Greek exporters forced to take long route

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Turmoil in Yugoslavia has increased Greece's sense of isolation, writes **Kerin Hope**

BY midsummer, Mr Thomas Katsiamakas, a peach exporter in northern Greece, is usually seeking extra transit permits for Greek refrigerator trucks to cross Yugoslavia. This year, he is working out alternative routes to the Munich fruit market.

"The road is still safe as far as Belgrade," he says. "From there the drivers head for Hungary and the long way round."

Another choice is a slow haul over the Pindus mountains to the western Greek port of Igoumenitsa and a ferry to southern Italy. Either route adds "at least 24 hours and another 25 per cent to the cost of reaching Germany."

For Greek exporters, political turmoil in Yugoslavia underlines an existing feeling of being isolated from the rest of the European Community.

Ireland will soon be the only other member-state lacking a land border with a Community partner now the Channel tunnel is under way. "The sea may be rough but it's only a short distance to a big market. Every kilometre makes us less competitive," says Mr Katsiamakas.

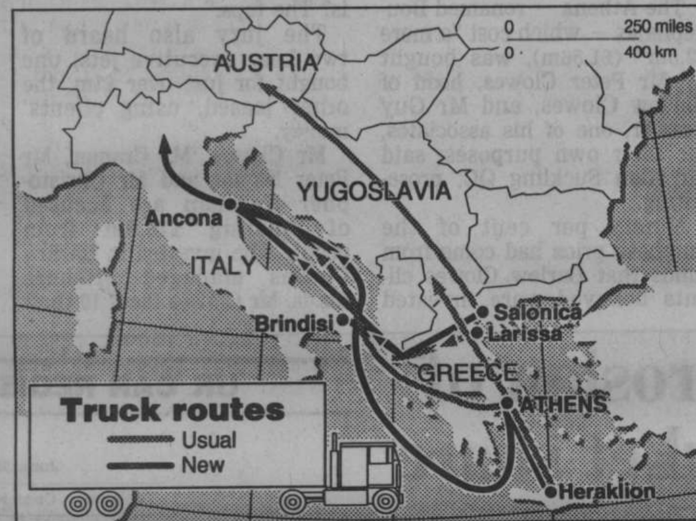
Accession to the EC in 1981 changed radically the patterns of Greek trade. Previously, only 40 per cent of trade was with the Community. Arab countries accounted for 20 per cent and eastern Europe for about 10 per cent, in spite of the inflexible clearing agreements then in force.

Last year EC, transactions – mainly with Germany and France – accounted for 64 per cent of total trade amounting to $27.8bn (£17.3bn). The Arab countries' share shrank to only 5 per cent. According to Greek exporters, this reflected both a steady decline in Arab consumer demand, even before the Gulf crisis, and the squeezing out of Greek manufactured goods by cheaper east European products.

However, a similar decline in trade with eastern Europe was partly reversed in 1989-90 as the inter-state agreements with communist governments collapsed, to be replaced by an entrepreneurial free-for-all.

"It's survival of the fittest now, but there are real opportunities in Hungary, Romania and Bulgaria for anyone who's prepared to take a few risks and try barter," says Mr Sifis Paparigos, who owns an export-import company in northern Greece.

At the same time, EC membership triggered a sharp rise in imports from western Europe as tariff barriers came down. These ranged from food to furniture and brand-name consumer goods. Export earnings covered 50 per cent of the import bill in 1981, but only 41 per cent in 1990.



The trade deficit reached a record $11.2bn in 1990. This year, however, exports showed a 23 per cent increase in the first five months, while the rate of import growth slowed sharply.

Slackening demand as the conservative government's economic stabilisation programme begins to bite should restrain imports for the rest of the year. The trade ministry's task is to ensure that export growth can be maintained.

"After a long period of stagnation it's hard for producers to make the necessary switch to exports. The first step is to remove the disincentives," says Mr Sotiris Hatzigakis, the foreign trade minister.

Surcharges on bank loans to exporters have been abolished. A complicated web of bureaucracy that required exporters to spend weeks obtaining 20 different documents was recently simplified. Now a single all-purpose form can be issued in one day.

However, plans for a state-owned export-import bank are on hold because of a freeze on public sector expansion. Meanwhile, the trade ministry is trying to encourage the establishment of specialist trading companies which could help smaller producers start exporting.

Still, the prospect of prolonged chaos in Yugoslavia will remain a disincentive unless the government is seen to be actively developing alternative routes to the EC market.

Mr George Vlachos, a general secretary at the National Economy Ministry, said yesterday: "If the crisis in Yugoslavia continues it will affect our trade balance, which has been improving in the last few months."

Priorities in road building are being re-assessed. Two highways linking Igoumenitsa with Salonica and Larissa, both agricultural and manufacturing centres, are planned but much of the funding would have to come from the Community.

Port facilities in western Greece are considered adequate to handle increased traffic, but fruit exporters are already complaining of a shortage of ferries.

Another pressing concern is to promote trade on a sound footing with both Albania and Bulgaria. "The situation in both countries is rather confused at present, but we can't afford to ignore potentially promising markets on our doorstep," Mr Hatzigakis says.