPERATING COAL GASIFICATION PROJECTS

This overview consists of an itemized list of selected political and economic conditions in each country as of 1980. There is a separate overview for each country. Each country overview is organized into the following sections. Each topic for each country is addressed in the same section. For example, "price controls" are addressed in Section 6.0 of each country overview.

1.0 BACKGROUND
2.0 SOURCES OF INFORMATION
3.0 STATE ROLE IN INDUSTRY
4.0 CONDITIONS FOR INVESTMENT
5.0 COMPETITIVE ENVIRONMENT
6.0 PRICE CONTROLS
7.0 CORPORATE TAXES
8.0 GOVERNMENT INCENTIVES
9.0 CAPITAL AVAILABILITY
10.0 LABOR
11.0 ENERGY IN THE DOMESTIC ECONOMY
12.0 MISCELLANEOUS

Summary data concerning energy reserves, production, and consumption in these 15 countries are presented in Tables C-10 and C-11.

References for information supplied in country overviews are as follows:

Table C-10

ENERGY RESOURCES IN COUNTRIES ACTIVE IN COAL GASIFICATION

	COAL		BROWN COAL/LIGNITE		CRUDE PETROLEUM		NATURAL GAS		NATURAL GAS LIQUIDS	URANIUM	
Country	Total Resource (Million m.t.) Various Dates	Production (Thousand m.t.) 1977	Total Resource (Million m.t.) Various Dates	Production (Thousand m.t.) 1977	Reserves (Million m.t.) 1977	Production (Thousand m.t.) 1977	Reserves (Thousand Million c.m.) 1977	Production (Teracalories) 1977	Production (Thousand m.t.) 1977	Resources (m.t.) 1978	Production (m.t.) 1977
Bulgaria	34 (1972)	287	5,190 (1972)	26,868	2	129	13	87	N.A.	N.A.	N.A.
China	1,011,000 (1973)	490,000	700 (1956)	N.A.	2,464	100,000	514	41,000	N.A.	N.A.	N.A.
Czechoslovakia	11,573 (1966)	28,354	9,857 (1966)	91,236	2	123	13	7,539	N.A.	N.A.	N.A.
Germany (East)	300 (1956)	349	30,000 (1966)	253,705	3	60	10	76,533	N.A.	N.A.	N.A.
Germany (West)	230,306 (1973)	91,310	35,051 (1972)	122,948	42	5,401	184	152,419	6	15,000	N.A.
Greece	N.A.	N.A.	1,575 (1963)	23,572	18	N.A.	1	N.A.	N.A.	N.A.	N.A.
India	80,953 (1972)	100,110	2,026 (1972)	3,636	281	10,285	46	11,494	N.A.	29,800	N.A.
Korea (South)	1,450 (1976)	17,233	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Portugal	25* (1972)	295	27* (1972)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6,800	85
South Africa	44,339 (1969)	85,570	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	306,000	6,700
Thailand	N.A.	N.A.	235* (1963)	440	0	8	133	N.A.	N.A.	N.A.	N.A.
Turkey	1,291 (1972)	4,610	5,991 (1973)	8,200	8	2,712	0	N.A.	N.A.	4,100	N.A.
United Kingdom	162,814 (1973)	122,150	N.A.	N.A.	1,176	37,541	808	376,701	385	N.A.	N.A.
Yugoslavia	104 (1971)	511	21,667 (1971)	36,752	68	3,950	48	18,272	17	4,500	N.A.
Zambia	154 (1973)	708	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

* Total known economic reserves in place

N.A. Not available

Source: United Nations *1978 Statistical Yearbook*

Table C-11

ENERGY PRODUCTION AND CONSUMPTION IN COUNTRIES ACTIVE IN COAL GASIFICATION

Country	ENERGY PRODUCTION (million m.t. coal equivalent) 1976	ENERGY CONSUMPTION: total (million m.t. coal equiv.) 1976	ENERGY CONSUMPTION: per capita (kilograms per capita) 1976	ENERGY CONSUMPTION: per capita as a % of U.S.*	ELECTRIC ENERGY: INSTALLED CAPACITY (thousand kW) 1977: total	nuclear	hydro	ELECTRIC ENERGY:* PRODUCTION: billion kWh 1978	% 5-yr increase 1973-1975	MANUFACTURED GAS: gasworks (tera calories) 1977	cokeries (tera calories) 1977	total (tera calories) 1977
Bulgaria	14.08	41.26	4,710	43.4	7,082	880	1,868	31.79	44	1,181	N.A.	N.A.
China	614.78	590.06	706	7.2	N.A.	N.A.	N.A.	265.55	162	N.A.	N.A.	N.A.
Czechoslovakia	83.84	110.34	7,397	65.8	15,117	127	1,803	66.30	23	N.A.	N.A.	33,182
Germany (East)	79.25	113.96	6,789	61.9	17,218	950	748	95.95	25	N.A.	N.A.	19,747
Germany (West)	165.88	364.28	5,922	52.5	79,131	6,271	6,313	353.41	18	4,363	49,979	54,342
Greece	7.68	20.62	2,250	17.2	4,804	N.A.	1,415	19.46	31	30	750	780
India	121.09	132.92	218	1.5	25,063	640	9,353	108.58	49	310	7,500	7,810
Korea (South)	16.65	36.58	1,020	12.0	6,338	564	711	31.51	106	N.A.	N.A.	N.A.
Portugal	0.79	10.13	1,050	9.1	3,930	N.A.	2,580	13.50	37	573	427	1,000
South Africa	76.32	87.40	2,985	30.4	16,405	N.A.	535	84.77	31	6,300	7,700	14,000
Thailand	0.68	13.22	308	2.8	2,820	N.A.	930	11.69 (1977)	88	N.A.	N.A.	N.A.
Turkey	12.20	29.83	743	6.9	4,728	N.A.	1,873	21.60	73	300	700	3,000
United Kingdom	198.18	295.28	5,268	45.4	72,671	5,890	2,451	287.74	2	N.A.	N.A.	25,753
Yugoslavia	29.42	43.46	2,016	17.8	10,601	N.A.	5,226	51.35	46	995	2,102	3,097
Zambia	1.62	2.81	548	4.2	1,710	N.A.	1,438	7.88	140	N.A.	N.A.	N.A.

N.A. - Not available

*Source: Business International, Investing, Licensing and Trading Conditions Abroad, Various dates.

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SOUTH AFRICA

OVERVIEW OF POLITICAL AND ECONOMIC CONDITIONS

APRIL 1980

1.0 BACKGROUND

In 1978, the population of South Africa was 27.7 million; gross domestic product (GDP) was $45.7 billion; and GDP per capita was $1,650. There is substantial income disparity between whites and blacks. Per capita energy consumption was only 30.4 percent of U.S. per capita energy consumption in 1978.

Although coal supplies 75 percent of South Africa's energy requirements, an effective oil embargo would cause economic hardship. Since the country has minimal hydroelectric production, it meets 25 percent of its energy needs with oil and consumes 15 to 20 million m tpy. Imports of 15 million m tpy cost $1,265 million and are 90 percent supplied by Iran. Total refining capacity is 22 million m tpy. The South African Government has classified oil as a munition of war and is reported to be stockpiling crude oil in disused coal mines. Stocks are said to be sufficient for two to three years of consumption, and they are being further increased. In spite of intensive exploration, there have been no commercial oil finds, and production from a single oil-from-coal plant with a two million m ton coal feed is only 1.8 billion m^3/yr of synthesis gas, or 212,400 m tons/yr of useful oil products. South Africa has by far the largest share of Africa's coal reserves; established reserves are estimated at 12,000 to 20,000 million m ton from the total 75,000 million m tons. In 1976, the nation's 70 colliers produced 74.6 million m tons of bituminous coal and 2.5 million m tons of anthracite; 4.4 million and 1.5 million, respectively, were exported. Nuclear energy plans include twin

922 MW pressurized light water reactors to be built north of Cape Town. Completion is scheduled for December 1982 and 1983. South Africa is estimated to have the third largest deposits of uranium oxide recoverable at less than $30/lb; production is expected to rise from 2,800 m tons in 1975 to 12,000 tons in 1980; and an enrichment plant is expected to be in operation by the mid-1980's.

The strategic requirement to be independent of imported crude oil makes coal gasification attractive. Most of the gasification activity in the country is carried out by the South African Coal, Oil and Gas Corporation or Sasol. Sasol is partly government financed, but the public holds 70 percent of its equity in the form of shares. By 1983, the government hopes that coal gas production will amount to 72 percent of total gas consumption.

2.0 SOURCES OF INFORMATION

2.1 Government Information Sources

- New Industries Committee, Department of Industry.
- Decentralization Board, Department of Industry.
- Economic Development Corporation.

2.2 Other Information Sources

- South Africa Reserve Bank and major commercial banks.
- Local chambers of industry or commerce.
- Sasol - South African Coal, Oil and Gas Corporation.

3.0 STATE ROLE IN INDUSTRY

3.1 Attitude Toward Free Enterprise

- The government is committed to maintaining free enterprise.
- The government has begun to intervene more forcefully in the economy with price controls and other measures.
- In 1979, the state increased the role of private enterprise in the economy by selling 70 percent of the shares in the Sasol oil-from-coal company to the public.

3.2 Political Climate

- Ruling National Party is strongly supported by white electorate.
- The governing policy is to clamp down heavily on dissenters while allowing occasional, strictly controlled concessions to blacks.
- Considerable racial tension continues to exist.
- Threats to withhold oil supplies and other sanctions by foreign countries are growing.

3.3 State-Owned Industry

- South African Coal, Oil and Gas Corporation (Sasol) began as a state-owned industry, but 70 percent of the shares were sold to the public in 1979.
- State-owned industries currently include:
  - South African Iron and Steel Corporation (Iscor);
  - Phosphate Development Corporation (Faskar);
  - Klipfontein Organic Products (KOP); and
  - Railways, airlines, harbors, the postal system, electric utilities, and some forestry operations.

4.0 CONDITIONS FOR INVESTMENT

- Government policy requires industries using black labor to establish in specified border areas and to comply with other segregation objectives. This policy:

  - has had the effect of forcing some companies to convert to capital-intensive operations and
  - has impeded formation of contingent of black skilled workers.

- Firms emitting pollutants must clear operations with appropriate national or local authority.

- In the first three months of 1980, the financial rand fluctuated widely between R1:$1.22 in January and R1:$0.86 in March.

- A survey by the Department of Statistics shows that in 1977/78, of the total profits of 655 companies in industry and commerce, 31 percent went for taxes; 2 percent was acocunted for by minority shareholders' interests; 38 percent went for dividends: and 29 percent was retained (the year before, 35 percent was retained).

- In 1979, the pace of business activity quickened after a four-year recession, with an estimated real GDP growth rate of 3.75 percent. Inflation accelerated to an annual rate of around 15 percent.

5.0 COMPETITIVE ENVIRONMENT

- A new antitrust law, the Maintenance and Promotion of Competition Act, was passed by Parliament in 1979. It replaces old legislation which was not effective. The new Act sets up the Competition Board, which is empowered to initiate investigations into acquisitions and commercial practices, including those involving state-owned corporations. The basic philosophy is that economic concentrations are not undesirable per se--only when they are abused.

- A manufacturer may normally sell to whomever and at whatever price it chooses, subject only to law on monopolistic conditions.

- Patent protection is based on and similar to U.K. law:

  - 20-year coverage for patents of inventions;
  - 5-year coverage for industrial designs and models, renewable for two more 5-year periods.

6.0 PRICE CONTROLS

- Industrial products subject to price control come under the Price Control Act No. 25 of 1964.
- Limited controls are imposed on coal, petroleum, steel, and tobacco prices.
- To date, it has been the government's policy to permit price increases of controlled products only when basic raw materials or transportation costs go up.

7.0 CORPORATE TAXES

7.1 General

- The corporate tax bite is not particularly big. The 1980-81 budget proposed a lowering of existing corporate taxes.

7.2 Corporate Income Tax Rates

- The basic corporate tax rate was 40 percent, levied on total taxable income, in South Africa in 1980. The total effective tax rate for 1979-80, including surcharge and loan levy, was 46 percent for local firms.
- In the administered territory of Southwest Africa, the basic rate is 35 percent and the total effective rate is 36.75 percent.

7.3 Taxable Income Defined

- Taxable income includes all South African-source income less expenditures and losses actually incurred in the production of income, provided such expenditures and losses are not of a capital nature.

7.4 Depreciation

- Depreciation allowances are always based on historical cost (plus acceptable improvements).
- Straight-line depreciation is used for buildings and sometimes other assets.
- Declining-balance depreciation is more commonly used for machinery and equipment, usually at an annual rate of 10 percent (higher in certain cases).
- Besides regular annual write-offs, an initial allowance (25 percent) is available for machinery during the first years of installation.
- Over and above this initial allowance, a special beneficiation allowance of up to 20 percent for machinery and equipment and 15 percent for buildings may be granted for mining operations. It is available only for processing base minerals in order to

yield an intermediate product of substantially higher value or to further refine such an intermediate product. The installation must serve export trade primarily, which limits its applicability to the gasification industry.

- Capital expenditures on research may be written off in four annual installments in lieu of ordinary allowances.

7.5 Excess Profits Tax

- None.

7.6 Capital Taxes

- Every company in South Africa is required to pay an annual duty of R4 for every R10,000 of its total issued capital, with a minimum of R80.

7.7 Capital Gains Taxes

- Capital gains are generally not subject to tax, but the taxpayer must prove it did not acquire the asset for the purpose of resale.

- In 1979, the government proposed to tax capital gains, but to date it has not been implemented.

7.8 Taxes on Dividends

- Dividends remitted to nonresidents are subject to a flat 15 percent withholding tax, unless reduced under tax treaty.

- Profits remitted from a branch are not subject to the 15 percent tax.

7.9 Taxes on Interest

- Tax on interest payments on overseas loans is withheld at a rate of 10 percent, subject to any special provisions of double-tax treaties.

- Interest payments made to local lenders are not subject to withholding; instead, the interest income is included in their taxable income and taxed accordingly.

7.10 Taxes on Royalties and Fees

- Patent royalties and know-how fees are subject to withholding tax, which may be reduced under a tax treaty.

- The rate is that of the corporate income tax plus surcharge, but excluding the loan levy; i.e., 42 percent.

- Generally, 30 percent of payments to a foreign firm are taxable, not at a 42 percent rate, for an effective withholding of 12.6 percent.

7.11 Taxation of Headquarters Companies

- Management and other fees received by a company from an affiliate are regarded as taxable income.

7.12 Turnover, Sales, and Excise Taxes

- There is a general sales tax of 4 percent, levied on sales of all movable products not intended for resale or export and on leases of movables at point of final sale.

- The tax applies to capital goods transactions, government purchases, and goods imported by an end user.

7.13 Other Taxes

- A 5 percent tax is levied on transfer of real property to companies.

- Municipal taxes are levied on the assessed value of land and property:

  - rate established annually and
  - 1.8 percent rate common in urban areas.

- Small stamp taxes also exist.

8.0 GOVERNMENT INCENTIVES

8.1 General

- Government incentives are available for industries in the decentralized areas and the Homelands, for export industries, and for mineral mining and processing.
- Chief incentives include reductions in taxable income, special initial depreciation and investment allowances, tariff protection, loans on favorable terms, and other capital concessions.
- Labor-intensive industries are especially welcome in border areas.

8.2 Corporate Tax Incentives

- Corporate income tax may be reduced, according to the number of Africans (blacks) and Eurafricans ("coloreds") employed and the amount of investment.
  - Deductions will be 20 to 50 percent of total wages paid to African and Eurafrican workers for the first seven years after establishment or expansion and 10 percent of book value of new investment for three years.
  - If the full tax reduction is not taken in the first year, unused portions may be carried forward or used in the form of non-taxable cash allowances.
- Other tax incentives available are deductions from taxable income of 110 percent of actual costs of water, power, and transportation of raw materials and finished goods for the first five years.
- Border industry and Bantusans industry benefit from special initial allowances of up to 40 percent of the cost of machinery (instead of the normal initial allowance for machinery of 25 percent) and an investment allowance of up to 45 percent of the cost of factory buildings and up to 65 percent of the cost of machinery.
- The special investment allowances are deducted from taxable profits without reducing the depreciable value of assets and are available together with the initial allowance.

8.3 Personal Tax Incentives

- None.

8.4 Tariff Incentives

- "Sound industries with good prospects are assured of reasonable protection and of effective defense against dumping or other disruptive competition"--official government release.

8.5 Capital Incentives

- Capital incentives are provided by the government-controlled Industrial Development Corporation (IDC) for investment in non-Homeland areas. IDC subsidiaries provide funds for investment in the Homelands.

- IDC will grant long-term and medium-term laons on favorable terms, give guarantees, and provide underwriting services and equity capital.

- Loans are provided for border-area industries at favorable rates on 80 percent of the value of land and buildings, on the condition that the investing firm provides at least 35 percent of capital from its own resources.

- Other incentives include a rail haulage rebate of up to 40 percent on the outward transportation of goods from the development area; a 50 percent rebate on harbor charges on goods manufactured in Transkei and Ciskei; and price preference of up to 5 percent on bids made to the State Tender Board, the Department of Defense, and the provincial administrations by firms located in the development areas.

8.6 Research and Development Incentives

- No capital incentives are available for research and development.

9.0 CAPITAL AVAILABILITY

9.1 General

- South Africa has the most sophisticated banking and credit system on the African continent.
- Short-, medium-, and long-term funds are generally available to most enterprises.
- Since the country's economic growth has been strongly cyclical, tight credit policies are often invoked to counter inflation, maintain capital inflows, or protect the rand (e.g., through high domestic interest rates).
- In August 1979, the Reserve Bank lowered the discount rate to 7 percent, the fourth reduction in 12 months.
- On the whole, monetary polcy remains conservative: banks are allowed to raise their lending levels on a yearly basis by no more than 6 percent, despite an inflation rate of about 15 percent.
- South Africa is currently (July 1980) enjoying a period of balance-of-payments surplus. Hence, money is easy and interest and security yields have slipped to their lowest levels in many years.

9.2 Short-Term Credit

- The main sources of short-term credit are the nine commercial banks, all privately owned and using the UK system of branch banking.
- Most short-term lending is in the form of overdrafts, and the rate is normally linked to the bank rate.

9.3 Medium- and Long-Term Credit

- Medium- and long-term credit is available from the merchant bank affiliates of the commercial banks.
- The chief source of official long-term finance is the Industrial Development Corporation (IDC), operated by the government.

- Insurance companies, private pension funds, and other institutions are also sources of equity or long-term capital.

9.4 Stock and Bond Financing

- More than 700 firms are listed on the Johannesburg stock exchange.

- New-issue activity varies sharply, according to credit and economic conditions.

10.0 LABOR CONDITIONS

10.1 Labor Availability

- Skilled, semi-skilled, and unskilled personnel can be found in all racial groups; however, blacks are the majority of the unskilled group.
- Black unemployment has risen sharply in recent years.
- Both semi-skilled and skilled labor continue to be in short supply.
- In general, blacks are not allowed to perform skills that require an apprenticeship unless the apprenticeship is served in the Bantu homelands, which are reserved exclusively for them.
- Government restricts hiring of blacks in white areas.
- Until 1979, blacks were not allowed to join in registered trade unions.
- Recent labor surveys have shown that a 30 to 40 percent labor turnover per year is not uncommon, and some companies record more than 100 percent per year.

10.2 Labor Relations

- Registered labor unions exist for all large industries.
- Companies are often organized into the various manufacturers' associations, which negotiate with the unions on an industry-by-industry collective bargaining basis.
- Labor unions represent white workers and, in certain industries, Eurafrican and Asian workers within the framework of industrial councils.
- Black workers are increasingly organizing in unofficial (unregistered) trade unions.

- The strike procedure for whites, Asians, and Eurafrican workers is fairly complex, involving appointment of a conciliation board by the Minister of Labor, and, if conciliation attempts fail, the appointment of an arbitration board, whose decision is binding. If the union rejects arbitration, it can hold a ballot and then strike.
- Strike statistics are unreliable and hard to find.
- Labor regulations for black workers allow the formation of plant-level committees if a majority of the workers request such an organization.

10.3 <u>Wages</u>

- No overall legal minimum wage is on the books in South Africa.
- Wages for whites, Asians, and Eurafrican workers are set in most industries by collective wage agreements.
- Wages for blacks are generally one-fourth to one-fifth of white wages in manufacturing.
- The average monthly wage, including overtime, in September 1979 was R330 in manufacturing. The average disguises a wide gap between wages paid to black workers and white workers. For example, whites employed in manufacturing were earning R802 in September 1979, Asians R239, Eurafricans R210, and blacks R181.
- Cost-of-living allowances, tied to the consumer price index, are normally incorporated into the advertised wage and are included in the wage figures given above.

11.0 ENERGY IN THE DOMESTIC ECONOMY

11.1 Energy Resources

Coal

- Total resource: 44,339 million metric tons (1969).
- Production: 85,570,000 metric tons (1977).

Brown Coal/Lignite

- Total resource: no relevant information.
- Production: no relevant information.

Crude Petroleum

- Reserves: no relevant information.
- Production: no relevant information.

Natural Gas

- Reserves: no relevant information.
- Production: no relevant information.

Natural Gas Liquids

- No relevant information.

Uranium

- Resources: 306,000 metric tons (1978).
- Production: 6,700 metric tons (1977).

11.2 Energy Production and Consumption

Energy Production

- Total energy production: 76.32 million metric tons coal equivalent (1976).

Energy Consumption

- Total energy consumption: 87.40 million metric tons coal equivalent (1976).
- Per capita energy consumption: 2,985 kilograms per capita (1976).
- Per capita energy consumption as a percent of U.S. per capita consumption: 30.4 percent.

Electric Energy: Installed Capacity

- Total intalled capacity: 16,465 thousand kW (1977).
- Nuclear installed capacity: no relevant information.
- Hydroelectric installed capacity: 535,000 kW (1977).

Electric Energy: Production

- Total production: 84.77 billion kWh (1978).
- Percent five-year increase: 31 percent (1973-78).

Manufactured Gas

- Total: 14,000 teracalories (1977).
- Gasworks: 6,300 teracalories (1977).
- Cokeries: 7,700 teracalories (1977).

11.3 Miscellaneous

- Iran supplied 90 percent of South Africa's imports of crude oil until the end of 1978, but the new Tehran Government cut off the supply. Although crude stocks are reportedly ample, South Africa will probably have to pay high premiums for oil from alternative sources and will be forced to speed up the development of costly domestic energy resources; e.g., coal gasification. Businesses are being urged to replace oil-based energy sources with other types, notably coal.

- In theory, most Afro-Asian countries boycott South Africa, but in practice the boycott is not always honored.

THE UNITED KINGDOM (UK)
OVERVIEW OF POLITICAL AND ECONOMIC CONDITIONS
DECEMBER, 1980

1.0 BACKGROUND

Synfuels activities are owned, operated, and subsidized by the UK government. They are not open to private investors. British Gas Corporation and the National Coal Board (both government controlled) are the two most active participants in synfuel projects. British Gas plans to spend £300 million on coal gasification techniques through 2000. It will also build a £10 million coal gasification plant at Westfield, Scotland. The National Coal Board plans to build two £32 million coal liquification pilot plants with the help a £20 million loan from the UK government. The UK government and the EEC plan to finance the construction of two coal conversion plants in North Wales. The UK government recently announced a planned expenditure of £20 million in a five-year program to develop coal liquefaction and gasification techniques.

The stimulus to the activities is the belief that the North Sea energy resources will begin to diminish in the 1990's. Substitute coal-derived fuels will be required at that time.

Nearly 75 percent of current UK energy consumption is from domestic resources. North Sea oil and gas together accounted for half of all energy supplies. Coal production was 122 million tons in 1970; it is expected to rise to 170 million tons by 2000. The government is following a four-fuels policy (coal, gas, oil, and nuclear power).

2.0 SOURCES OF INFORMATION

2.1 Government Information Sources

- Department of Industry (DOI), Millbank Tower, Millbank, London, SW1.
- 150 Industrial Development Offices throughout country (can be contacted through DOI).
- British Information Services, 845 3rd Avenue, New York, New York 10022.
- British Trade Development Office, 150 East 58 Street, New York, New York 10022.

2.2 Other Information Sources

- Business Europe (weekly).
- Business International (weekly).
- Financing Foreign Operations (Business International reference service).
- Business International research departments (New York).

2.3 Information Pertaining to Synfuel Activities

- UK National Coal Board, Hobart House, Grosvenor Place, Londox SW1X 7AE.
- UK Department of Energy, Thames House South, Millbank, London SW1P 4QJ.
- British Gas Corporation, 59 Bryanston St., London W1A 2AZ.
- EEC Council of Energy Ministers.

3.0 STATE ROLE IN INDUSTRY

3.1 Attitude Toward Free Enterprise

- Economy characterized as mixed. Around 55 percent of GNP is generated by state-owned enterprises. All political parties agree on the social desirability of a "mixed" economy. Government is not hostile to private enterprises.

3.2 Political Climate

- Present Conservative Party administration actively promoting free enterprise and competition. Prime Minister Thatcher reducing government spending significantly, trying to reduce inflation through control of the money supply.

- Thatcher publicly committed to minimizing state intervention in private economy.

3.3 State-Owned Industry

- Production of oil, gas, coal, and electricity controlled by government. Private enterprise generally prohibited in areas where government has a monopoly.

- Government owns railroad (although present government has ordered railroad to sell off many assets to increase solvency).

- Financial aid was given to National Coal Board throughout 1960's.

- State-owned companies can undertake joint-ventures with private companies. National Coal Board is involved in several joint ventures with foreign companies.

4.0 CONDITIONS FOR INVESTMENT

- General business conditions characterized as high unemployment, high inflation. Interest rates are high and are expected to continue to rise.

- Foreign and domestic companies are treated on an equal basis.

- Local authorities can deny new building construction or expansion. Town planning and traffic problems constitute the concerns of local authorities. Decisions can be appealed to the Department of Environment.

5.0 COMPETITIVE ENVIRONMENT

- Antitrust laws prohibit abuses of monopoly, market domination, and cartels. Collective restrictive practices are assumed to be against public interest unless proven otherwise.

- Office of Fair Trade (OFT) has jurisdiction over deciding if violation of antitrust law has occurred. Collective restrictive practices must be registered with OFT.

- No clear merger policy has emerged. Monopolies and Merger Commission (MMC) has power to stop mergers if merger is "against public interest."

- State-owned industries (including energy) are also governed by the antitrust laws.

6.0 PRICE CONTROLS

- Permanent price controls exist for public utilities (electricity rates particularly). Most other price controls abolished by the present Conservative Party administration in 1979.

7.0 CORPORATE TAXES

7.1 General Information

- Corporate tax rate is comparable to that in most developed countries.
- Corporation tax levied by central government - no local tax (except on property).
- According to British Information Services, nationalized firms are subject to the same tax laws as private industry.

7.2 Corporate Income Tax Rates

- Corporation tax is 52 percent on taxable income. This is often reduced to an effective rate of 30 percent when capital gains allowed for.
- Tax rate is reduced from 52 percent to 40 percent for small firms (less than £70,000 in annual profits). Medium-sized firms (£70,000 - 130,000) pay rate between 40 and 52 percent.
- Taxable income defined as profits and investment income from all UK establishments. Business expenses are deductible as are payments of municipal and other indirect taxes. Increases in value of inventory are treated as taxable income.
- Changes in tax rules to minimize effect of inflation on inventory value are being proposed.

- Generally speaking, losses can be carried back for one accounting period and forward indefinitely.

7.3 Depreciation Allowances

- New machinery is eligible for first year depreciation of 100 percent. First year allowance for industrial buildings is 50 percent (100 percent in Enterprise Zones).

7.4 Capital Taxes

- No capital taxes exist.

7.5 Capital Gains Taxes

- Capital gains must be computed separately from corporate trading profits; capital losses may not be set off against trading profits but trading losses may be set off against capital gains arising in same year.

- Capital gains tax on sales of land may be avoided if proceeds reinvested within two years.

- Capital gains are added to company's taxable profits and then are subject to corporate tax. (See Section 7.2.)

7.6 Taxes on Dividends

- The 52 percent corporation tax is payable whether profits are retained or distributed; withholding taxes are supposedly non-existent; however, distributed profits must remit to Inland Revenue about 43 percent of distributed amount. This can be set off against corporation tax liability.

7.7 Taxes on Interest

- A 30 percent withholding tax must be deducted by payor of annual interest payments.

7.8 Other Taxes

- Payment of royalties and fees are not subject to withholding tax. But, annual payments of this kind are subject to 30 percent withholding tax.

- UK has tax treaties with most Western countries to avoid double taxation of specified assets.

- VAT (value-added tax) of 15 percent applies to luxury items, some consumer durables, gasoline, and some oil products. A zero VAT rate applies to coal, gas, electricity, petroleum, and some other goods.

- Municipalities levy tax on basis of annual rental rate.

- Government levies petroleum revenue tax of 70 percent on oil and gas profits.

8.0 GOVERNMENT INCENTIVES

8.1 General Information

- Recent governments have developed incentive packages of incentives, loans, and grants to encourage development.

- Government seeks to encourage industry into high-unemployment areas.

- Nationalized firms are not necessarily directed to locate in high-unemployment areas. Most energy-related nationalized firms are located near source of energy.

- UK neither encourages nor discourages foreign investment.

8.2 Corporate Tax Incentives

- No special incentives except favorable depreciation laws. (See Section 7.3.)

- "Enterprise zones" offer exemption from land development tax and municipal tax, as well as rapid depreciation allowances.

8.3 Capital Incentives

- Government assistance usually in form of cash grants may be received; amount is usually minimum sum needed for venture to proceed.

- Regional Development Grants give percentage of investment value for the purchase of new plant and machinery. Percentage given varies: 30 - 50 percent in Northern Ireland; 22 percent in designated Special Development Areas (SDAs); and 15 percent in designated Development Areas (DAs).

- Grants are not considered income for tax purposes; assets purchased with grants are fully depreciable without any deduction for amount of grant.

- Investors in designated Assisted Areas may rent ready-made factories for free for two years and then at low lease rates in lieu of receiving government grants.

8.4 Research and Development Incentives

- A 100 percent write-off for tax purposes is permitted in first year of R&D.

- National Research Development Corporation (a government agency) finances RD&D usually on 50 - 50 basis, to be carried out by private company.

9.0 CAPITAL AVAILABILITY

- Government's money policies may lead to serious credit squeeze for municipalities and nationalized industry. Business will also suffer from high interest rates.

- Short-term credit available from domestic commercial banks.

- Longer-term credit now available from commercial banks as well as investment banks (merchant banks). Equity Capital for Industry (private) provides longer-term financing. European Investment Bank (EEC bank) has been a growing source of loans; also Finance for Industry (private/public) gives longer-term loans.

- Stock and bond financing is available. However, capital formation through share issues has proven difficult as investors have been deterred by the low yields. Thus, companies have favored reinvesting profits to issuing new shares.

10.0 LABOR CONDITIONS

10.1 Labor Availability

- Unemployment is a serious problem.
- Turnover is high (30 percent); absenteeism high.
- Fringe benefits to employees are about 30 percent of base pay.

10.2 Labor Relations

- Less than 50 percent of labor force of 26 million are members of trade unions.
- Collective bargaining is not legally binding. However, Advisory Counciliation and Arbitration Service (ACAS) is charged with encouraging collective bargaining.
- Wage conditions of most industrial workers governed by voluntary nationwide industry contracts.
- Recently, strike activity has been low due to high unemployment.
- Strikes in nationalized industries are settled at the government level (occasionally by the Prime Minister).

11.0 ENERGY IN THE DOMESTIC ECONOMY

11.1 Energy Resources

Coal

- Total resource: 162,814 million metric tons (1973).
- Production: 122,150 thousand metric tons (1977).

Brown Coal/Lignite

- Total resource: no relevant information.
- Production: no relevant information.

Crude Petroleum

- Reserves: 1,376 million metric tons (1977).
- Production: 37,541 thousand metric tons (1977).

Natural Gas

- Reserves: 808 thousand million cubic meters (1977).
- Production: 376,701 teracalories (1977).

Natural Gas Liquids

- Production: 385 thousand metric tons (1977).

Uranium

- No relevant information.

11.2 Energy Production and Consumption

Energy Production

- Total energy production: 198.18 million metric tons coal equivalent (1976).

Energy Consumption

- Total energy consumption: 295.28 million metric tons coal equivalent (1976).

- Per capita energy consumption: 5,268 kilograms per capita (1976).

- Per capita energy consumption as a percent of U.S. per capita consumption: 45.4 percent.

Electric Energy: Installed Capacity

- Total installed capacity: 72,671 thousand kW (1977).

- Nuclear installed capacity: 5,890 thousand kW (1977).

- Hydroelectric installed capacity: 2,451 thousand kW (1977).

Electric Energy Production

- Total production: 287.74 billion kWh (1978).
- Percent five-year increase: 2 percent (1973-78).

Manufactured Gas

- Total: 25,753 teracalories (1977).

TURKEY

OVERVIEW OF POLITICAL AND ECONOMIC CONDITIONS

JUNE, 1980

1.0 BACKGROUND

In 1978, Turkey contained 43.2 inhabitants and Gross Domestic Product (GDP) was $49.9 billion. GDP per capita amounted to $1,155. Per capita energy consumption was 6.9 percent of that in the U.S.

Turkey is a middle-income, developing country and it is a net oil-importer. Oil imports accounted for $3.5 billion in 1980, half of total imports. As of January, 1980, proved oil reserves amounted to 125 million barrels of oil. Geological coal resources were 3,268 million tons, of which only 793 million tons were recoverable. Hydroelectric potential has been estimated to be 15,200 megawatts.

2.0 SOURCES OF INFORMATION

2.1 Government Information Sources

- Turkish Investment Promotion and Information Center (TIPIC), Union of Chambers of Commerce and Industry, Ataturk Bulvari 149, Ankara, Turkey.

2.2 Other Information Sources

- Organisation for Economic Cooperation and Development, 2, rue André-Pascal, 75775 Paris, France.
- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland.
- International Energy Agency, 2, rue André-Pascal, 75775 Paris, France.
- Business International, "Business Europe."

3.0 STATE ROLE IN INDUSTRY

3.1 Attitude Toward Free Enterprise

- Since coming to power in November 1979, the minority government of Prime Minister Suleyman Demirel has dramatically altered the traditional policy followed over the last two decades of a mixed economy with emphasis on the state sector.

- The underlying strategy of the new program is to strengthen market forces, while reducing controls over the economy.

3.2 Political Climate

- The Demirel coalition is shaky.

- New elections must be held by July 1981.

- Martial law, initiated in December 1978, remains in 20 of the country's 67 provinces, including the country's major cities.

- The military establishment issued a strong warning to Turkish political leaders in January 1980 to stop internal fighting and form a united front to combat terrorism.

3.3 State-Owned Industry

- State Economic Enterprises (SEEs) account for roughly half of the manufacturing in Turkey and are involved in a wide range of activities from shoe making to mining.

- Energy-related SEEs include Etibank (mining and mineral processing), TPAO (petroleum), TEK (Turkish National Electricity Board), TCPD (railways), Pet-Kim (petrochemicals), and TKI Turkish Coal Board).

- The current administration's program contains many actions which reduce state controls over the economy. For example, in June 1980 the government returned some coal mines to private hands.

4.0 CONDITIONS FOR INVESTMENT

- Since early 1977, the Turkish economy has been in a state of crisis, brought on by massive external-payments imbalances and unchecked inflation.

- In the years preceding the crisis, Turkey's economic growth of 7.7 percent (1976) outpaced the OECD average and ranked among the highest in the world.

- In practice, foreign investors are often discriminated against. However, complex projects requiring large amounts of capital, advanced technology, and management techniques are welcome.

5.0 COMPETITIVE ENVIRONMENT

- There is no antitrust law and none is in the making.
- Theoretically, the government encourages competition; in reality, however, it tends to protect industrial firms from new foreign competition if their output is satisfactory in both quality and quantity, and if their prices are "reasonable".
- Monopoly conditions are discouraged in principle but are often ignored in practice if they improve the state's economic well-being and stability.
- There are no laws specifically governing mergers and relatively little experience in this regard.
- There are no limitations on a supplier's freedom to sell.
- Patent and trademark protection is not very advanced--industrial designs and models have almost no protection.

- According to official statistics, union membership

6.0 PRICE CONTROLS

- The government has abolished the Price Control Committee and, in general, will allow market forces to determine prices.

- Prices of state monopoly products are set by the government.

- Currently, labor demands are strong for both

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7.0 CORPORATE TAXES

7.1 General

- The present tax burden is comparatively moderate and the structure relatively simple.

- Tax morality is medium to high in large corporations, and generally lower in smaller private companies. Controls are strict and fines are heavy.

7.2 Corporate Income Tax Rates

- At present, only the central government taxes corporate profits.

- The corporate tax rate is 25 percent, plus a fiscal balancing tax of 3 percent. In addition, there is a withholding tax on profits, whether or not they are distributed (normally 20 percent).

- The effective tax burden ranges from 42.4 percent to 55.4 percent.

7.3 Taxable Income Defined

- For companies with unlimited liability, tax is levied on worldwide income, but credit is given for foreign income and withholding taxes (up to the amount of the Turkish corporate tax, i.e. 25 percent). The following principal expenses are deductible for corporate tax purposes: (1) general operating expenses (including interest

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11.0 ENERGY IN THE DOMESTIC ECONOMY

and royalty payments), (2) traveling and related expenses, (3) taxes and assessment on real estate, (4) depreciation, (5) costs of issuing share certificates and the expenses of forming and registering an enterprise, (6) losses incurred over the previous five years (there is no loss carry-back), (7) donations to approved charities not exceeding TL20,000 and 2 percent of the company profits and (8) dividends received from companies owned 10 percent or more by the recipient firm (20 percent or more under the proposed tax reform). Research and development expenses are deducted as normal operating expenses.

7.4 Depreciation

- Either the straight-line or declining balance method of depreciation may be chosen.

- Normal straight-line depreciation rates are 4 percent annually for industrial buildings, 5 percent for land improvement works, 6 percent for electric, water and stream installations, 6-20 percent for machinery and equipment and 15-20 percent for vehicles. The rates are doubled under the declining-balance method (but with a maximum of 25 percent).

7.5 Excess Profits Tax

- None.

7.6 Capital Taxes

- No annual taxes.

7.7 Capital Gains Taxes

- There is no separate capital gains tax. Capital gains are taxed at normal rates.

7.8 Taxes on Dividends

- A dividend withholding or "stoppage" tax of 20 percent (on Turkish-owned shares) is levied on distributable profits, whether or not actually distributed.

7.9 Taxes on Interest

- Interest payments within the country are not subject to withholding tax, but a local recipient must pay income taxes on interest income.

- Such payments are tax deductible items for the payor.

7.10 Taxes on Royalties and Fees

- Royalty and fee payments to foreign licensors are subject to a 20 percent withholding tax plus a 3 percent withholding balancing tax.

- Such payments are tax deductible items for the payor.

7.11 Taxation of Headquarters Companies

- No special provision is made for taxation of headquarters companies; there is little experience with such companies in Turkey.

7.12 Turnover, Sales, and Excise Taxes

- The Demirel government is considering a value-added turnover tax (VAT) of between 5 percent and 10 percent.
- There is a production tax on a great variety of goods, including oil and its products, which will be dropped if a VAT is introduced.
- A "consumption" tax is levied on state monopoly products.

7.13 Other Taxes

- There are property and real estate taxes but no really significant local or municipal taxes.
- Small stamp duties also exist.

8.0 GOVERNMENT INCENTIVES

8.1 General

- Major incentives include investment allowances, low-interest export credit, import rights equivalent to export potential, and partial or total relief from customs duties on imported capital equipment and materials.

- Investments that increase exports, improve product quality, earn foreign exchange or attract foreign tourists qualify for benefits.

- Generally, only investments exceeding TL250,000 are eligible.

8.2 Corporate Tax Incentives

- Corporate tax incentives are given to Turkish-owned companies and the Turkish partner in a joint venture in the form of investment allowances, i.e., 40 percent of the amount invested in agriculture, 50 percent in "under-developed" provinces, and 30 percent in approved investments elsewhere.

8.3 Personal Tax Incentives

- No relevant information.

8.4 Tariff Incentives

- Tariff incentives are also normally available to domestic and foreign investors.

- Investors may receive 100 percent relief from customs duties on imported equipment and materials. If total exemption is not granted, payment of duties on imported capital equipment and materials destined for priority industries may be spread out over five years.

- The production or turnover tax on "priority" imports, at a rate of 10 percent of net value, is comparatively favorable.

- The government gives no binding guarantees as to the issue of import licenses necessary for the operation of any industrial (or other) enterprise. Nevertheless, industry as a whole is given special priority when import lists and quotas are drawn up.

- Although tariff protection may be granted to producers in Turkey, the general practice is for the government to ban, or restrict by quotas, imports of competing goods once local production is deemed to be adequate in quality, quantity and price.

8.5 Capital Incentives

- The government may recommend new investment projects to various lending organizations.

8.6 Research and Development Incentives

- Such incentives were originally contained in state law, but they have been declared unconstitutional.

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9.0 CAPITAL AVAILABILITY

9.1 General

- There is a severe shortage of medium- and long-term financing as a result of continuing austerity measures.

- The shortage is caused by savings consistently falling behind investment levels; high inflation rates since 1977 have decreased the propensity for savings.

- To obtain capital, some companies are issuing bonds that offer an annual net interest rate of over 40 percent.

- Moneylenders charge a monthly interest rate of 7 percent.

- Since March 1980, interest rates have been 21 percent for short-term funds and 22 percent for ordinary medium- and long-term credits.

- Since 1970, the Central Bank has played an active role in regulating credit, and commercial banks have been directed to channel their resources into fields of greatest importance to the economy.

- The chief sources of local funds are the big commercial banks.

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- For investment financing, the Industrial Development Bank of Turkey (IDBT) is set up to provide both foreign-currency and local currency assistance.

9.2 Short-Term Credit

- The commercial banks have provided short-term credit in the form of ordinary loans (term loans, discounting of domestic trade bills) at 21 percent annual interest since March 1980.

- In addition, in order to encourage loans to priority industries, the banks may charge lower rates of interest, half of which is paid by the borrower and half by an interest equalization fund set up by the Central Bank.

9.3 Medium- and Long-Term Credit

- Until 1973, commercial banks seldom, if ever, provided medium- or long-term credits to enterprises other than those in which they themselves were shareholders.

- Since March 1973, banks have been required to set aside 20 percent of their resources for medium-term, fixed-interest loans for industrial development.

- A system of Central Bank credits also facilitates bank lending.

- For medium-term funds, borrowers from either private banks or the Central Bank now pay a maximum of 22 percent a year. Investments in underdeveloped areas and in priority industries qualify for credit at lower than normal rates.

- The principal source of medium- and long-term liras and foreign exchange finance for fixed asset purchases is IDBT.

- IDBT is, in principle, prepared to lend up to 60 percent of the total cost of a project and may invest up to 25 percent in equity. It does not lend working capital, except in very rare instances, and loans are normally for two to 10 years.

- The smaller Industrial Investment and Credit Bank (IICB), owned by four large commercial banks and assisted by government and shareholder-bank loans, is principally concerned with providing working capital credits, although it extends investment credit as well.

- Another source is a joint venture between Marine Midland and IICB, which grants medium- and long-term funds.

9.4 Stock and Bond Financing

- The Istanbul stock exchange deals in a limited number of shares. The public equity market remains relatively inactive.

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- The bond market has been more active in recent years, perhaps indicating an increase in financing capability.

- Currently, the interest rate is 25 percent for fixed interest bonds.

10.0 LABOR CONDITIONS

10.1 Labor Availability

- There is a large reservoir of unskilled and semi-skilled workers.

- Skilled labor is in short supply, although returning migrant workers (Western European "guest workers") and various training programs have eased the situation.

- The labor situation is gradually changing: a few years ago management skills were in short supply; now trained managers are more readily available.

- Unemployment has worsened in recent years to a rate of well over 20 percent.

- The exodus of Turkish workers to Western Europe, which traditionally relieved unemployment, stopped with the recession experienced in the host countries.

- Turnover of the labor force is currently at a rate of around 20 percent, a problem especially in labor-intensive industries.

10.2 Labor Relations

- The number of recognized labor unions exceeds 600.

- According to official statistics, union membership has increased considerably in recent years. Over two million of the 6.2 million workers employed in industry and services are covered by collective labor contracts.

- A majority of the work stoppages that occur intermittently affect small firms.

- Some major strikes also involved large private- and public-sector enterprises.

- Strikes and lockouts were prohibited until 1963, when the Strikes, Lockouts, and Collective Labor Agreements Law took effect.

- Strikes and labor conflicts are settled by arbitration boards and the courts.

- Collective labor and wage agreements, under the terms of the 1963 law, are in force in a majority of the principal industrial enterprises.

10.3 <u>Wages</u>

- In May 1979, the basic minimum wage was raised from TL3,300 to TL5,400 a month.

- As of June, 1980, 78 Turkish Lira were equivalent to $1 (U.S.).

- In practice, wages are much higher and rose by more than 100 percent in 1979.

- Currently, labor demands are strong for both wages and fringe benefits, despite low increases in productivity.

- A cost-of-living increase is usually added to the basic monthly salary.

11.0 ENERGY IN THE DOMESTIC ECONOMY

11.1 Energy Resources

Coal

- Total resource: 1,291 million metric tons (1972).
- Production: 4,410 thousand metric tons (1977).

Brown Coal/Lignite

- Total resource: 5,991 million metric tons (1972).
- Production: 8,200 thousand metric tons (1977).

Crude Petroleum

- Reserves: 8 million metric tons (1977).
- Production: 2,712 thousand metric tons (1977).

Natural Gas

- Reserves: 0 thousand million cubic meters (1977).
- Production: no relevant information.

Natural Gas Liquids

- No relevant information.

Uranium

- Resources: 4,100 metric tons (1978).
- Production: no relevant information.

11.2 Energy Production and Consumption

Energy Production

- Total energy production: 12.20 million metric tons coal equivalent (1976).

Energy Consumption

- Total energy consumption: 29.83 million metric tons coal equivalent (1976).
- Per capita energy consumption: 743 kilograms per capita (1976).
- Per capita energy consumption as a percent of U.S. per capita consumption: 6.9 percent.

Electric Energy: Installed Capacity

- Total installed capacity: 4,728 thousand kW (1977).
- Nuclear installed capacity: no relevant information.
- Hydroelectric installed capacity: 1,873 thousand kW (1977).

Electric Energy Production

- Total production: 21.6 billion kWh (1978).

- Percent five-year increase: 73 percent (1973-78).

Manufactured Gas

- Total: 3,000 teracalories (1977).

- Gasworks: 300 teracalories (1977).

- Cokeries: 700 teracalories (1977).

11.3 Miscellaneous

- Oil imports are expected to amount to $3.5 billion in 1980, or half of the 1980 import list, which has a ceiling of just under $7 billion on the total import volume.

12.0 MISCELLANEOUS

- Turkey trades freely with all countries, although trade with most Eastern European countries is on a clearing account basis.

- Turkey and the EEC signed an agreement in 1970 providing for Turkey's associate membership, theoretically leading to full membership in 22 years.

BULGARIA

Bulgaria's 1978 population was 8.9 million, its gross domestic product was $18.8 billion, and GDP per capita was $2,112. Per capita energy consumption was 43.4 percent of U.S. per capita consumption.

Bulgaria is a socialist country that is firmly within the Soviet bloc of Eastern European countries. It is a member of the Council for Mutual Economic Assistance (COMECON), which is headquartered in Moscow.

ENERGY RESOURCES

Coal

- Total resource: 34 million metric tons (1972)
- Production: 287 thousand metric tons (1977)

Brown Coal/Lignite

- Total resource: 5,198 million metric tons (1972)
- Production: 24,868 thousand metric tons (1977)

Crude Petroleum

- Reserves: 2 million metric tons (1977)
- Production: 129 thousand metric tons (1977)

Natural Gas

- Reserves: 13 thousand million cubic meters (1977)
- Production: 87 teracalories (1977)

Natural Gas Liquids

- No relevant information

Uranium

- No relevant information

ENERGY PRODUCTION AND CONSUMPTION

Energy Production

- Total energy production: 14.08 million metric tons coal equivalent (1976)

Energy Consumption

- Total energy consumption: 41.26 millon metric tons coal equivalent (1976)
- Per capita energy consumption: 4,710 kilograms per capita (1976)
- Per capita energy consumption as a percent of U.S. percapita consumption: 43.4 percent

ELECTRIC ENERGY: INSTALLED CAPACITY

- Total installed capacity: 7,082 thousand kW (1977)
- Nuclear installed capacity: 880 thousand kW (1977)
- Hydroelectric installed capacity: 1,868 thousand kW (1977)

ELECTRIC ENERGY: PRODUCTION

- Total production: 31.79 billion kWh (1978)
- Percent five-year increase: 44 percent (1973-78)

MANUFACTURED GAS

- Total: no relevant information
- Gasworks: 1,181 teracalories (1977)
- Cokeries: no relevant information

SOURCES OF INFORMATION

- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland
- United Nations, Annual Statistical Yearbooks

CHINA

China is the World's most populous nation. In 1978, its population was 933 million, its gross domestic product was $440 billion, and GDP per capita was $472. Per capita energy consumption was only 7.2 percent of the U.S. figure.

Coal is China's primary source of energy, and the government intends to develop coal gasification and liquifaction plants as part of an overall plan to maximize use of this resource. The government expects to rely heavily on technical assistance from developed countries. Lurgi and its parent Metallgesellschaft are two of the companies that are expected to be active in Chinese efforts to develop coal conversion facilities and the nonferrous metals industry.

ENERGY RESOURCES

Coal

- Total resource: 1,011,000 million metric tons (1913)
- Production: 490,000 thousand metric tons (1977)

Brown Coal/Lignite

- Total resource: 700 million metric tons (1956)
- Production: no relevant information

Crude Petroleum

- Reserves: 2,464 million metric tons (1977)
- Production: 100,000 thousand metric tons (1977)

Natural Gas

- Reserves: 594 thousand million cubic meters (1977)
- Production: 41,000 teracalories (1977)

Natural Gas Liquids

- No relevant information

Uranium

- No relevant information

ENERGY PRODUCTION AND CONSUMPTION

Energy Production

- Total energy production: 614.78 million metric tons coal equivalent (1976)

Energy Consumption

- Total consumption: 590.06 million metric tons coal equivalent (1976)

- Per capita energy consumption: 706 kilograms per capita (1976)

- Per capita energy consumption as a percent of U.S. per capita consumption: 7.2 percent

Electric Energy: Installed Capacity

- Total installed capacity: no relevant information

- Nuclear installed capacity: no relevant information

- Hydroelectric installed capacity: no relevant information

Electric Energy: Production

- Total production: 265.55 billion kWh (1978)

- Percent five-year increase: 162 percent (1973-78)

Manufactured Gas

- No relevant information

SOURCES OF INFORMATION

- None located to date

CZECHOSLOVAKIA

In 1978, the population of Czechoslavakia was 15.1 million, gross domestic product was $43.8 billion, and GDP per capita was $2,900. Per capita energy consumption was 65.8 percent of that in the U.S.

ENERGY RESOURCES

Coal

- Total resource: 11,573 million metric tons (1966)
- Production: 28,345 thousand metric tons (1977)

Brown Coal/Lignite

- Total resource: 9,857 million metric tons (1966)
- Production: 93,236 thousand metric tons (1977)

Crude Petroleum

- Reserves: 2 million metric tons (1977)
- Production: 123 thousand metric tons (1977)

Natural Gas

- Reserves: 13 thousand million cubic meters (1977)
- Production: 7,539 teracalories (1977)

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Natural Gas Liquids

- No relevant information

Uranium

- No relevant information

ENERGY PRODUCTION AND CONSUMPTION

Energy Production

- Total energy production: 83.84 million metric tons coal equivalent (1976)

Energy Consumption

- Total energy consumption: 110.34 million metric tons coal equivalent (1976)

- Per capita energy consumption: 7,397 kilograms per capita (1976)

- Per capita energy consumption as a percent of U.S. per capita consumption: 65 percent.

Electric Energy: Installed Capacity

- Total installed capacity: 15,117 thousand kW (1977)

- Nuclear installed capacity: 127 thousand kW (1977)

- Hydroelectric installed capacity: 1,803 thousand kW (1977)

Electric Energy: Production

- Total production: 66.30 billion kWh (1978)
- Percent five-year increase: 23 percent (1973-78)

Manufactured Gas

- Total: 33,182 teracalories (1977)

SOURCES OF INFORMATION

- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland
- United Nations, Annual Statistical Yearbooks

GERMAN DEMOCRATIC REPUBLIC (EAST)

In 1978, East Germany had a population of 16.8 million, a gross domestic product of 64.5 billion, and a per capita GDP of $3,839. Energy consumption per capita was 61.9 percent of the relevant U.S. figure.

ENERGY RESOURCES

Coal

- Total resource: 200 million metric tons (1956)
- Production: 349 thousand metric tons (1977)

Brown Coal/Lignite

- Total resource: 30,000 million metric tons (1966)
- Production: 253,705 thousand metric tons (1977)

Crude Petroleum

- Reserves: 3 million metric tons (1977)
- Production: 60 thousand metric tons (1977)

Natural Gas

- Reserves: 90 thousand million cubic meters (1977)
- Production: 26,535 teracalories (1977)

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Natural Gas Liquids

- No relevant information

Uranium

- No relevant information

ENERGY PRODUCTION AND CONSUMPTION

Energy Production

- Total energy production: 79.25 million metric tons coal equivalent (1976)

Energy Consumption

- Total energy consumption: 113.96 million metric tons coal equivalent (1976)
- Per capita energy consumption: 6,789 kilograms per capita (1976)
- Per capita energy consumption as a percent of U.S. per capita consumption: 61.9 percent

ELECTRIC ENERGY: INSTALLED CAPACITY

- Total installed capacity: 17,218 thousand kW (1977)
- Nuclear installed capacity: 950 thousand kW (1977)
- Hydroelectric installed capacity: 748 thousand kW (1977)

Electric Energy: Production

- Total production: 95.95 billion kWh (1978)
- Percent five-year increase: 25 percent (1973-78)

Manufactured Gas

- Total: 19,747 teracalories (1977)

SOURCES OF INFORMATION

- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland
- United Nations, Annual Statistical Yearbooks

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YUGOSLAVIA

In 1978, Yugoslavia's population was 21.9 million, gross domestic product was $48.1 billion, and GDP per capita was $2,196. Per capita energy consumption was 17.8 percent of the U.S. per capita consumption.

ENERGY RESOURCES

Coal

- Total resource: 104 million metric tons (1971)
- Production: 511 thousand metric tons (1977)

Brown Coal/Lignite

- Total resource: 21,647 million metric tons (1971)
- Production: 36,752 thousand metric tons (1977)

Crude Petroleum

- Reserves: 48 million metric tons (1977)
- Production: 3,950 thousand metric tons (1977)

Natural Gas

- Reserves: 41 thousand million cubic meters (1977)
- Production: 18,777 teracarlories (1977)

Natural Gas Liquids

- Production: 17 thousand metric tons (1977)

Uranium

- Resources: 4,500 metric tons (1978)

- Production: no relevant information

ENERGY PRODUCTION AND CONSUMPTION

Energy Production

- Total energy production: 29.42 million metric tons coals equivalent (1976)

Energy Consumption

- Total energy consumption: 43.46 million metric tons coal equivalent (1976)

- Per capita energy consumption: 2,016 kilograms per capita (1976)

- Per capita energy consumption as a percent of U.S. per capita consumption: 17.8 percent

Electric Energy: Installed Capacity

- Total installed capacity: 10,601 thousand kW (1977)

- Nuclear installed capacity: no relevant information
- Hydroelectric installed capacity: 5,226 thousand kW (1977)

Electric Energy: Production

- Total production: 51.35 billion kWh (1978)
- Percent five-year increase: 46 percent (1973-78)

Manufactured Gas

- Total: 3,097 teracalories (1977)
- Gasworks: 995 teracalories (1977)
- Cokeries: 2,102 teracalories (1977)

SOURCES OF INFORMATION

- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland
- United Nations, Annual Statistical Yearbooks

ZAMBIA

Zambia is a small country located in South Central Africa. In 1978, its population was 5.5 million. Gross domestic product was \$2.8 billion, and GDP per capita was \$509. Energy consumption per capita averaged 4.2 percent of that in the U.S.

In 1976, consumption of state and local governments accounted for 27 percent of GDD. Production of electricity, gas, and water accounted for 2.4 percent of GDP. Most of the electricity produced is hydro.

ENERGY RESOURCES

Coal

- Total resource: 154 million metric tons (1973)
- Production: 708 thousand metric tons (1977)

Brown Coal/Lignite

- Total resource: no relevant information
- Production: no relevant information

Crude Petroleum

- Reserves: no relevant information
- Production: no relevant information

Natural Gas

- Reserves: no relevant information

- Production: no relevant information

Natural Gas Liquids

- No relevant information

Uranium

- No relevant information

ENERGY PRODUCTION AND CONSUMPTION

Energy Production

- Total energy production: 1.62 million metric tons coal equivalent (1976)

Energy Consumption

- Total energy consumption: 2.81 million metric tons coal equivalent (1976)

- Per capita energy consumption: 548 kilograms per capita (1976)

- Per capita energy consumption as a percent of U.S. per capita consumption: 4.2 percent

ELECTRIC ENERGY: INSTALLED CAPACITY

- Total installed capacity: 1,710 thousand kW (1977)
- Nuclear installed capacity: no relevant information
- Hydroelectric installed capacity: 1,438 thousand kW (1977)

Electric Energy: Production

- Total production: 7.88 billion kWh (1978)
- Percent five-year increase: 140 percent (1973-78)

Manufactured Gas

- No relevant information

SOURCES OF INFORMATION

- U.N. Economic Commission for Africa, P.O. Box 3001, Addis Ababa, Ethiopia
- United Nations, Annual Statistical Yearbooks

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FEDERAL REPUBLIC OF GERMANY (WEST)
OVERVIEW OF POLITICAL AND ECONOMIC CONDITIONS
MARCH, 1980

1.0 BACKGROUND

As of 1978, the West German population was 61.4 million and gross domestic product amounted to $638.8 billion, or $10,404 per capita. Per capita energy consumption was only 52.5 percent of U.S. per capita energy consumption in that year. West Germany was one of the founding members of the European Communities (the European Common Market).

There is considerable coal liquefaction and gasification activity in West Germany. Most of this activity is carried on by private firms. West German industry plans to spend 13 billion DM (deutschmarks) on construction of 11 gasification and three liquefaction plants which will be on stream between 1985 and 1990. Most of these plants will be located in the Ruhr and the Saarland, which are the coal regions of the country. Both the federal government and the European Community have provided financial aid to synfuel projects. The government is committed to reducing West Germany's dependence on oil imports; however, there is some concern that coal refining is not yet economic in West Germany.

It has been estimated that the conversion of German lignite to methanol fuel in the Cologne area would be economic at an oil price of $23/bbl.

In West Germany, coal accounts for 50 percent or more of the costs of coal gas. Every ton of fuel requires three tons of coal. In countries with easily accessible coal reserves, coal accounts for only 20 to 30 percent of the costs of coal gas.

The country may have to rely on imported coal for future coal processing.

2.0 SOURCES OF (BUSINESS) INFORMATION

2.1 Government Information Sources

- Department within Ministry of Economics (Unterabteilung Strukturpolitik) provides information for investors locating in federal promotion areas.

- Economic ministries of states and West Berlin provide siting information. Their addresses are as follows:

  - Baden-Wuerttemberg: Ministerium fuer Wirtschaft, Mittelstand und Verkehr, Theodor-Heusstr. 4, 7000 Stuttgart 1.

  - Bavaria: Bayerisches Staatsministerium fuer Wirtschaft und Verkehr, Prinzregentenstr. 28, 8000 Munich 22.

  - Bremen: Senator fuer Wirtschaft und Aussenhandel, Bahnhofsplatz. 29, 2800 Bremen.

  - Hamburg: Behoerde fuer Wirtschaft, Verkehr und Landwirtschaft, Alter Steinweg. 4, 2000 Hamburg 11.

  - Hesse: Der Hessiche Minister fuer Wirtschaft und Technik, Landeshaus, Kaiser-Friedrich-Ring. 75, 6200 Wiesbaden.

- Lower Saxony: Niedersaechsisches Ministerium fuer Wirtschaft und Verkehr, Friedrichswall. 1, 3000 Hannover.

- North Rhine-Westphalia: Minister fuer Wirtschaft, Mittelstand und Verkehr, Haroldstr. 4, 4000 Duesseldorf.

- Rhineland-Palatinate: Ministerium fuer Wirtschaft und Verkehr, Bauhofstr. 4,6500 Mainz.

- Saar: Ministerium fuer Wirtschaft, Verkehr und Landwirtschaft, Hardenbergstr. 8,6600 Saarbruecken.

- Schleswig-Holstein: Minister fuer Wirtschaft und Verkehr, Duesternbrooker Weg. 70 - 90, 2300 Kiel.

- West Berlin: Der Senator fuer Wirtschaft, Martin-Lutherstr. 61 - 66, 1000 Berlin 62.

2.2 Other Information Sources

- Business Europe (weekly).
- Business International (weekly).
- Financing Foreign Operations (Business International reference service).
- Business International research departments.

- Commission of the European Communities, Directorate - General for Information, rue de la Loi 200, B-1049 Brussels, Belgium.

- Organisation for Economic Cooperation and Development, 2 rue André-Pascal, 75775 Paris, France.

- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland.

- European Coal and Steel Community, rue de la Loi 200, 1040 Brussels, Belgium.

3.0 STATE ROLE IN INDUSTRY

3.1 Attitude Toward Free Enterprise

- Free enterprise system supported by all political parties.

- No industries earmarked for nationalization; denationalization programs underway. (This is a response to the legacy of World War II, since the Nazis nationalized many industries.)

- Degree of government intervention in business is modest; government recently refused to buy into ailing company to save company.

- Government taking strong position on antitrust.

3.2 Political Climate

- Ruling party (SPD in coalition with FDP) has bare majority in Bundestag; Chancellor Schmidt has chosen middle-of-road domestic policy and has rejected leftist demands for nationalization; SPD party does favor greater worker ownership of companies and codetermination; Schmidt forced to slowdown nuclear program.

- New ecology party gaining votes; in local areas, environmentalist groups gaining strength--affecting business development.

3.3 State-owned Industry

- Railroad system is state-owned.

- Because the federal government inherited a large share of the country's industry after the war, it has an equity participation in many firms (885 as of 1976). These include banks and transportation, housing, and development and industrial enterprises.

- All state-controlled enterprises are run in a business-like manner and none enjoys special treatment not accorded to the private sector.

- As of 1978, government-controlled concerns accounted for 20 percent of electric power production, 11.1 percent of hard coal production, and 8.7 percent of crude oil production.

4.0 CONDITIONS FOR INVESTMENT

- General business climate characterized by good industrial relations, low inflation, and high productivity.
- Investments may require building and operating permits or special approval for investment incentives.
- Environmental regulations have recently prevented establishment of some plants.
- Stringent plant safety rules also affect construction requirements.
- No specific controls on foreign investment in Germany.

5.0 COMPETITIVE ENVIRONMENT

- Business practices watched closely by Federal Cartel Office which implements the Act Against Restraints in Competition.

- Antitrust laws prohibit anticompetitive mergers or similar concentration moves including takeovers, transfer of managerial control over one company to another, and joint ventures. Restrictive linkups are those which create or improve a market dominating position. Restrictions are the same for horizontal and vertical mergers.

- Antitrust laws also prohibit concerted practices (companies adjusting prices following a price leader) and voids resale price maintenance.

- The antitrust laws of the European Communities also apply to West German firms.

6.0 PRICE CONTROLS

- No general price controls exist nor are any expected to be introduced since inflation is low.

- Some price controls do occur in the form of price calculation ordinances for public utilities.

7.0 CORPORATE TAXES

7.1 General Information

- Taxes are high, especially on retained earnings.
- Companies pay uniform federal taxes as well as other taxes which vary locally.

7.2 Corporate Income Tax Rates

- Federal corporation income tax levies tax of 56 percent on retained profits and 36 percent on distributed profits.
- Municipal trade tax amounts to between 12 and 20 percent of a company's income. Municipal tax consists of about five percent tax on adjusted business income and a tax on business capital.
- Taxable income defined as business income. Normal business expenses--royalties, interest, salaries, and local taxes are deductible.

7.3 Depreciation Allowances

- Few set rules for allowable depreciation rates. In practice, standard rates for major equipment items are often negotiated: Straight-line or declining-balance method can be used for movables. Allowable declining-balance rates are a maximum of double the straight-line rates. Generally applicable straight-line rate of depreciation is two percent annually. Accelerated depreciation terms are allowed for investments in environmental protection equipment. Accelerated write-off is up to 60 percent for movable and immovable assets in year of purchase and ten percent in next four years.

7.4 Capital Taxes

- Two types of capital taxes: net worth tax and local business capital tax.

- All domestic and foreign assets, minus liabilities, of resident German firms pay net worth tax of 0.7 percent.

- Local business capital tax assesses tax on capital multiplied by a trade tax factor. The effective tax rate is between 0.5 and 0.9 percent of capital.

7.5 Capital Gains Tax

- Sale of business property taxed at normal income tax rates.

- Gains from sale of certain assets are not taxed if:

  1) Assets have useful life of > 25 years,

  2) Assets have been held by selling company > six years, and

3) Proceeds are reinvested within two years in specified assets in Germany.

7.6 Taxes on Dividends

- Normal dividend withholding tax is 25 percent.

- Dividends paid to German parent firm which holds at least 25 percent of paying company are not subject to tax.

7.7 Taxes on Interest

- Interest paid to foreigners on certain bonds is taxed at rate of 25 percent.

- Interest on loans secured by German real estate are also subject to corporate tax.

7.8 Other Taxes

- Royalties and license fees are subject to a 25 percent tax and 0.7 percent tax on net worth unless exempted.

- Also 13 percent VAT (Value-Added Tax) must be paid on gross amount of royalties and fees, unless exempted.

- VAT tax is 13 percent on goods and services and six and one-half percent for necessary goods such as foodstuffs.

- Annual real estate tax is levied by municipalities. Effective tax is between 0.5 percent and 1.8 percent.

- Real property transfer of four percent to eight percent. Tax reduced by one to two percent if property forms shareholders' contribution to corporate capital.

- Germany has signed tax treaties with most western countries.

8.0 GOVERNMENT INCENTIVES

8.1 General Information

- Incentives are granted by the following political sub-divisions:

    1) Federal Economic Ministry (grants or soft loans for specific investments in development areas).

    2) State governments (grants for certain development areas; limited European recovery program (ERP) loans).

    3) Municipalities (grants of low utility rates, cheap land) and West Berlin government.

- Incentives are concentrated in Regional Action Programs for 21 less developed regions. Job creating investments are favored.

- Types of incentives granted are described below.

8.2 Corporate Tax Incentives

- General special depreciation rates discussed in Section 7.3 are given as incentives.

- Investors in the depressed eastern border areas (with East Germany and Czechoslovakia) are eligible for special, accelerated depreciation of up to

50 percent (movable stock) or 30 percent (immovable stock) of the value of fixed assets in the first five years.

- Investments in West Berlin receive even greater depreciation benefits.

8.3 Capital Incentives

- Under the Investment Premium Act, companies that locate in depressed or underdeveloped regions may receive a cash grant equal to 8.75 percent of cost of capital goods for the purpose of setting up or expanding manufacturing plants, or for streamlining operations.

- Incentive loans are given to firms that set up in former coal-mining regions. (Many synfuel projects are scheduled to be located in coal-mining regions.) If firm creates job for discharged coal and steel workers, the European Coal and Steel Community will finance up to 30 percent of investment costs with loans of 10 to 13 years at six percent in first five years, and nine percent thereafter. ERP credits available for establishing industrial enterprises in coal-mining areas are as follows: up to 30 percent of investment costs at six percent for 20 years for buildings and 12 years for equipment.

- State governments also grant loans for investments in depressed areas especially for Ruhr area.

8.4 Research and Development Incentives

- Ministry of Research and Technology provides grants or loans for research and development often on a 50 - 50 basis.

- Loan funds at six and one-half percent annual interest are easier to obtain than R & D grants.

9.0 CAPITAL AVAILABILITY

- Short-term credit available from domestic banks and affiliates of foreign banks. Firms not usually restricted from borrowing abroad.

- Commercial banks mainly serve as intermediaries for negotiating long-term credit arrangements. Insurance companies are among the most important sources of long-term capital.

- Two special institutions--the private Industriekredit Bank in Duesseldorf and the government-owned Kreditanstalt fuer Wideraufbau in Frankfurt--provide longer-term credit. The later channels government loans for incentives to corporations.

- Stock and bond financing is available on eight public stock exchanges.

10.0 LABOR CONDITIONS

10.1 Labor Availability

- Demand for skilled workers exceeds supply.
- Unemployment rate a major concern. Four and one-half percent unemployment rate (1980); 87,000 workers were on work-shortened workweeks in 1980.
- Neither absenteeism nor turnover a major problem.
- Normal workweek 40 hours.

10.2 Labor Relations

- Codetermination (representation by workers in management decisions) supported by all political parties; has existed at shop level since 1920's.
- 1976 Codetermination Act provides for 50 percent labor representation on supervisory boards of major employers (>2,000 workers).
- Generally, great deal of cooperation between workers and management.
- Labor union membership large; rising slowly.

- Number of strike days diminishing. Conflicts often settled before strike action begins.

- Minimum wages are not fixed by law.

11.0 ENERGY IN THE DOEMSTIC ECONOMY

11.1 Energy Resources

Coal

- Total resource: 230,304 million metric tons (1971).
- Production: 91,310 thousand metric tons (1977).

Brown Coal/Lignite

- Total resource: 55,851 million metric tons (1972).
- Production: 122,948 thousand metric tons (1977).

Crude Petroleum

- Reserves: 42 million metric tons (1977).
- Production: 5,401 thousand metric tons (1977).

Natural Gas

- Reserves: 184 thousand million cubic meters (1977).
- Production: 152,419 teracalories (1977).

- Nuclear installed capacity: 6,271 thousand kW (1977).

- Hydroelectric installed capacity: 6,313 thousand kW (1977).

Electric Energy: Production

- Total production: 353.41 billion kWh (1978).

- Percent five-year increase: 18 percent (1973-78).

Manufactured Gas

- Total: 54,342 teracalories (1977).

- Gasworks: 4,363 teracalories (1977).

- Cokeries: 49,979 teracalories (1977).

11.3 Miscellaneous

- High prices of oil imports are seen as the major culprit for Germany's international payments deficit after 1979.

Natural Gas Liquids

- Production: 6 thousand metric tons (1977).

Uranium

- Resource: 15,000 metric tons (1978).
- Production: no relevant information.

11.2 Energy Production and Consumption

Energy Production

- Total energy production: 165.88 million metric tons coal equivalent (1976).

Energy Consumption

- Total energy consumption: 364.28 million metric tons coal equivalent (1976).
- Per capita energy consumption: 5,922 kilograms per capita (1976).
- Per capita energy consumption as a percent of U.S. per capita consumption: 52.5 percent.

Electric Energy: Installed Capacity

- Total installed capacity: 79,131 thousand kW (1977).

GREECE
OVERVIEW OF POLITICAL AND ECONOMIC CONDITIONS
DECEMBER, 1980

1.0 BACKGROUND

The 1978 population of Greece was 9.2 million, Gross Domestic Product (GDP) was $31.4 billion, and GDP per capita was $3,413. Per capita energy consumption was 17.2 percent of that in the U.S.

Greece became the tenth member of the European Communities (EC) on January 1, 1981. It will have to abide with the rules and regulations governing economic activities in EC countries.

As of January, 1980, the country's proven oil and gas reserves were 150 and 680 million barrels of oil equivalent, respectively. Technically and economically recoverable coal reserves amounted to 400 million tons.

2.0 SOURCES OF INFORMATION

2.1 Government Information Sources

- Commercial officers at Greek Embassy (Washington, D.C.).
- Ministry of Coordination (Constitution Square, Athens).
- National Bank of Greece (Chicago).
- Hellenic Development Bank (ETVA; 13 Panepistimiou Street, Athens).

2.2 Other Sources

- Business Europe (weekly).
- Financing Foreign Operations (Business International reference service).
- European Forecasting Service.
- Business International research departments.
- Organization for Economic Cooperation and Development, 2, rue André-Pascal, 75775 Paris, France.

- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland.

- Commission of the European Communities, Brussels, Belgium.

3.0 STATE ROLE IN INDUSTRY

3.1 Attitude Toward Free Enterprise

- Government encourages private enterprise. It will take equity in industrial enterprises only if private initiative lacking.

- Government actively involved in industry. Government fixes objectives for development and provides incentives for both local and foreign investors.

- Government exercises influence in industry through its control of banking network.

3.2 Political Climate

- Current administration (Rallis' New Democracy Party) reportedly is moderating intervention in private sector. Rallis has promised a liberal attitude toward private enterprise by decontrolling prices and removing administrative controls that inhibit investment.

- If socialists win in 1981, their policies may favor nationalization of many industries.

3.3 State-Owned Industry

- Government owns Public Power Corporation (PPC).

- Legislative decree allows large energy-consuming industries to install their own power-generating stations. PPC reserves right to buy surplus electricity at low rates.

- State also owns Public Petroleum Corporation (monopoly for oil and gas exploration and oil company contracts).

- Government set up Hellenic Industrial and Mining Investment Company (ELEVME) to develop industries to exploit the country's mineral resources (including oil).

- Prospecting and exploitation rights for many natural resources (including coal) are reserved to the state which may grant concessions to private investors.

- Government may nationalize industry when it feels such action is necessary.

4.0 CONDITIONS FOR INVESTMENT

- General business conditions characterized by high inflation (25 percent in 1980) and low productivity.

- Mining operations governed by Mining Code. Acquisition of mineral rights and shares in mining firms subject to approval by Ministry of Coordination and local authorities.

- Foreign equity in utilities limited to a minority share.

- Building and feasibility permits are necessary prerequisite to construction.

- Some special rules mostly affecting the importation of capital govern foreign investment in Greece.

5.0 COMPETITIVE ENVIRONMENT

- Little horizontal or vertical integration in companies; government encourages integration showing little concern in past for collusion or cartelization.

- 1978 Protection of Competition Law prohibits agreements for the purpose of controlling prices or distribution, or assuming a monopolistic market position. (Utilities are exempt.)

- As EEC member (since 1981) Greece will have to comply with more stringent EEC antitrust policy.

6.0 PRICE CONTROLS

- Price controls on most commodities are being liberalized gradually. Committee within Ministry of Commerce still sets maximum prices for some basic commodities such as fuel.

7.0 CORPORATE TAXES

7.1 General Information

- Complicated tax system.
- Relatively low corporate tax burden compared to Western Europe.
- Taxable profits may be reduced significantly through depreciation rates and significant deductions.

7.2 Corporate Income Tax Rates

- Corporate tax levied on retained earnings only (distributed earnings subject to withholding tax).
- Effective corporate tax is 43.4 percent.
- Income taxes for industrial and mining companies on Athen stock exchange pay effective tax of 38.3 percent.
- Taxable income is worldwide business income. Allowable deductions include normal business expenditures and some special deductions.
- Tax-free reserves may be established to cover future losses.
- Several incentives for new investment in various zones. Plants are allowed varying deductions

for new investment in plants, machinery, and other fixed assets.

- Industrial or mining enterprises and research centers that bought new machinery between 1973 and 1977 may deduct that value from net profit at a specified rate.

7.3 Depreciation Allowances

- Straight-line method of depreciation must be used. Fixed annual rates. Depreciation based on acquisition value plus improvements.

- Basic annual depreciation rates: 10 to 15 percent for plant and machinery; 20 percent for trucks, computers, and initial installation expenses; six percent for other fixed assets for mining and industrial corporations.

- Incentive areas have higher depreciation rates depending on number of shifts worked.

7.4 Capital Gains Tax

- Thirty percent tax levied on gains from tangible and intangible assets. Tax is voided if proceeds reinvested in two years.

7.5 Taxes on Dividends

- Tax on dividends of 43 percent on registered shares and 47 percent on shares not listed on exchange. Tax withheld by the payor at time of distribution.

7.6 Other Taxes

- Interest on loans normally subject to withholding tax equal to company tax plus surcharge equal to 25 percent.

- Royalties paid to foreign companies subject to withholding tax treatment of 15.2 percent.

- Greece has tax treaties with many Western countries to avoid double taxation of specified assets.

- Turnover tax of three to eight percent levied.

- Real estate transfer tax of 11 to 12 percent of sales value of real property levied.

8.0 GOVERNMENT INCENTIVES

8.1 General Information

- Array of incentives: tax, credit and tariff advantages, favorable depreciation allowances, and preferential purchasing by government-controlled entities.
- Government incentive program emphasizes financing in form of interest-free loans.
- New law, if passed may provide cash grants (of up to 15 to 40 percent of total investment) for investments in less developed regions.
- Approval for incentives is granted by Ministers of Coordination and of Finance.

8.2 Corporate Tax Incentives

- See information in Section 7.2.
- Companies investing large amounts of capital may qualify for exemption from indirect taxes and import duties on products used to set up. Also government will freeze income tax on undistributed profits for firms contracting long-term loans until loans paid off (up to ten years).
- Investments in provincial areas qualify for additional incentives. Incentives apply for first five years of firm's productive activity.

8.3 Capital Incentives

- Government proposing to supply cash grants for investors to set up in less-developed areas.

- Productive investments during 1978 - 1985 in sectors such as mining, energy, R & D, and antipollution equipment are eligible for interest-free loans. Mining outlays qualify for financial help up to 20 percent of total cost on mainland (25 percent on islands). Energy-saving installations can be financed for up to 35 percent of total cost. R & D and antipollution equipment are eligible for financing of up to 50 percent of total outlay. No minimum or maximum levels for investment in mining, but minimum and maximum for others. Firms must supply between 20 and 35 percent of own capital depending on region.

- Small and medium-sized companies, irrespective of location, may obtain financing.

- Government provides low-interest loans and outright cash grants.

- Government also offers incentives for relocating skilled labor to provincial zones in the form of relocation and rent subsidies and housing loans.

- Firms locating on industrial estates may be eligible for tax, tariff, and capital incentives described above and/or special incentives such as exemption from specific taxes, charges and fees on land acquisition, and reduction of financing charges. Industrial estate may be a "free zone" in whole or in part.

9.0 CAPITAL AVAILABILITY

- Credit, currency, and banking policies set by Government Currency Committee.

- Authorities have pursued restrictive monetary policy recently (including raising discount rate, limiting credit, and maintaining high interest rates).

- Short-term credit available from domestic and foreign banks. Interest rate varies from about 10.5 to 23.5 percent depending on purpose of loan.

- Longer term credit available chiefly from (state-owned) Hellenic Industrial Development Bank (ETVA). Rates are around 10.5 percent.

- Longer term credit also available from National Investment Bank for Industrial Development (Greek-owned with Western shareholders). Investment Bank and National Mortgate Bank of Greece also provide longer-term credit.

- Government actively encouraging development of stock market.

10.0 LABOR CONDITIONS

10.1 Labor Availability

- Supply of skilled workers exceeds demand.

- No shortage of unskilled workers.

- Labor turnover is high, absenteeism is not a problem.

- Minimum wages exist for three categories: unskilled workers, employees, and apprentices. Most industries individually establish minimum wages. Wages are generally lower than those in other parts of Europe.

10.2 Labor Relations

- Unions gradually gaining a measure of autonomy as a government losing control over labor.

- Collective bargaining agreements determine labor and wage conditions.

- Strikes are illegal in public service industries; at least 48 hours notice of strike must be given to private employers.

11.0 ENERGY IN THE DOMESTIC ECONOMY

11.1 Energy Resources

Coal

- Total resource: no relevant information.
- Production: no relevant information.

Brown Coal/Lignite

- Total resource: 1,575 million metric tons (1961).
- Production: 23,572 thousand metric tons (1977).

Crude Petroleum

- Reserves: 18 million metric tons (1977).
- Production: no relevant information.

Natural Gas

- Reserves: 1 thousand million cubic meters (1977).
- Production: no relevant information.

Natural Gas Liquids

- No relevant information.

Uranium

- No relevant information.

11.2 Energy Production and Consumption

Energy Production

- Total production: 7.68 million metric tons coal equivalent (1976).

Energy Consumption

- Total energy consumption: 20.62 million metric tons coal equivalent (1976).
- Per capita energy consumption: 2,250 kilograms per capita (1976).
- Per capita energy consumption as a percent of U.S. per capita consumption: 17.2 percent.

Electric Energy: Installed Capacity

- Total installed capacity: 4,804 thousand kW (1977).
- Nuclear installed capacity: no relevant information.
- Hydroelectric installed capacity: 1,415 thousand kW (1977).

Electric Energy: Production

- Total production: 19.46 billion kWh (1978).
- Percent five-year increase: 31 percent (1973-78).

Manufactured Gas

- Total: 780 teracalories (1977).
- Gasworks: 30 teracalories (1977).
- Cokeries: 750 teracalories (1977).

PORTUGAL

OVERVIEW OF POLITICAL AND ECONOMIC CONDITIONS

DECEMBER, 1980

1.0 BACKGROUND

The 1978 population of Portugal was 9.7 million, Gross Domestic Product (GDP) was $17.8 billion, and GDP per capita was $1,835. Per capita energy consumption was 9.1 percent of the U.S. figure.

All energy projects are government-owned and operated.

2.0 SOURCES OF INFORMATION

2.1 Government Information Sources

- No relevant information.

2.2 Other Information Sources

- European Free Trade Association, 9-11 rue de Varembe, 1211 Geneva 20, Switzerland.
- Organisation for Economic Cooperation and Development, 2, rue André-Pascal, 75775 Paris, France.
- U.N. Economic Commission for Europe, Palais des Nations, CH-1211, Geneva 10, Switzerland.

3.0 STATE ROLE IN INDUSTRY

3.1 Attitude Toward Free Enterprise

- Before 1974, state ownership of industry was not extensive. State participation in the economy was stepped up under the April 1974-November 1975 military governments. Many sectors, such as petroleum, petrochemicals, steel, engineering and cement were nationalized.

- In reaction to an abortive March 1975 rightist coup, all commercial banks and insurance companies were nationalized: consequently, about 60 percent of all industry came indirectly under state control.

- A move toward denationalization began with the start of constitutional government in April 1976.

- Firms that were either indirectly nationalized via takeover of the banks or otherwise subject to government intervention soon became a financial burden and the government returned nearly all to former owners.

- A 1976 legal decree restricted government intervention in private enterprise in cases in which dissolution or bankruptcy would harm the national economic interest.

- Attempts to further liberalize the economy by changing the private- and public-sector law to allow private investment in sectors reserved for state ownership were vetoed by the Revolutionary Council. However, indemnification began for companies nationalized during the 1974-75 period.

- Existing law states that private companies cannot participate in certain basic sectors of the economy (public utilities, including electric power and gas production and distribution, telecommunications, scheduled air and rail services, oil refining, petrochemicals, and others).

3.2 Political Climate

- Political instability has existed for the past few years.

- In 1981, the government is expected to proceed with a review of the constitution, thus dissolving the Revolutionary Council of the Armed Forces Movement (responsible for the April 1974 coup that ended 46 years of dictatorial rule).

- The revised constitution should take a moderate tone, deemphasizing state ownership of industry and allowing more scope for private investment.

3.3 State-Owned Industry

- The government owns most of the financial sector (banking and insurance) and controls the greater part of the steel, petrochemical, petroleum, engineering, cement and brewing industries.
- Current estimates are that nationalized firms account for only 12 percent of gross domestic product.
- No new nationalizations are anticipated.

4.0 CONDITIONS FOR INVESTMENT

- Real GDP grew by only 3.4 percent in 1979, and inflation was 24 percent.

- Industries must fulfill regulations governing hygiene, safety, quality and environmental conservation. A new pollution law stipulates that all concerns planning large development projects must carry out an ecological impact study before operations may begin.

5.0 COMPETITIVE ENVIRONMENT

- The 1972 Law for Defense of Competition prohibits restrictive practices, which it defines as the fixing of minimum resale prices, buyer's or seller's profit margins or other business conditions; the setting of discriminatory conditions of sale; the use of tie-in clauses; agreements to limit production, investment or technology; and agreements to share markets, products, clients or sources of supply.

- The government is antimonopolistic and would like to break up state monopolies in certain sectors such as cement and beer.

- Established law governs mergers and acquisitions of commercial companies.

- There is no effective limit on a manufacturer's freedom to sell to whomever it wishes (although restrictive practices are prohibited).

- The level of patent and trademark protection is fairly high in Portugal. Know-how is recognized as licensable property. Licensing agreements covering patents, industrial designs and utility models must be registered with the Industrial Property Bureau to have legal effect.

6.0 PRICE CONTROLS

- Following the inflationary surge in prices that occurred after the April 1974 revolution, succeeding governments tried, with little success, to hold down prices, and periodic price freezes have been placed on essential goods.

- Since 1977, the government has been somewhat more relaxed in granting price hikes to let companies cover cost increases due to imported materials.

- State-owned firms seem to obtain price increases fairly easily.

7.0 CORPORATE TAXES

7.1 General

- The 1980 budget simplified the corporate income tax system by including the local business tax and a number of surcharges with the industrial tax.

- Eventually, Portugal is expected to unify all the corporate income taxes in one levy.

- Companies that invest in priority areas or industries can obtain full relief for three to five years and partial relief for six to 10 years from industrial and complementary taxes.

7.2 Corporate Income Taxes

- Corporations are primarily subject to two income taxes: the industrial tax and the complementary tax on global income.

- The industrial tax now includes the local business tax for an effective rate of 30 percent on taxable income up to E1 million, 36 percent from E1 million up to E5 million and 40 percent on income over E5 million. (The currency is the escudo and the rate was E51 = $1 U.S. in November, 1980.)

- Complementary tax rates are progressive and are levied at the rate of 6 percent on incomes up to E120,000, 8 percent on incomes of E120,000 to E1.2 million, 10 percent on E1.2 million to E6 million and 12 percent on all incomes over E6 million.

7.3 Taxable Income Defined

- Industrial tax is normally assessed on real business profits earned in Portugal, Madeira, the Azores, and the remaining overseas territories.

- Besides the usual business expenses, companies may deduct 50 percent of reinvested profits or 100 percent of reinvested capital gains if the income is invested in qualifying assets within three years. Also, all indirect taxes and all direct taxes, except the tax on business income and the complementary tax, are deductible. Dividends received from a domestic or foreign subsidiary in which the parent has owned 25 percent or more of the shares for at least two years are not included in the parent's taxable income. Dividends from other companies are included in taxable income if they come from Portugese sources (tax withheld at source as credit), but only one third of gross foreign dividends (before foreign withholding tax) are included.

- The taxable base for the complementary tax is the sum of the bases of all scheduled taxes--the industrial tax mentioned, the property tax and the tax on income from movable capital minus distributed profits and the industrial tax.

- Losses (including one third of the losses on foreign activities) may be carried forward for five years but not backward.

7.4 Depreciation

- Depreciation allowances must be calculated by the straight-line method (unless the tax authorities approve otherwise), based on the historic cost of acquisition and useful life of the assets.

- Allowable depreciation rates are fixed by a 1966 law, which establishes specific rates for different types of assets in several individual branches of industry.

- When an asset belongs to a branch of industry or trade for which no specific rates have been established, the following annual rates apply: buildings for commercial and industrial use, 2 percent; buildings for industrial use, 4 percent; light construction, 10 percent; machines, equipment and tools, 10-25 percent; transportation equipment, 4-25 percent; patents, 10 percent; and expenses for setting up a company, 33.3 percent.

- Equipment for scientific research can be depreciated in one year.

- Accelerated depreciation is available for priority investments.

7.5 Excess Profits Tax

- None.

7.6 Capital Taxes

- A 0.5 percent tax is levied on the par value of newly issued stock.

- Nominative shares and bonds issued by resident companies are subject to an annual stamp tax of 0.5 percent of market value. Currently, this is levied at 10 percent of the annual dividend, since there is virtually no trading on the stock exchange.

7.7 Capital Gains Tax

- On profits arising from the sale of fixed assets, the rate is 12 percent.

- Capitalization of reserves is taxed at 12 percent of one-half of the amount incorporated into reserves. Gains on sale of land are taxed at 24 percent.

- For fixed assets, a capital gain consists of the difference between the sale price of the asset and its adjusted book value.

- Gains realized as a result of the sale of "existing" shares (i.e., after initial issue) are not taxed.

- There is a 12 percent levy on one-half the value of capitalized reserves in case of distribution, or half the difference between issue and market price on rights distributions. In both cases, the shareholder must pay the tax.

- Under the incentives program, taxes on capital gains realized in a merger considered to be of national interest may be reduced or waived.

7.8 Taxes On Dividends

- Dividends paid by one Portuguese company to another are subject to the tax on income from movable capital, withheld at source at a flat 18 percent rate. Dividends are also subject to a substitute inheritance tax of 5 percent (increased to 5.75 percent in 1980 by a 15 percent surtax), as well as to various small surcharges.

- Dividends received by a Portuguese company may be excluded from its taxable income if the dividends are paid on registered shares; if the recipient owns at least 25 percent of the payor, provided the participation has been held for at least two years (or since foundation of the company, if it is less than two years old); and if the paying company is itself subject to industrial tax in Portugal.

7.9 Taxes on Interest

- Interest on loans and deferred payments made on a temporary basis from all sources except banks or normal trade sources is levied a 30 percent withholding tax.

- Interest on long-term bank deposits is subject to a 15 percent tax on income from movable capital.

- Interest on bonds is subject to a 12 percent capital tax and to the 5 percent substitute inheritance tax (5.75 percent in 1980); if the bonds are in bearer form, a 24 percent complimentary tax is also withheld.

- On loans made to a company by its shareholders, a minimum 5 percent annual interest rate is presumed for tax purposes.

- Taxes on interest payments to foreign lenders may be reduced under tax treaties.

7.10 Taxes on Royalties and Fees

- Recipients of royalties and fees are subject to the industrial tax plus surcharges.

7.11 Taxation of Headquarters Companies

- There is little relevant experience in this area.

7.12 Turnover, Sales and Excise Taxes

- A general single-stage sales tax is levied on consumer goods.

- Since 1979, rates have been 15 percent for "essential" products such as food; 30 percent for most locally produced goods; 45 percent for cameras, radios, sporting goods, televisions and toys; 75 percent for all luxuries such as alcoholic beverages, pleasure boats, precious metals, alloys, perfume and toiletries, firearms and trailers; and 110 percent for vodka and whiskey.

- Various excise taxes include levies on gasoline, amusements and transportation services; an excise tax on mining production; and consumption taxes on tobacco and matches.

- The transfer tax on buildings or land for construction in urban areas is 10 percent and 8 percent in other areas. This is reduced to 4 percent for land acquired for a priority investment.

7.13 Other Taxes

- Urban property tax is 18 percent but no property tax is collected on buildings used for activities subject to industrial tax (i.e., industrial plants).

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8.0 GOVERNMENT INCENTIVES

8.1 General

- Portugal grants mainly fiscal incentives, but it also introduced low-cost loans and grants in its revised incentive program of June 1980.

- The new incentives scheme is aimed at the manufacturing, energy producing and conservation, mining and fishing sectors.

- The law sets out a complicated system of qualifications for the new incentive systems. In addition to sectoral priorities, there are regional location priorities.

8.2 Corporate Tax Incentives

- Under the new incentives scheme, companies are categorized as Class A, B, C, or D with Class A incentives granted to lowest priority investments and Class D to those of highest priority.

- Companies not eligible under the new incentives scheme can obtain the following concessions:

  - All costs incurred in training and developing personnel may be considered as an allowable expense in calculating taxable income.

- Accelerated depreciation: total deduction over three years of amount of investment in capital equipment for industrial tax purposes is available to all recipients of incentives.

- The real estate transfer tax (8.14) is reduced to 4 percent on the purchase of buildings or land for industries that will further the country's economic development.

- Total or partial exemption from the capital tax and the complementary tax is available on interest from bonds issued by enterprises undertaking projects included in the development plans or considered of great interest to the country's economic development.

• Since June 1977, 5 percent of the export value can be deducted from the industrial tax base.

8.3 Personal Tax Incentives

• None.

8.4 Tariff Incentives

- Tariff incentives now available include:

  - Duty concessions on imports of machinery and machine tools during the first four years following a new investment.

  - Temporary exemption from import duties on machinery and equipment not produced in Portugal. Exemption is given automatically to a wide range of industries; companies not in the group may receive an exemption on a case-by-case basis, providing they are expanding or modernizing plants of "value" to the Portuguese economy.

  - Duty reductions on semimanufactured components used in assembly or manufacturing industries.

  - Duty-free entry of imports destined to be incorporated into exports, or refunds of such duties paid.

8.5 Capital Incentives

- In general, interest subsidies are calculated in relation to the overall investment rating and the central bank's discount rate.

- Worker-training loans (limited to E90,000 per job created) are also available.

- "Capital endowment" is available from the government in special cases.

8.6 Research and Development Incentives

- Any company can apply for a R&D grant from the National Research Board for Science and Technology, but until now only very small projects have received them.

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9.0 Capital Availability

9.1 General

- Banks currently have funds available for firms with good credit ratings willing to pay the high interest rates.

- In May 1978, the Bank of Portugal raised the discount rate from 13 percent to 18 percent, where it has since remained.

- The limited credit funds available are supposed to be channeled into priority areas: job creation, productive investment and export financing.

9.2 Short-Term Credit

- A series of mergers and closures reduced the number of Portuguese commercial banks to nine, all nationalized since March 1975.

- Commercial banks can supply credit for up to three years, although terms are usually shorter in practice.

- Common forms of short-term credit include discounting of commercial bills, term loans and overdraft facilities.

- Since November 1978, nonpriority overdrafts and short-term loans (up to one year) have cost 18.25-20 percent.

9.3 Medium- and Long-Term Credit

- Although banks have considerable leeway to extend medium-term loans, they are reluctant to do so. Medium- and long-term credit is currently difficult to find.

- Bank rates in September 1980 were over 20.5 percent for one- to two-year credits, 21.25 percent for two- to five-year loans and 22.25 percent for more than five years.

- A major source of longer-term credit is the Banco de Fomento Nacional (BFN). It lends to industries that export or substitute for imports, utilize domestic raw materials or comply with the general purposes of the development plan.

- The state-owned savings bank (Caixa Geral de Depositos, Credito e Providencia) is a source of mortgage and other loans to industry and, since 1977, has been authorized to engage in rediscount operations.

- The World Bank has lent Portugal $524 million since 1976 and is expected to lend $150 million annually over the next few years to finance projects in agriculture and energy.

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9.4 Stock and Bond Financing

- The stock market was reopened after two years in January 1976, but trading has been light--even though interest rates on government bonds have been at 18 percent since August 1977.

10.0 LABOR

10.1 Labor Availability

- Officially, the Ministry of Labor estimates that the unemployed equal 8.9 percent of the 3.5 million workforce. Unions claim that the rate is 13 percent.
- Skilled workers are still leaving Portugal for Middle Eastern countries, but many technicians who fled the country have returned.
- There has always been a limited supply of local managers.

10.2 Labor Relations

- The labor militancy that occurred after the revolution has diminished under the economic slowdown.
- Laws have been issued on strikes and lockouts.
- About one third of the workforce, including the strongest unions, belong to Intersindical, the Communist-dominated labor confederation. Its counterpart, the non-Communist Uniao Geral de Trahabadores (General Workers Union - UGT) has a membership of about 800,000, mainly in white-collar jobs.
- Workers are guaranteed the right to strike.

10.3 Wages

- Portugal has relatively low unit-labor costs; however, labor costs have moved closer to the Western European average.

- The minimum monthly wage for industrial workers was raised by 20 percent in October 1980 and is now E9,000 per month.

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11.0 ENERGY IN THE DOMESTIC ECONOMY

11.1 Energy Resources

Coal

- Total known economic reserves in place: 15 million metric tons (1972).
- Total resource: no relevant information.
- Production: 195 thousand metric tons (1977).

Brown Coal/Lignite

- Total known economic reserves in place: 27 million metric tons (1972).
- Total resource: no relevant information.
- Production: no relevant information.

Crude Petroleum

- Reserves: no relevant information.
- Production: no relevant information.

Natural Gas

- Reserves: no relevant information.
- Production: no relevant information.

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Natural Gas Liquids

- No relevant information.

Uranium

- Resources: 6,800 metric tons (1978).
- Production: 85 metric tons (1977).

11.2 Energy Production and Consumption

Energy Production

- Total energy production: 0.79 million metric tons coal equivalent (1976).

Energy Consumption

- Total energy consumption: 10.13 million metric tons coal equivalent.
- Per capita energy consumption: 1,050 kilograms per capita (1976).
- Per capita energy consumption as a percent of U.S. per capita consumption: 9.1 percent.

Electric Energy: Installed Capacity

- Total installed capacity: 3,930 thousand kW (1977).

- Nuclear installed capacity: no relevant information.

- Hydroelectric installed capacity: 2,580 thousand kW (1977).

Electric Energy: Production

- Total production: 13.50 billion kWh (1978).

- Percent five-year increase: 37 percent (1973-78).

Manufactured Gas

- Total: 1,000 teracalories (1977).

- Gasworks: 573 teracalories (1977).

- Cokeries: 427 teracalories (1977).

12.0 Miscellaneous

- At present, Portugal is a member of the European Free Trade Association (EFTA).

- Official negotiations for Portugal's full membership in the EEC began in the fall of 1978, although the country's entry may now be postponed beyond the initial 1983 target because of French opposition.