*[Lede, can be removed to make space]*

A positive wind is blowing on Greek exports, setting them up to reach their highest point since its first bailout back in 2010, giving the indebted country hope for its post program future, yet ample caveats ahead make reforms a “do or die” necessity.

[Start]

Greece’s first bailout signalled the beginning of gruesome austerity for the small mediterranean economy. Eight years on, and with Greece set to exit its third stability program in August 20th, GDP has contracted by more than 30%, unemployment persists above 20% and debt towers at 178% of GDP.

Compounding it's difficult situation, it has to meet tough primary budget surplus targets (a measure of its government finances that excludes debt repayments), 3.5% of its GDP by 2023 and 2.2% until 2060, an unprecedented commitment. More alarmingly, the debt relief granted by the Eurozone falls short of ensuring its long term sustainability, according to IMF Director Christine Lagarde.

Against such odds, new sources of income are necessary to avoid slipping back to recession. Foreign investments are progressing disappointingly slowly, but despite some tough years, exports in goods rose 35.5% between 2010 and 2017, a welcome relief in Athens and Brussels.

**CHART 1 overall trade**

The importance of exports can not be understated. Germany, for example is Europe’s largest economy, boasts the largest trade surplus in the EU, and should come as no surprise that according to the World Economic Forum’s Global Competitiveness Index for 2017–18[[1]](#footnote-0), it is the most competitive economy in the EU. Interestingly enough, it is followed by the Netherlands, which generates the second largest surplus.

Exports of goods are a necessary element in the Greek recovery. DW journalists have analysed trade data between 2010 and 2018 to examine past trends and future developments.George Pagoulatos, Professor of European Politics and Economy at the Athens University of Economics and Business (AUEB) informs us that Greek businesses were forced to shift their attention to the foreign markets as internal demand has plummeted and the fiscal restructuring that took place as part of the stability program with the EU reduced the cost of labour significantly.

**High taxes, but much lower wages**

**Chart 2 labour costs**

One positive factor for Greek exports are the rapidly decreasing labour costs, down by more than 30% since 2010, and only marginally rebounding in 2017. But there is a catch, labour costs measure both wages and taxes paid to the State.

Wages have decreased even more, and Greek businesses now pay less for hiring skilled individuals, but on the other hand, they are called to shoulder some of the greatest tax burdens of any other Europeans, contributing to the weakened internal demand, and causing thousands of companies to either close shop or transfer their operations to a less tax intensive base.

Professor Pagoulatos comments that “during most of the crisis period much of the competitiveness gains from wage compression were cancelled by other factors such as the higher tax burden and social security costs, energy costs and cost of credit/capital”.

**Refined petroleum from Greece?**

CHART 3 jan-may 2010-2018

Data on goods exports for the months of January to May between 2010 and 2018 show that there are significant differences when it comes to each sector. Relatively unknown, the main export good of Greece, with the highest increase in this period is neither olive oil nor feta cheese. Mineral fuels, such as refined petroleum account for a third of total Greek exports for the first five months of 2018, far surpassing any other sector.

Christina Sakellaridi, President of the Panhellenic Exporters Association (PEA) appears skeptical of the significance of petroleum exports, commenting that as a commodity, its price -and thus revenue generated- is defined by external factors and is subject to frequent fluctuations.

Interestingly, both in their total volume and increase since 2010, manufactured products, rank above Greece’s most well known exports of agricultural products (Food and live animals). Furthermore, data shows that six of the seven most intensive exports of Greece are of industrial nature and not agricultural as one may have expected.

Ms. Sakelaridi appears hopeful that Greece will continue to diversify its export product in the future, mentioning that “recently new technology exports are on the rise, as well as products that incorporate high technical know-how and innovation, something very encouraging for us to see”.

**Still plenty of caveats ahead**

All is not that positive though. It is by no mere chance that Greece suffered one of the worst economic downturns in peacetime since WWII. Structural difficulties have plagued the Greece since the very founding of the Greek state in the 19th Century.

[Chart 4 trade balance]

Greece has a chronic reliance on imports, forcing the State to constantly borrow from the markets to cover its negative trade balance. Services such as tourism and shipping have to a large extent alleviated the massive goods trade deficit. Although still negative, the trade deficit is now closing, mostly thanks to the reduced internal demand for imports but also due to the ongoing rising exports.

PEA President Sakelaridi believes that it is time for bold steps forward, to “restructure and reconstruct the Greek production, focusing on innovative products that are competitive abroad while adapting to the current demand in international markets”.

[Chart 5 % of exports]

On a European scale, Greek exports remain comparatively low. In terms of goods exports as a percentage of the country’s GDP, Greece is almost at the bottom, only above the UK and Cyprus, both of which have strategically oriented themselves to exporting services. Why is Greece so low?

Konstantinos Bitsios, Vice-Chairman of the Hellenic Federation of Enterprises (HFE) says that the past 8 years huge fiscal consolidation has taken place, requiring major sacrifices from public and businesses, and that exiting the memorandum in August will “lift the veil” and expose many structural difficulties.

Mr. Bitsios informs us that during the crisis “businesses had virtually no access to finance, while non-performing loans (loans not likely to be paid back to the bank) increased tenfold, from €11 billion in 2008, to €110 billion at their highest peak. Today, they stand at €94billion and constitute one of the crisis’ lasting legacies which threaten to derail any growth prospects”.

Due to this, banks are unable to provide much financing, and Greek companies struggle to expand and finance further exports.

Another problem, according to the Vice-Chairman, is that “Greece has the highest percentage of very small companies in the EU (97% compared to 93%), and productivity is only around 50% of the EU average, while participation in international value chains also remains low”.

**Lack of State support?**

Asked by the DW during an event in Brussels, Alexis Charitsis, Greece's Economy Alternate Minister confirmed that a reason for the increase in exports is necessity, as Greek companies have to compensate the lack of internal demand. He added that a number of financial instruments such as the EU’s regional funding, are now employed to boost exports from Small and Medium sized Enterprises (SMEs).

From his side, Mr. Bitsios argues “that recent reform efforts have borne some fruit, but policies and support structures for SMEs remain vague as to the final objectives”. He adds that support to exporters remains “mired in bureaucracy” and finds a “lack in policy vision and specific objectives for SME growth”, which fails to mend the challenges they face and help them grow in size.

DW contacted a number of Greek exporters, among them Yiannis Paraskevopoulos, owner of Gaia wines, produced on the volcanic soil of the island Santorini and widely exported across the world, who mentioned that he and other wine producers have little to no expectations from the State.

According to Mr. Paraskevopoulos the Greek State has chronically not assisted the producers, instead frequently putting administrative burdens due to internal mismanagement in handling and distributing EU funding.

Furthermore, and perhaps most unfortunately, the past 8 years of the crisis have damaged the brand name of Greece, making foreign markets distrustful towards anything “Made in Greece”, thus forcing them to sell superior quality products, for more modest prices.

[optional ending]

All in all, it seems that Greek exports are riding a positive wave, helping significantly in the recovery of the country. Structural weaknesses and State inability for meaningful assistance though put this fragile increase in a perilous situation, unless proper change is made.

1. [https://espas.secure.europarl.europa.eu/orbis/sites/default/files/generated/document/en/TheGlobalCompetitivenessReport2017–2018.pdf](https://espas.secure.europarl.europa.eu/orbis/sites/default/files/generated/document/en/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf) page 9 [↑](#footnote-ref-0)