

Draft Law
On Investment and Protection of Foreign Capital

CHAPTER A
Long-term Investments

Article 1

For the purposes of this law foreign capital shall be deemed capital in any form imported from abroad viz. foreign exchange, machinery and materials, patents, technical processes, trade-marks etc.

Article II

1. The provisions of this law shall apply to foreign capital in the aforesaid sense imported into the country for productive investment as from the effective date of the present law.

2. Productive investment shall be deemed any investment which aims at the promotion of national production or otherwise contributes to the economic advancement of Greece including the development of low-cost housing.

Article III

1. To obtain approval for the importation of foreign capital under the provisions of the present law, interested parties shall be required to file an application with the Ministry of Coordination. A special agency hereby established in the aforesaid Ministry and to be constituted by Royal Decree promulgated upon the recommendation of the Minister of Coordination shall have competence in all matters relating to foreign capital under the provisions of the present law.

The Minister of Coordination shall refer such application for study and recommendation to a committee to be set up by action of the Minister of Coordination and composed of one representative each of the Ministries of Coordination, Commerce, Industry, and Finance and of the Bank of Greece and of two persons of higher scientific training and experience especially in industrial matters, as permanent members, to be supplemented, as may be required, by other appropriate persons. By the same action the Chairman and Deputy Chairman of the Committee shall be appointed from among the permanent members of the Committee. Likewise the Secretary of the Committee and his deputy shall be designated by the same action. Rapporteurs shall in each case be designated by the Chairman.

2. All imports of foreign capital for productive investment as hereinabove specified, and the terms and conditions pertaining thereto shall be approved, depending on the importance of the investment, either by Royal Decree to be promulgated upon the recommendation of the Ministers of Coordination and Finance and of the Minister directly concerned in

each case, or by decision of the same Ministers published in the Official Gazette.

3. The approval to be granted by virtue of the foregoing administrative acts shall be irrevocable with respect to the terms and conditions under which it is granted in each case, and shall constitute the guarantee of the Greek Government vis-a-vis the foreign investor to the effect that his investment shall thereafter be subject unalterably to the status established by the present law. Modification of these terms and conditions shall be permitted only with the consent of the foreign investor and shall be effected by amendment or supplementation of the aforesaid administrative acts.

Article IV

1. The administrative acts to be promulgated in accordance with the provisions of Paragraph 3 of the preceding Article III, shall include the kind of investment, the legal form, the currency or other form in which foreign capital is to be brought in; the manner of determining the value of the capital to be imported in kind; the time within which the proposed investment must be effected; the more specific terms of the repayment and service of the capital, as well as the kind of foreign exchange and or the Greek export products which shall be designated for the fulfillment of these conditions; the instances in which foreign exchange shall be made available for imports of raw materials and for other requirements of the enterprise during the effective period of the agreement; the consequences of the eventual sale or assignment of the enterprise or of any assets acquired by means of imported capital; the manner of settlement of any balance of the net assets of the enterprise remaining after full repayment of the imported foreign capital and in general all other terms and conditions, in addition to those indicated above, covering the purposes of the present law including the sanctions necessary to insure compliance with the terms under which the approval is granted.

Article V

1. No capital shall be repayable before the enterprise begins to operate productively and in no case before the lapse of one year from the date of its importation.

The remittance of foreign exchange for the repayment of capital cannot exceed 10 percent per annum of the amount of capital imported.

2. Likewise the remittance of foreign exchange on account of interest and dividends shall not exceed 12 percent per annum of the amount of capital imported for dividends and 10 percent per annum for interest on loan capital. If during any one year the amount of foreign exchange remitted for the

above two purposes should be less than that specified in the instrument of approval mentioned in Article III hereof, the difference shall be exportable in subsequent years.

3. Imported foreign capital shall be deemed capital both originally and subsequently imported for investment. The instrument of approval may nevertheless provide that the total amount or a portion of profits realized from foreign capital be deemed as foreign capital, provided such profits are reinvested in the enterprise from which they were derived or in any other enterprise specified in the instrument of approval.

4. In case of lease of machinery, or other forms of foreign capital mentioned in Article I hereof the amount of rental specified in the instrument of approval shall be transferable in foreign exchange.

Article VI.

1. The Bank of Greece shall be required to allocate as and when needed the amount of foreign exchange required to meet the foreign exchange commitments created by the present law, in accordance with the terms and conditions of the specific instrument of approval to be executed in connection with each case of importation of capital.

2. The conversion of drachmas into foreign exchange for the repayment of imported capital, as well as for the payment of interest, dividends and rentals, shall be effected at the official rate of exchange on the day of transfer. Likewise the conversion into drachmas of imported foreign capital shall be effected at the official rate of exchange on the day of the importation of such capital.

Article VIII

Enterprises established or assisted financially by foreign capital shall be permitted to employ foreign nationals in higher positions of their technical and administrative personnel and to pay them in foreign exchange transferable abroad as provided in the instrument of approval to be executed in each case.

Article VIII

1. By means of the special instrument of approval provided above, primarily export manufacturing or mining enterprises, as well as enterprises established in the country for the first time whose operations save substantial amounts of foreign exchange annually, may be granted the following tax accommodations.

a) Consolidation of the income tax rates in effect at the time of the issuance of the instrument of approval for a period of time not exceeding ten years, with provision for downward readjustment to the level of applicable rates in the event tax rates are lowered; or determination for a

like period of a fixed rate of taxation on net or gross earnings which rate may be lower than tax rates in effect at any given time.

b) Lowering of or exemption from customs duties, levies, or other taxes and charges on imports of machinery, accessories, spare parts and tools, for a period not to exceed ten years.

c) Lowering of or exemption from any tax, charge, or levy, imposed by local government agencies (municipalities, communities, etc.), port authorities or other organizations for a period not to exceed ten years.

d) Lowering of or exemption from any charges and from all kinds of fees in connection with writing a mortgage or contracting a collateral loan as a security for imported capital, as well as in connection with the signing of contracts relating thereto.

2. The above tax accommodations may, by virtue of the instrument of approval to be executed in each case, be withheld from enterprises regarded as not fulfilling the terms and conditions of Paragraph 1 of the present Article.

3. The above tax accommodations shall also be extended to all similar export enterprises, now existing or to be established with other capital, which meet the requirements of Paragraph 1 of the present Article. Likewise, those tax accommodations shall be extended to similar enterprises organized after the establishment of the enterprise originally instituted, whose operations save foreign exchange in accordance with the provisions of Paragraph 1 of the present Article.

4. With regard to export enterprises mentioned in Paragraph 1 of the present Article, no export restrictions shall be placed on products produced by them and no export taxes, imposed, provided the country's requirements in these products are met by domestic production. However, even such enterprises may be subject to export restrictions and embargoes for reasons of national security.

5. The retroactive imposition of taxes on enterprises organized with foreign capital imported in accordance with the provisions of the present law shall be prohibited. Such prohibition shall also be extended to existing similar enterprises or to enterprises established with other capital.

Article IX

1. Enterprises established by means of foreign capital may, by virtue of the instrument of approval to be executed, be permitted to show their capital in terms of the currency in which such capital was imported and to keep their books of account and issue their financial statements in the same currency.

2. The provisions of the foregoing paragraph shall be applicable to enterprises expanded or assisted financially by

means of foreign capital, provided such capital is in excess of 50 percent of the total assets of such enterprises, or in excess of one million dollars United States currency.

Article X

1. Enterprises established, expanded or financially assisted in any way by means of foreign capital, shall receive treatment no less favorable than that extended to other similar enterprises in the country.

2. In the event an enterprise organized by means of foreign capital, in accordance with the present law, should be granted more favorable terms than those accorded to a similar enterprise previously established also by means of foreign capital, such more favorable terms shall be extended to the previously established enterprise, by amendment of the relevant instrument of approval at the request of the beneficiary.

Article XI

1. The assets of enterprises established and substantially assisted financially by the importation of foreign capital shall be exempt from any and all compulsory expropriation.

2. Likewise, assets owned by the aforesaid enterprises shall be exempt from requisition, except as provided in the Constitution for the requirements of the Armed Forces in the event of a state of war and for the duration thereof.

In the event of requisition, the beneficiary shall be entitled to receive just compensation to be determined by common agreement between the Greek Government and the beneficiary. In the event of disagreement such compensation shall be determined by arbitration in accordance with the provisions of Article XII of the present law.

Should the beneficiary refuse to accept the requisition as hereinabove provided, he shall be entitled to full compensation for the value of the requisitioned assets to be determined by common agreement between the Greek Government and the beneficiary. In the event of disagreement such compensation shall be determined by arbitration in accordance with the provisions of Article XII of the present law.

The amount of the compensation to be determined shall be transferable in foreign exchange in six monthly installments from the date common agreement is reached or from the date the arbitration award is rendered.

Article XII

All disputes arising between the Greek Government and enterprises coming within the purview of the present law with respect to the interpretation or possible deficiencies of the

instrument of approval shall be settled by arbitration as prescribed in the instrument of approval, it being understood that a foreign national, who may be a natural person or a legal entity in official capacity or a person of recognized reputation in legal matters, may also be selected as a third arbitrator (superarbitrator).

CHAPTER B

Special Provisions

Article XIII

1. Vessels rated at over 1,500 gross tons registered under the Greek flag after the effective date of the present law, shall also be deemed as foreign capital in the sense of Article I and II hereof.

2. In the instrument of approval to be executed in accordance with Article III hereof the following provisions may be made in deviation from standing regulations: (a) Free sale and mortgaging of the vessel without prior approval of the Administration to foreigners whose nationality shall be specified in the instrument of approval; (b) free disposal of the sales price of the vessel in foreign exchange or of the amount of the insurance compensation of such vessel in the event of accident, or of the proceeds of a mortgage loan on the vessel, without the obligation to import into Greece the equivalent amounts in foreign exchange; (c) free administration of the receipts of the vessel without any restrictions whatsoever; (d) reduction of the contributions payable in favor of the Merchant Marine Veterans' Fund; (e) recognition of vessels belonging to foreign nationals as Greek vessels; (f) determination of the taxes and charges relating to the transfer of a vessel sold to a foreign national in proportion to the vessel's net tonnage. Such taxes and charges may under no circumstances exceed the amount of \$2 per ton of rated net capacity; (g) the amount of compensation payable in the event of requisition of the vessel; (h) settlement by arbitration of any disputes which might arise; (i) all other terms and conditions, not limited to those recited above, designed to promote the purposes of the present Articles, as well as the sanctions necessary to insure compliance with the instrument of approval.

3. The provisions of Paragraph 1, Article III; of Articles IV, V, VI and VIII; of Paragraph 2, Article XI, and of Articles XII and XIV of the present law shall not be applicable with respect to capital imported in the form of a vessel.

Article XIV

1. With regard to the importation of capital provided in Article I hereof for the purpose of developing exports of agricultural and mining products, provision may be made in the instrument of approval to permit deviation from the pro-

visions of Paragraphs 1 and 2 of Article V of the present law under the following conditions, i.e. (a) that service of the capital in question shall be effected by exports of products to be produced by the use of such capital and (b) that such products be produced in Greece in quantities in excess of domestic requirements.

2. Deviation from the provisions of Paragraphs 1 and 2 of Article V may likewise be permitted in the instrument of approval in the case of enterprises organized by means of foreign capital which by resolution of the Council of Ministers shall be deemed as being of special importance to the economy of Greece.

3. Specifically with respect to enterprises which because of failure are placed in liquidation, shorter terms may be established for the repatriation of imported capital, as per Paragraph 1, Article V of the present law.

CHAPTER C

Short-term Investments

Article XV

Upon the law coming into effect

1. ~~By Royal Decree to be promulgated once and for all~~ on the recommendation of the Council of Ministers, authority maybe granted to banks, specifically designated in each case for the purpose by resolution of the Council of Ministers, to accept from natural persons of foreign and Greek nationality residing permanently abroad, time deposits in a foreign currency repayable within not less than six months at a rate of interest not to exceed 8 percent per annum, to be likewise determined in each case.

2. Foreign exchange from such deposits shall be surrendered immediately by the recipient Bank to the Bank of Greece for drachmas at the official rate of exchange on the day of such surrender. The Bank of Greece shall be required, upon expiration of the time of a deposit and at the request of the beneficiary, to refund to the Bank involved the amount of foreign exchange surrendered, together with accrued interest, upon payment by the said Bank of the equivalent amount of drachmas, on the basis of the official rate of exchange on the day of such refund and at the same time to remit abroad in the name of the beneficiary the amount of foreign exchange originally deposited plus accrued interest.

Any bank accepting a deposit in foreign currency shall be authorized to lend in terms of the same foreign currency the drachmas obtained through the surrender of such foreign currency to the Bank of Greece and may include in the relevant loan agreements a provision whereby the debtor shall be required to settle the loan expressed in terms of foreign exchange, plus accrued interest, in drachmas at the official rate of exchange on the day settlement.

3. Interest accruing on such deposits shall be exempt from payment of one-third of the tax on interest currently in effect.

4. In order that the Bank of Greece might be able to fulfill its obligation to repay the amounts of foreign exchange surrendered, it shall, in addition to the requirement of the Bank of Greece provided in Article VI hereof, retain in a Bank of Greece provided in Article VI hereof, retain in a special account from the deposits hereinabove mentioned an amount equivalent to 30 percent of the total amount of such foreign exchange outstanding at any time, to be used solely and exclusively for the purpose of repaying the foreign exchange in question together with accrued interest.

5. All terms and conditions and every detail with respect to the application of the provisions of this Article shall be determined by the decree to be promulgated as hereinabove specified.

CHAPTER D

Final Provisions

Article XVI

In the event the existing foreign exchange restrictions and controls are removed, the exchange provisions and restrictions stipulated in the present law and in the instruments of approval to be promulgated in connection therewith, shall become inoperative during the period of such removal.

Article XVII

1. The present law which shall enter into effect as of the date of its publication in the Official Gazette, is promulgated in conformity with Article 112 of the Constitution.

2. Responsibility for the implementation of this law shall rest with the Minister of Coordination.

Athens, September 5, 1953.