The Repercussions of the Financial Crisis (2008) on the Foreign Trade Between Greece and the Balkan Countries (BCs)

George Magoulios and Vasilis Chouliaras

Abstract In this paper we will examine the repercussions of the financial crisis on the foreign trade between Greece and the BCs. Based on the literature and findings related to the financial crisis and international trade, we examine the quantitative data on the foreign trade between Greece and the BCs during the 2007–2010 period (Greek exports and imports to and from the BCs, the balance of trade and the trade volume). When investigating the changes of the foreign trade between Greece and the BCs during the financial crisis period, a correlation is made between the annual change of the BCs GDP and the change in Greek exports and imports to and from the BCs. Based on the course of Greek exports over the last three decades (1980–2007), it appears that they are intensely influenced during periods of global recession. With 2008 being the financial crisis reference year, Greek trade imports and exports to and from the BCs marked a decrease in 2009. Tracking Greek exports from 2007 to 2010, it can be seen that they present a greater reduction towards the BCs compared to the EU and the rest of the world. From 2007 until 2010 there is a continuous trend in the reduction of Greek imports from the EU and the world, whilst imports from the BCs present a slight increase. With most of the BCs, Greece's balance of trade is in surplus throughout the period in question, although a reduction in the surplus is noted in 2008. Its geographical significance during the financial crisis period has also negative repercussions for Greece's neighbour countries and the volume of foreign trade transactions. The Greek trade volume with most of the BCs is reduced to a lower level compared to the trade volume with the EU and the world and this seems to be due to its geographical position and to a lesser extent to Greece's trade completion with the BCs compared to the EU. Although the terms of trade between Greece and the BCs have generally deteriorated, they remained favourable for Greece, while the terms of trade between Greece and the EU and the world as a whole are unfavourable for Greece and have further deteriorated. In 2009, a GDP reduction is marked in almost all the BCs as a

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consequence of the 2008 financial crisis. Correlating the changes of the BCs's GDP and Greece's imports and exports to and from the BCs, one is able to ascertain that 2009, which coincides with the greatest recession of the BCs, also presents the greatest reduction in both Greek imports and exports. Furthermore, it is ascertained that the countries that went through the greatest recession during 2009 also experienced the greatest reduction in Greek imports and exports. Finally, it is concluded that the extent of the recession of the BCs is directly related to the progress of the Greek exports towards these countries.

Keywords Greece • Financial crisis • Foreign trade • Balkans

JEL Classification Codes F10 • R10

1 Introduction

The repercussions of the financial crisis on foreign trade between Greece and the BCs are examined in this paper. Based on the bibliography and findings related to the financial crisis and international trade, we examine the quantitative data on foreign trade between Greece and the BCs during the 2007–2010 period. Specifically, the exports and imports of Greece to and from the BCs, the balance of trade and the trade volume are being examined. When investigating the changes of the foreign trade between Greece and the BCs during the financial crisis period, a correlation is made between the annual change of the BCs' GDP with the change in Greek exports and imports to and from the BCs. The outcome of the BCs' shares in Greek exports and imports, as well as Greece's terms of trade with the BCs are examined.

2 Theoretical References

In an article of Bastian J. concerning the impact of the Greek crisis on the neighboring countries of SE Europe, among other things, the rippling effects of the Greek crisis in three other basic areas are identified: the volume of exchanges in foreign trade, the level of remittances sent from Greece and the cost of loans by local subsidiaries of Greek banks operating in the region. The secondary effects of the global economic and financial crisis in SE Europe involve the real economy of those countries (demand reduction, over-indebtedness of households and companies and an increase in unemployment). During the last decade, foreign direct investments from Greece, an increase in the volume of trade and economic migrants contributed to Greece assisting the economic transition of its neighbors. This positive influence has been placed on hold for a considerable amount of time still, due to the crisis (Bastian 2011, pp. 95–96).

The full dynamics of the global economic downturn began to be felt in the SE Europe region in various ways including: (a) Between the years 2000 and 2008 the ratio of external debt of the GDP rose from 45 % to 51 % in the CE and SE Europe. (b) Foreign Direct Investments (FDI) are expected to be reduced. (c) Exports were expected to have zero growth in most of the BCs in 2009. The EU is the largest export destination for all of the countries in the area, however a reduction in exports to i.e. Germany, France, Italy and Austria due to a drastic drop in consumer demand~~s~~ in these countries, will have unfavorable consequences and will affect all of the Balkan economies. With regards to Greece, for over a decade it enjoyed a growing trade surplus with the BCs, most of which was recycled back into neighboring economies, through foreign direct investment in commercial banks, telecommunications, constructions and the food industry. Amongst other things, the geographical proximity prompted Greek companies to invest in emerging markets in the Balkans. However, the importance of geographical proximity also has rather adverse consequences for Greece's neighbors. Balkan economies are particularly affected by external factors in their neighborhoods. This is especially the case with bilateral trade relations, the extension of credit to finance trade and foreign direct investment between the Balkan region and Greece (Bastian 2009, pp. 2–4).

Greek exports to the BCs are at extremely high levels and their share has significantly increased in the last 15 years with Greece reaching one of the top positions in ranking as one of the leading exporters in the region. An increase in exports to neighboring countries shows a significant change in the structure of Greek export activity. The most important incentives for exporting enterprises are the economic and political environments, followed by the potential gain from exports to the markets of SE Europe. A survey indicated that 22 % of all respondents pay particular attention to market characteristics, the economic environment, the political environment and the competitive advantage in quality. From reviews of the competitive advantage in quality, the profit margin and the corresponding market share, it is deduced that the reality for these variables was slightly better than the original estimate. The values are still closer to the original business projections compared to the reality that they are dealing with (Liargovas et al. 2008, pp. 377, 383, 391).

In particular, economic relations with FYROM have offered Greece tremendous opportunities to fill the still existing gap in the market of FYROM, since competition with other Western suppliers displays slow growth. Moreover, FYROM has proved to be a *"stepping stone"* that is useful for further expansion into other Balkan markets, in an attempt to exploit the advantage of low wages and skilled labor. Further improvements in the domestic political setting, along with the promotion of structural reforms in FYROM and the gradual, but steady growth of the middle class are expected to contribute significantly to further economic activity in the country and thereby to enhance business cooperation and greater economic cooperation and trade between the two countries in the future (Panagiotou 2008, pp. 247–248).

As experts on the stabilization of the Western Balkans support, huge opportunities have opened to Greek commerce and businessmen wishing to invest in these countries, which constitute important markets for Greek products. Simultaneously these countries have adopted, or are in the process of adopting, liberal regimes that affect the flow of services, the establishment and operation of foreign businesses. The areas where investment opportunities exist are financial services, construction, telecommunications and retail trade (Michalopoulos 2002, p. 125). However, the final accession of Bulgaria and Romania into the EU has brought more international players into these markets, a development that is a challenge not only for the strategic position of Greek enterprises, but also for their competitive advantages (Kitonakis and Kontis 2008, p. 279).

In an article that compares the countries of the SE Balkans focusing on the business climate, on intra-regional trade and investments, it was found that: (a) Despite differences in socio-political developments in the last 100 years, Bulgaria, Greece, FYROM, Romania, Serbia and Turkey appear to represent many sides of a common economic area in their overall level of economic development, dealing with similar problems in their economies and with essentially similar levels of competitiveness development. (b) In the intra-regional trade and in investment activities, the opportunities for regional integration and economic development are under-used at best. (c) With regards to the future and the enlargement of the EU, intensive regional cooperation will certainly enhance competition and improve the overall competitiveness of the region as a whole (Zashev 2008, pp. 16–17).

During the transition procedure of the Central Eastern European Countries (CEEC), the dynamics of trade and foreign direct investment were vital for restructuring the modernization of the economies of new members, thus helping to sustain growth and convergence with the EU. Trade liberalization between the EU and the CEEC has promoted the intensification of bilateral relations.

From the results of a gravity model for investigating the factors affecting overall and sectoral trade flows and predicting the potential of trade between the CEECs and trade flows between the CEEC and EU countries, it is implied that geographical and economic factors must be taken into account when predicting the impact of trade expansion. Another conclusion is that, although the potential of trade between the EU and the CEECs has been reached for most countries in the short term, there is still some potential for expansion of trade in other cases. In the long run, despite the strengthening EU-CEECs relations, the empirical analysis suggests that there is room for further improvement in trade relations, mainly due to the economic development of the new Member States. It is also possible to conclude that trade within the CEECs will continue to grow faster than that between the EU and the new members. This can be seen mainly as a result of industrial strategic positioning of western multinational corporations, which has led to the emergence of flows between the countries of the CEE. Trade flows will tend to increase as income levels converge, structural demands will become similar and international production networks will be expanded (Caetano and Galego 2006, pp. 83–84).

As far as foreign trade is concerned, Greece has benefited from the advantages offered by the eurozone (currency risk elimination and currency conversion costs elimination). Moreover, liquidity for foreign trade has improved, since trade within the eurozone is carried out in euro and an important part of pricing and payment for imports in trade with the non members of eurozone is also carried out in euro. With regards to the disadvantages, among other things, the International Monetary Fund (IMF) estimates that the loss of competitiveness of the Greek economy over the past 10 years was 25 %. Moreover, most of the indexes of Greek products traded internationally converge continuously compared with those of other EMU countries, resulting in higher indexes, with adverse effects on foreign trade (Kotios et al. 2011, pp. 264–265).

A study examining the extent to which economic conditions contributed to lower sales of businesses in the global financial crisis of 2008–09, in six developing Asian economies (China, India, Indonesia, Malaysia, Taiwan and Thailand), found that economic conditions adversely affected sales during the crisis and that the use of trade credit played an important part in the relative performance of businesses. In particular, when financing conditions worsened, the most financially vulnerable companies turned to the market through credit from suppliers. Companies that were able to replace external funding by trade credit were more effective with sales (Coulibaly et al. 2011, pp. 17–18).

Financial crises temporarily affect safe and efficient resource allocation. As far as international trade is concerned, this manifests itself in reduced business access to commercial credit, in insurance policies, incomplete information on creditworthiness and foreign institutions, the volatility of exchange rates etc. Historical events like the Great Depression suggest that recourse to protectionism increases in times of economic uncertainty that might jeopardize a relatively rapid economic recovery. In response to this, an increasing number of developed countries and developing markets have established programs for the public financing of exports. The state guarantees for these export credits and insurance policies. The expectation is that government intervention corrects market failures (Herger 2009, p. 14).

When examining the trade restrictive measures that have been implemented in both developed and developing countries, as a policy response to the financial crisis of 2008, and their interaction with existing multilateral trade rules under WTO, it is deduced that those rules have functioned effectively as a "*stronghold*" against protectionism in light of the concerns of the global recession. However, a closer look at the rules of the WTO reveals that they are not sufficient for today's rapidly changing economic realities, as international trade undergoes far more complicated processes, with the involvement of a large number of countries, enterprises and products, and it is also linked with a large range of non-trade issues (e.g. environmental protection). For this reason the more developed and emerging economies seem to increasingly gravitate toward regional and bilateral Free Trade Agreements (FTAs) as a way to replace the missing trade rules in the multilateral trade framework (United Nations 2010, pp. XI–XII).

3 Greece's Economic Crisis and Its Effect on Foreign Trade

The global GDP recorded an unprecedented contraction of 2.4 % in the market rates in 2009, which led to an unusually large drop of 12 % in the world trade in the same year. The products most affected by the industrial recession (consumer durables, industrial machinery etc.) have a higher share in world trade than in the global GDP. This is a factor that has increased the magnitude of trade decline, compared to the GDP in 2009. Other factors that have contributed to this development are the effort of European governments to reduce their budget deficits through a combination of spending cuts and revenue measures and the high prices of oil that increase energy costs for households and businesses. Finally, persistent unemployment prevented domestic consumption in developed countries and the limited increase in income reduced the demand for imports. Despite the recovery in 2010, the negative impact of the financial crisis and global recession is likely to continue (WTO 2011, pp. 20–22).

According to the Bank of Greece, the GDP has been reducing since 2008, while in 2011 it was estimated that the decline would reach 5.5 %, which eventually reached 7 % (ELSTAT). The decline in the GDP is due to a decrease in private and public consumption and investment. The decline in private consumption is attributed to the reduction in the disposable income of households, due to lower wage labor and a significant reduction in the number of employees, a reduction of bank financing, as well as widespread uncertainty. Since 2009, the deficit of current accounts has displayed a steady decline both in absolute size as well as in the GDP percentage, almost exclusively, due to recurrent macro-economic developments in Greece and its trading partners. In particular, after the external deficit reached 14.9 % of the GDP in 2008, it then declined to 11.1 % in 2009 and to 10.1 % in 2010, while in 2011 it was expected to fall further to 9.8 % of the GDP, with potential for it to continue to decrease over the following decade. The limited decline in the current account deficit in 2010 and in 2011 reflects the fact that structural issues impede the rapid development of the low structural competitiveness of the economy. The strict limitation of the trade deficit is a result of the recession, since the reduction of import costs (more than double of export revenues) is mainly due to eroding consumer and investment activity, while the increase in exports is associated with the efforts of exporters to access foreign markets in light of the reduced demand in the domestic market. With regards to the region of SE Europe, the apparent slow-down of the initial strong recovery of most economies is mainly due to external factors. Specifically, there are three main transmission channels of the crisis in the region. The first is related to the real economy and the apparent slow-down of growth in 2011 compared to 2010 in the major economies (USA, Japan and China) and in European countries. The second is related to the presence of large banking groups in the countries of the Eurozone and the weakening of the already low credit growth rate in most countries. Finally, the third channel refers to the role of the financial markets and the possibility to increase the *"risk aversion"* in investor behavior, which could create financial problems in countries with relatively high short-term debt, as was the case in the crisis of 2008 (Bank of Greece 2011, pp. 58, 72, 92).

According to Eurostat figures, the income of Greeks recorded the biggest drop not only in the Eurozone, but also generally in the EU27 during 2010. The GDP per capita measured in Purchasing Power Standards (PPS) decreased in Greece in 2010 by 4 points compared with 2009, from 94 to 90 (EU = 100). This is the greatest reduction in the Europe of 17 and 27. The per capita real consumption in the country decreased from 104 units to 100 and the corresponding Greek index is 10 % of the EU average. The path of the per capita GDP, calculated in PPS in Greece is as follows: In the 5 year period of 1995–2000 it remained unchanged at 72 % of the EU average, in 2001 it reached 74 %, in 2002 at 78 %, in 2003 at 81 %, in 2005 at 82 %, in 2006–2007 at 98 %, in 2008 at 92 %, in 2009 at 94 % and in 2010 at 90 % (Eurostat 186/2011).

According to the ELSTAT survey (2011), based on the income of 2009, the population that is at risk of poverty or social exclusion amounts to 27.7 % of the Greek population. The risk of poverty in the Europe of 27 Member States is estimated at 16.4 % (provisional data) and in the Eurozone at 16.1 %. Based on the study of indicators on living conditions of the population, the deprivation of basic goods and services (difficulty in meeting basic needs, poor housing, inability to repay loans or purchases in installments, difficulties in paying fixed accounts etc.) does not concern poor people only, but it is a problem of the non-poor as well (ELSTAT 2011, pp. 16, 1).

Taking into account the progress of Greek exports in the last three decades (1980–2007), we can conclude that Greek exports are affected strongly during periods of global recessions. During the economic crisis of the period 1981–1983, exports decreased by 17 % in 1981, they remained unchanged in 1982, they displayed a very slight rise in 1983 (4 %) and eventually surpassed the levels that had been reached in 1980 six years later. In the recession period 1991–1993, for which any impacts appear time lagged, exports in 1991 compared to 1990 increased by 8 % and marked a new increase of 14 % in 1992, but declined by 15 % in 1993. In the recession period of 1996–1998, exports declined by 6 % in 1997, and only reached the levels of 1996 in 2000. In the 2000–2002 recessions, exports declined by 2 % in 2001 compared to 2000 and a further decline by 1 % is noted in 2002. Their recovery began at 2003 and continued until 2007. It becomes clear from the above that Greek exports are adversely affected by global recessions in the last three decades. However, their duration or depth indicates that the downturn in economic activity around the world is not the sole cause of this negative development. Endogenous causes also affect export activity. These include: competitiveness, composition of exports, and the fact that for most Greek products exported the elasticity for demand regarding disposable income is high (i.e. olive oil) or the fact that many of these products are directly related to manufacturing or industrial activity (e.g. aluminum products, copper, iron and steel). As far as the current crisis is concerned, there is no doubt that the fall or severe weakening in economic activity will lead to reduced import demand in developed countries (and others) and restriction on international trade, with adverse effects on Greek exports. The sluggish economic activity worldwide and the limited expansion and stagnation of international trade will affect Greek overall exports, as Greek products exported are not essentials in their vast majority. The products that will be particularly affected are: those associated with industrial production (e.g. non-ferrous metals) and products directly related to construction activity, products that are reliant on income elasticity demand (i.e. types of clothing and most food exported by Greece), because of heightened international competition and reduced international demand (PanHellenic Exporters Association 2008, pp. 4–7; www.pse.gr/node/14).

According to the research by BSE, FEIR, NTUA-EVEO (2011), the economic crisis affects the entire business community in Greece, with a reduction of sales in large businesses reaching a cumulative of 20 % in the period of 2009–2011. Businesses appear to be quite vulnerable to illiquidity mainly because their customers/suppliers face similar problems (48 % of businesses), and also, due to limited or even no funding from the banking system (36.5 % of businesses). A key determinant of good economic performance of enterprises is extroversion. Those who manage to export show higher resistance to the economic crisis and replace part of their losses in turnover from the domestic environment. An indication of this is that companies that expect sales growth in 2011 are export cooperations. However, there is considerable scope for improving both the base of export operations and the volume of exports, with only 45 % of the country's larger companies exporting (70 % in manufacturing).

4 External Trade of Greece with Balkan Countries (BCs) (2007–2010)

By using the financial crisis of 2008 as an indicator, Greek exports of goods to the BCs reduced in all countries in 2009, with Bosnia – Herzegovina being an exception. A declining trend of Greek products to the EU appeared from 2008, while globally from 2009. In 2010 compared to 2009, Greek exports increased in the BCs, as well as in the EU and globally (Table 1).

As a result of the economic crisis, Greek imports of goods reduced from 2009 in the BCs (with Croatia being an exception), as well as in the EU and worldwide. In 2010, the decline of Greek imports from the EU and the world continued, while the BCs' imports appeared to increase compared to 2007 by 0.43 % (Table 2).

The trade balance between Greece and the BCs is in surplus throughout the period considered (2007–2010), with the exception of Montenegro, Croatia (2009, 2010) and Slovenia (2010) that are in deficit. Since 2008, a decrease in the surplus has been noted, that amounts to 43.08 % from 2007 to 2010. The trade balance between Greece, the EU and the world is in deficit throughout this period, and from 2009 a reduction in the deficit is noted which in 2007 and 2010 amounts to 32.16 % and 21.56 % respectively (Table 3).

Table 1 Exports of Greece to the BCs, 2007–2010 (thous. Euros)

a/o	Countries	2007	2008	2009	2010
1	Albania	452.937	378.334	389.604	394.306
2	Bosnia-Herzegovina	26.354	37.941	43.983	44.677
3	Bulgaria	1.077.995	1.236.980	968.158	1.049.267
4	Croatia	114.926	89.624	38.756	52.807
5	Montenegro	46.789	29.958	28.314	39.217
6	FYROM	389.940	442.126	396.582	321.535
7	Romania	715.340	772.417	557.720	594.015
8	Serbia	218.921	234.205	175.536	167.908
9	Slovenia	208.968	248.469	99.873	91.548
	Total BCs	3.252.170	3.470.054	2.698.526	2.755.280
	BCs % Total	18.97	20.01	18.38	17.25
	EU 25	9.323 .000	9.093.000	7.751.000	8.530.000
	World	17.140.000	17.334.000	14.675.000	15.963.000

Source: ELSTAT (2007, 2008), HEPO (Hellenic Foreign Trade Organization) (2009, 2010), www.hepo.gr

Table 2 Imports of Greece from the BCs, 2007–2010 (thous. Euros)

a/o		2007	2008	2009	2010
1	Albania	68.052	99.101	76.600	98.400
2	Bosnia-Herzegovina	6.014	11.508	8.000	6.900
3	Bulgaria	874.322	1.162.626	873.800	957.308
4	Croatia	16.718	23.767	42.600	59.800
5	Montenegro[a]	49.015	64.898	42.480	64.470
6	FYROM	299.240	360.913	214.600	186.000
7	Romania	537.764	525.251	451.300	424.200
8	Serbia[a]	139.964	151.799	99.120	150.430
9	Slovenia	86.797	85.357	80.700	139.400
	Total BCs	2.077.886	2.485.220	1.889.200	2.086.908
	BCs % Total	3.73	4.09	3.79	4.51
	EU 25	30.786.000	31.664.000	26.788.000	23.090.000
	World	55.654.000	60.670.000	49.791.000	46.173.000

Source: ELSTAT (2007, 2008), Panhellenic Exporters Association (2009, 2010)

[a]The data 2009, 2010 are estimations, since a cumulatively (30 % Montenegro and 70 % Serbia) is provided for these two countries

The volume of Greek trade with the BCs is reduced in 2009 and rebounds in 2010. However, from 2007 to 2010 the decrease amounts to 9.15 %, and concerns all the countries, with the exception of Bosnia - Herzegovina, Bulgaria and Montenegro. In addition, in 2009 the volume of trade with the EU and the world decreases and in 2007–2010 the decrease amounts to 21.16 % and 14.64 % respectively. The lowest degree of reduction in the trade volume with the BCs in relation to the EU appears to be due to geographical proximity and the lower degree of trade integration of Greece with the BCs rather than the EU (Table 4).

Table 3 Trade balance of Greece with the BCs, 2007–2010 (thous. Euros)

a/o	Countries	2007	2008	2009	2010
1	Albania	384.885	279.233	313.004	295.906
2	Bosnia-Herzegovina	20.340	26.433	35.983	37.777
3	Bulgaria	203.673	74.354	94.358	91.959
4	Croatia	98.208	65.857	-3.844	-6.993
5	Montenegro	-2.226	-34.940	-14.166	-25.253
6	FYROM	90.700	81.213	181.982	135.535
7	Romania	177.576	247.166	106.420	169.815
8	Serbia	78.957	82.406	76.416	17.478
9	Slovenia	122.171	163.112	19.173	-47.852
	Total BCs	1.174.284	984.834	809.326	668.372
	EU 25	-21.463.000	-22.571.000	-19.037.000	-14.560.000
	World	-38.514.000	-43.336.000	-35.116.000	-30.210.000

Source: ELSTAT, Edited data

Table 4 Trade volume (X + M) of Greece with the BCs, 2007–2010 (thous. Euros)

a/o	Countries	2007	2008	2009	2010
1	Albania	520,989	477,435	466,204	492,706
2	Bosnia-Herzegovina	32,368	49,449	51,983	51,577
3	Bulgaria	1,952,317	2,399,606	1,841,958	2,006,575
4	Croatia	131,644	113,391	81,356	112,607
5	Montenegro	95,804	94,856	70,794	103,687
6	FYROM	689,180	803,039	611,182	507,535
7	Romania	1,253,104	1,297,668	1,009,020	1,018,215
8	Serbia	358,885	386,004	274,656	317,528
9	Slovenia	295,765	333,826	180,573	230,948
	Total BCs	5,330,056	5,955,274	4,587,726	4,842,188
	BCs % Total	7,32	7,63	7,11	7,79
	EU 25	40,109,000	40,737,000	34,539,000	31,620,000
	World	72,794,000	78,004,000	64,466,000	62,136,000

Source: ELSTAT, Edited Data

5 Changes in Greece's Foreign Trade with the BCs in the Period of The Financial Crisis

In 2008 the GDP of the BCs increased, with the exception of a −0.2 % reduction in Greece. In 2009, with the exception of Albania, a decrease in the GDP is noted in all the BCs, as a consequence of the financial crisis of 2008. Taking into consideration the GDP of the BCs and the exports and imports of Greece towards and from them, in 2009 the biggest decline in the GDP is marked in almost all the BCs, also presenting the biggest decrease in Greek exports (−22.23 %) as well as in Greek imports (−23.98 %). In addition, it appears that in 2009, most of the countries that display the largest decline (in order: Slovenia, Romania, Croatia, Montenegro, Bulgaria, Serbia), are included in the countries with the largest decline in Greek exports (in order: Slovenia, Croatia, Romania, Serbia, Bulgaria), as well as the

Table 5 Annual percentage (%) of the BCs GDP change 2007–2011

α/o	Countries	2007	2008	2009	2010[a]	2011[b]
1	Albania	5.9	7.5	3.6	3.8	1.9
2	Bosnia-Herzegovina	6.2	5.7	-2.8	-3.0	2.1
3	Bulgaria	6.4	6.2	-5.5	0.2	2.2
4	Greece[c]	3.0	-0.2	-3.2	-3.5	-5.5
5	Croatia	5.1	2.2	-6.0	-1.2	0.6
6	Montenegro	10.7	6.9	-5.7	2.5	2.7
7	FYROM	6.1	5.0	-0.9	1.8	3.0
8	Romania	6.3	7.3	-6.6	-1.9	1.7
9	Serbia	5.4	3.8	-3.5	1.0	2.1
10	Slovenia[d]	6.8	3.5	-7.8	0.8	2.4
	BCs Average	6.19	4.79	-3.84	0.05	1.32

Source: Bank of Greece, Monetary Policy, Interim Report, November 2011, pp. 59, 70

[a]Estimation
[b]Forecast
[c]Constant market prices for the year 2005
[d]IMF 2010

countries with the biggest reduction of Greek imports (in order: FYROM, Serbia, Montenegro, Bosnia-Herzegovina, Bulgaria). Taking into account that during the reporting period have not been changes in other factors which probably affect the size of external trade such as tariff and non-tariff measures (quotas, subsidies, quality standards, administrative procedures etc.), we could conclude that the extent of the intensity of the recession in the BCs is directly related to the course of Greek exports to them as well as imports from them and thus, with the volume of Greece's trade with the BCs (Tables 5 and 6).

With the exception of Bosnia-Herzegovina, Greek exports to the BCs declined from 2007 to 2010, with the largest changes marked in Slovenia, Croatia (over 50 %), Serbia (almost 23 %) and FYROM, Romania, Montenegro (approximately from 16 % to 17 %). The declining trend of Greek exports to the EU and the world started to become evident in 2008. From 2007 to 2010 Greek exports to the BCs were reduced by 15.27 %, to the EU by 23.26 % and to the globe by 6.86 %. From 2007 to 2010, Greek imports from the BCs were reduced by FYROM and Romania, while there was an increase by the rest of the BCs. From 2007 to 2010 Greek imports from the BCs showed a small increase (0.43 %), while from the EU they declined by 28.28 % and from the globe by a total of 17.03 % (Table 6).

With respect to the BCs share in Greek exports and imports in 2010 compared to 2007, the following group of countries is distinguished: countries with a share increase in exports and imports (Bulgaria and Bosnia- Herzegovina only in exports), those with a share decline in exports and imports (FYROM, Romania,) and those with a share decrease in exports and an increase in imports (Albania, Croatia, Montenegro, Serbia and Slovenia). The BCs' share in Greek exports from 20.01 % in 2008 was reduced to 18.38 % in 2009 and to 17.26 % in 2010, while their share in Greek imports reached 4.51 % in 2010 from 3.73 % in 2007 (Table 7).

Table 6 Percentage changes X & M of Greece to and from the BCs, 2007–2010, (%)

		2008/2007		2009/2008		2010/2009		2010/2007	
a/o	Countries	X	M	X	M	X	M	X	M
1	Albania	−16.47	45.62	2.97	−22.70	1.20	28.45	−12.94	44.59
2	Bosnia-Herzegovina	43.96	91.35	15.92	−30.48	1.57	−13.75	69.52	14.73
3	Bulgaria	14.74	32.97	−21.73	−24.84	8.37	9.55	−2.66	9.49
4	Croatia	−22.01	42.16	−56.75	79.24	36.25	40.37	−54.05	257.69
5	Montenegro	−35.97	32.40	−5.48	−34.54	38.50	51.76	−16.18	31.53
6	FYROM	13.38	20.60	−10.30	−40.53	−18.92	−13.32	−17.54	−37.84
7	Romania	7.97	−2.32	−27.79	−14.07	6.50	−6.00	−16.96	−21.11
8	Serbia	6.98	8.45	−25.05	−34.70	−4.34	51.76	−23.30	7.47
9	Slovenia	18.90	−1.65	−59.80	−5.45	−8.33	72.73	−56.19	60.60
	Total BCs	6.69	19.60	−22.23	−23.98	2.10	10.46	−15.27	0.43
	EU 25	−0.12	3.51	−30.18	−19.63	10.05	−13.80	−23.26	−28.28
	World	1.13	9.01	−15.33	−17.93	8.77	−7.26	−6.86	−17.03

Source: ELSTAT, Processed data

Table 7 BCs' share (%) in Greek Exports (X) and Imports (M) during 2007–2010

		2007		2008		2009		2010	
a/o	Countries	X	M	X	M	X	M	X	M
1	Albania	2.64	0.12	2.18	0.16	2.65	0.15	2.47	0.21
2	Bosnia-Herzegovina	0.15	0.01	0.21	0.01	0.29	0.01	0.27	0.01
3	Bulgaria	6.28	1.57	7.13	1.91	6.59	1.75	6.57	2.07
4	Croatia	0.67	0.03	0.51	0.03	0.26	0.08	0.33	0.12
5	Montenegro	0.27	0.08	0.17	0.10	0.19	0.08	0.24	0.13
6	FYROM	2.27	0.53	2.55	0.59	2.70	0.43	2.01	0.40
7	Romania	4.17	0.96	4.45	0.86	3.80	0.90	3.72	0.91
8	Serbia	1.27	0.25	1.35	0.25	1.19	0.19	1.05	0.32
9	Slovenia	1.21	0.15	1.43	0.14	0.68	0.16	0.57	0.30
	Total BCs	18.97	3.73	20.01	4.09	18.38	3.79	17.26	4.51
	EU 25	54.39	55.31	52.45	52.19	52.81	53.80	53.43	50.00

Source: ELSTAT, Processed data

The terms of trade between Greece and the BCs were favorable for Greece throughout the 2007–2010 period, with the exception of Montenegro, Croatia (2009, 2010) and Slovenia (2010). In 2010 compared to 2007, the terms of trade of Greece with Albania, Bulgaria, Serbia and Slovenia deteriorated, remaining favorable for Greece, while the terms of trade between Greece and Bosnia-Herzegovina, FYROM and Romania were improved. During the same period, Greece's terms of trade with the EU and the world overall were unfavorable for Greece and were especially aggravated in 2008 and 2009 (Table 8).

Table 8 Terms of Trade (X/M) of Greece with the BCs, 2007–2010

a/o	Countries	2007	2008	2009	2010
1	Albania	6.65	3.81	5.08	4.00
2	Bosnia-Herzegovina	4.38	3.29	5.49	6.47
3	Bulgaria	1.23	1.06	1.10	1.09
4	Croatia	6.87	3.77	0.90	0.88
5	Montenegro	0.95	0.46	0.66	0.60
6	FYROM	1.30	1.22	1.84	1.72
7	Romania	1.33	1.47	1.23	1.40
8	Serbia	1.56	1.54	1.77	1.11
9	Slovenia	2.40	2.91	1.23	0.65
	Total BCs	1.56	1.39	1.42	1.32
	EU 25	0.30	0.28	0.29	0.36
	World	0.30	0.28	0.29	0.34

Source: ELSTAT, Processed data

6 Conclusion

Based on the progress of Greek exports in the last three decades (1980–2007), it appears that they are strongly affected during periods of global recession. Using the year 2008 as a reference point, Greek exports of goods to the BCs underwent a decline in almost all countries. From 2007 to 2010 Greek exports are reduced more in the BCs and less in the EU and globally. In addition, a decline is noted in the Greek import of goods from the Balkans, as well as from the EU and the world. In 2007–2010 the decline of Greek imports from the EU and the world continues, while imports from the BCs appear to be on the increase slightly. The trade balance of Greece with most of the BCs is in surplus throughout all the period examined, while in 2008 there is a decrease in the surplus.

The importance of the geographical proximity during the crisis period is adversely significant for Greece's neighbors as well. The impact of the Greek crisis can also be felt in most of the volume of external trade in the BCs. The volume of Greek trade with most of the BCs declines to a lesser scale than the volume of trade with the EU and the world. The smallest degree of reduction of the trade volume appears to be due to the geographical proximity with the BCs compared with the EU.

The terms of trade between Greece and most of the BCs, though somewhat deteriorating, remain favorable for Greece throughout the period under examination, while the terms of trade for Greece with the EU and the world are unfavorable overall for Greece and deteriorate further.

In 2009, a decline in the GDP is marked in almost all of the BCs, due to the financial crisis of 2008. Relating to the changes of the BCs GDP and Greece's exports and imports to and from them, it appears that it is in 2009 that the biggest decline of Greek exports and Greek imports takes place. Moreover, it appears that in 2009, most of the countries that display the biggest decline in GDP are included in the countries with the biggest drop in Greek exports and imports. It therefore follows that the degree of intensity of the BCs recession is directly related with the progress of the Greek exports to them.

In the midst of the economic crisis a diversification of the geographical distribution of Greek trade abroad, in areas where room for further development exists, as is the BCs, would improve the terms of trade in favor of Greece and would be in the interests of the country. This matter deserves further investigation in the progress.

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