90/91 TRADE AND ECONOMIC OVERVIEW

Mission: ATHENS

Country: GREECE

OVERVIEW: During '88 GNP grew by 3.5% to about US$ 50 billion and is expected to increase at the slower rate of 2.9% for 1989. Greece has a small industrial base with manufacturing representing only 20% of the GNP. The agricultural sector represents 17% of the GNP while the heart of the economy remains the service sector which represents over 56% of the GNP. Economic policy has remained constant throughout 1988 and 1989 although some reforms and liberalizations in the financial system were introduced.

The major worrying factor in the economy is the size of the budget deficit of Cdn $14 billion, not including a Cdn $4 billion deficit of the crown corporations. This deficit is 22% of the GNP and has added to the national debt which is now 105% of the GNP.

Inflation decreased slightly to 14% in 1988 but the outlook for 1989 is to see it increase to 17% due to large spending during the pre June 1989 election period. This inflation rate is about 3 times higher than the average rate within the EEC and is one of the worrying factors concerning the long-term competitiveness of Greek goods within the EEC. Unemployment remains stable at about 7.4% which is lower than the EC average. Foreign debt at the end of 1988 was about US$21.0 billion and is expected to grow to US$23 billion for 1989. About three quarters of the debts are loans to the government sector. Foreign exchange reserves reached record levels of US$4.6 billion at the end of 1988 but are expected to decrease by about 10% for 1989. The current account deficit remained stagnent in 1988 at the US$ 1.3 billion level but it is expected to increase slightly to the US$1.5 billion level for 1989 - basically due to a 20% decreae in receipts from tourism. On the other hand receipts from the EEC are expected to increase by about 40%.

OUTLOOK: The outlook continues to be generally favourable provided some decisive economic decisions are taken in the short term regarding the deficit and inflation. GNP is expected to remain near the 1989 level with slight increases in the secondary and tertiary sectors of the economy while agricultural output is expected to remain constant.

Mergers and acquisitions especially in the food and consumer goods sectors occured at record levels in the last 18 months and are likely to continue for the next few years as the Greek economy realigns itself in preparation for the increased competition that will flow from the liberalized Internal Market of post 1992. This could provide opportunities for Canadian companies looking for an entre to the European market.

OPPORTUNITIES: The government will likely introduce austerity measures to cope with the government deficit which will limit the amount of opportunities in the public sector, but will not affect growing opportunities in the private sector. There will likely be a small increase in investment in industrial equipment. Also the large level of military spending, about dn. $2.5 billion (10% of budget and 5% of GNP) represents good market opportunities, provided financing is offered. In the longer term, both the energy and forestry sector appear to offer good potential for Canadian products. More traditional sectors such as agricultural and food products (fish, seed potatoes, beans, skins and fur cuttings) offer a stable annual trade base of about $25-30 million. Some opportunities also exist for technology and tourist inflows to Canada.

The major difficulties for Canadian exporters are still the duty free