

GREEK - BULGARIAN TRADE AND CROSS BORDER COOPERATION: FUTURE PERSPECTIVES

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Introduction

The present work deals with the development of the bilateral trade during the 90s, as well as the determinant factors and the trade model formed between the two countries. An analysis of the barriers and obstacles to the trade and economic relations as a whole and to cross border cooperation in particular is made afterwards. Finally some concrete measures and initiatives for stimulating the cross-border economic relations like precondition for further development of bilateral economic relations are outlined.

The analysis is based on concrete information and data provided by the Bulgarian Ministry of the Economy, the Greek trade office in the Embassy in Sofia, the Ministry of National Economy, the Ministry of Macedonia and Thrace of the Hellenic Republic and the regional trade chambers of Northern Greece and South Bulgaria.

Trade Economic Relations between Bulgaria and Greece – Factors and Development

The bilateral economic relationship between Bulgaria and Greece is an example for positive relations and cooperation between a former socialist country and a member country of the EU, a paragon of friendly neighbouring nations in a dynamically changing and turbulent region like the Balkans.

After the changes in the Eastern Block and the opening of the former socialist countries, the relations between Greece and Bulgaria turned out to be more direct, less ideologically overburdened, and fully determined by the economic interests of the two countries. Due to the new political and economic changes, Greece fulfilled “the missing factor” in the trade relations of the country. The opportunity to trade with the Balkan countries - Bulgaria, Romania, FYROM, Albania and Yugoslavia plays a very important role in the economic development of Greece in the 90's. This can be considered among the most important factors, which determined the better performance of the Greek economy during the last couple of years. For Bulgaria on the other hand, the friendly neighbourhood and close relations with a member country of the EU is of a great importance for the economic development of the country as it has declared a strong European orientation.

In the 90's, the economic relations between Bulgaria and Greece are characterised by positive changes. This is to be proved by the changes in the mutual commerce and thus Greece ranges among Bulgaria's first five main trade partners in the world. On the other hand, Bulgaria is main commercial partner of Greece in the Southeastern region. Although there are some little deviations, the mutual turnover between the two countries follows up an ascending direction during the 90's. In the period 1992-2000 a 56% increase is reached and the turnover is estimated on 693.8 mil. USD. (According to the Greek Statistics the turnover has reached 844.4 mil. USD in 2000).

The value of trade (imports and exports) is difficult to precisely estimated because of the differences between the Greek and Bulgarian Statistics data. The differences are quite significant and an independent analysis of the flow of exports and imports is hard to be done. This is one of the problems

of the mutual economic relationships that will be discussed later on. The general advantages in the economic relations between Bulgaria and Greece, and the increases of the mutual turnover are determined by two very important circumstances:

1. The relations of the countries with the EU – Greece as a full member state of the EU and Bulgaria as associated member of the Union, and
2. The geographical location of the neighbouring countries;

The first one refers to the trade preferences in result of the Agreement for Association of Bulgaria to the EU, which regulates the commercial relations of the country with the member states of the Union. In the commercial part of the agreement the principle of asymmetry in favour of Bulgaria is applied. This means that as from 01.01.1998 the imports of Bulgarian industrial goods into the countries of the EU were liberalized and were free of import duties. Respectively, all import taxes for the EU industrial goods imported in Bulgaria will be entirely waived as from 01.01.2002. (For the 2001 the average duty is 15% of the applied in the regime MFN).

The second advantage of the neighbouring countries refers directly to the lower transport costs and the opportunity for receiving reliable information from the markets. It also has to do with the similarity of the market characteristics. As for the consumer goods industry it means similar preferences for the consumers, and as for the means of production trade it means similar structure of the industries.

All the factors mentioned above determine the type of trade between Bulgaria and Greece. The trade between the two countries has a typical intraindustrial character. It is a trade inside the different sectors of the economies rather than between the economies themselves. This can be proved by analysing the structure of the Bulgarian – Greek commodity turnover in the 90's.

Table 1. Average relative shares of head divisions from commodity list concerning trade between Bulgaria and Greece for period 1992-2000 (%)

HEAD DIVISIONS From commodity list	Export (BG)				Import (BG)			
	1992-97	1998	1999	2000	1992-97	1998	1999	2000
Live animals	7.9	3.4	5.5	4.6	0.7	0.9	0.2	0.2
Vegetables products	4.2	2.9	3.0	1.5	11.2	3.6	3.3	3.7
Animal or vegetable fats and oils	1.1	0.1	0.0	0.0	0.4	0.7	0.5	0.5
Prepared foodstuffs	2.4	1.0	1.1	1.3	7.6	4.0	3.3	3.5
Mineral products	9.3	8.1	2.8	3.0	21.3	16.9	11.9	9.2
Products of the chemical or allied industries	12.0	7.0	5.3	6.0	5.5	4.6	4.6	4.5
Plastics and articles thereof	5.7	5.9	4.1	4.3	5.2	4.9	5.9	6.4
Raw hides and skins	0.6	0.1	0.0	0.0	0.4	0.1	0.1	0.1
Wood and articles of wood	8.1	8.3	9.1	6.9	0.7	0.6	0.4	0.4
Pulp of wood or of other fibrous cellulosic material	2.3	1.0	1.9	1.4	2.4	3.1	2.7	2.9
Textiles and textile articles	10.7	27.2	38.6	40.7	19.8	38.6	41.4	46.2
Footwear, headgear, umbrellas	0.1	0.1	0.3	0.5	1.2	0.3	0.3	0.4
Articles of stone, plaster, cement	5.3	3.1	2.0	2.5	1.4	2.1	2.0	1.4
Precious or semi-precious stones, precious metals	0.01	0.0	0.0	0.0	0.03	0.0	0.0	0.0
Base metals and articles of base metal	23.0	27.9	21.6	23.1	8.8	10.3	9.6	11.3
Machinery and mechanical appliances; electrical equipment	5.1	2.3	3.1	2.6	8.2	6.6	11.1	6.7
Vehicles, aircraft, vessels	1.0	0.1	0.1	0.0	2.6	0.5	0.4	0.3
Optical, photographic, cinematographic instruments	0.1	0.0	0.0	0.0	0.3	0.0	0.1	0.2
Different commodities and products	1.1	0.7	0.7	0.8	2.3	1.2	1.3	1.1
Others	1.1	0.8	0.8	0.8	0.0	1.0	0.9	1.0

Source: National Bureau of Statistics

By analysing the data, the following trends can be observed:

- There is a decrease in the share of agricultural products. There is also a tremendous decrease in the share of agricultural import in Bulgaria – from an average of 20% in 1992-97 to 7.9 % in 2000 and in the export sector it ranges from an average 15.6 % during the period 1992-1997 to 7.4% in 2000. As a whole and after the late 80`s when Bulgaria was traditionally exporting to Greece large quantities of meat and dairy products, the export of these products decreases due to subjective reasons.
- The share of chemical and mineral product exports of Bulgaria had also decreased due to the ongoing difficulties in the relevant sectors of the Bulgarian industry.
- As for the Bulgarian imports from Greece there is a reduction in the share of mineral products, food and vegetal products. In the case of food, the decrease is a result of the large number of Greek investments in Bulgaria implemented in this sector.
- There is a great increase in the share of textile materials trade – from 10.66% of the Greek exports to Bulgaria for 1992-97 to 40.7% in 2000. The import and export of textile materials mark a significant increase after 1998 when the trade in this sector was liberalised according to the Agreement for Association of Bulgaria to the EU. There is also a great number of Greek investments in this sector and it is the highest share of the outward processing production in the trade (68.9% of the export of textile production for 2000).
- The Bulgarian export is concentrated in three main sectors – textiles and textile articles, base metals and wood materials and products. They represent 70.7% of the country`s export to Greece.
- Textile materials and products, mineral products, machinery and equipment and base metals represent 74% of the Greek export.

In general, there is a trend to concentrate the trade in the sectors with the largest shares of imports and exports. The main commodity shares defined by the mutual economic interests and in regards of the investments and economic development turn to be the textile materials and products, metals and mineral products, and the chemical industry products.

When the analysis moves on commodity level is interesting to observe the development of the product concentration of the exports and imports between the two countries. In 1992, the top ten leading products of the imported goods from Greece represented 80% of the whole imports. In 2000, this quantity decreased to 39%. The opposite trend is observed in Bulgarian exports. In 1992 the top ten products that were exported to Greece represented 34% of the Bulgarian export as a whole, and in 2000 this quantity raised up to 50%. This process shows that Bulgarian exports is getting more concentrated towards Greece. It may indicate a set back in the positions of Bulgarian export to Greece and a better performance of Greek export to Bulgaria.

Thus, one can conclude that the structure of the trade between Bulgaria and Greece is determined by the demand and supply of the main economic branches of production in both countries. Trade is also very sensitive to the changes in the regimentation of trade relations, in the aspect of the membership of Greece in the EU. Furthermore, it is depended on the structural changes and adjustments of the Bulgarian economy.

Trade relations between the two countries are a typical example of relations between neighbouring countries facing a different level of economic development. On the one hand, the main part of the mutual turnover is within and not between sectors, i.e. the trade takes on an intra-industrial character. On the other hand, Bulgarian exports are dominated by products with lower value added and raw materials, while greek exports to Bulgaria are dominated by goods with higher level of processing and ready-made products. An exception is observed in the trade with the outward processing production where the product flows take on the opposite direction.

It is interesting to analyse the regional allocation of trade between Bulgaria and Greece. According to the evaluation of Greek experts from the Association of exporters of Northern Greece (data officially stated at the Annual Investment Forum in Thessaloniki, April 2001) about 70% of the Greek exports to Bulgaria is made by companies located in Northern Greece. In Bulgaria, the top 50 companies importing Greek products are located in the regions close to the south border, Sofia, Plovdiv and Haskovo. Although less emphasised the leading export companies follow the same trend. It can be stated that during the last two years there is a process of forming a trade zone between Bulgaria and Greece which covers the regions of Sofia, Blagoevgrad and Haskovo, the border regions of Bulgaria and the Northern part of Greece featuring Thessaloniki. In this zone of cross-border cooperation the trade relations may be characterized as more regular and direct ones, with smaller volumes of transactions but higher frequency of their realization. Considering the trade model between the two countries the above statement leads to the conclusion that the features of the cross border cooperation are almost identical to the features of the trade relations between the two countries.

With this respect outlining the existing obstacles and barriers for the cross-border cooperation between the two countries and the perspectives for its development some conclusions concerning the trade relations as whole may be drawn out.

Obstacles and Barriers for the Trade-Economic Relations

The recognition of the difficulties and barriers in this analysis is based on direct information submitted by Bulgarian and Greek companies to the Ministry of Economy of Bulgaria and the Department of Economic Affairs of Greece in Sofia. It is also based on the Program PHARE-ACE, which is lately dealing with the project: "Overcoming isolation. Development strategies and cross border cooperation policy in South-Eastern Europe".

Depending on their nature the barriers are generally related to the institutional, economic and informational conditions for the development of business relations cross the border as well as the infrastructure.

More concretely, the following problems concerning the relations as well as measures for overcoming them can be outlined:

- *Violation of the custom's laws* – smuggling, fake export, declaring lower cost or volumes of imported products, lower expenses of transportation, insurance, etc. All these violations of the law put loyal businessmen in a position of unfair competition. This situation forces them to either lessen their profits or get away from real business and go to the "grey zone" of the economy. The size of this problem becomes obvious with comparing the mutual trade turnover data provided by both the Greek and Bulgarian Statistic Surveys. In 2000, the differences in the data are about 20% of the turnover. For the last three years both Bulgarian and Greek statistic surveys declare positive commercial balance of their countries. The variations occur mainly in the reports concerning Greek export to Bulgaria. The Greek Statistics reports 1 million larger export quantity a year. Definitely there are many reasons for these variations – change of the country of origin, mistakes in the customs forms, etc. The main problem however is the lower cost of the products declared before the officials. Despite of the efforts done by both sides and the signed Agreement for Cooperation between the Custom Administrations of the countries this problem is hard to be solved. It requires intervention of the state institutions of the countries in terms of respecting the Agreement and establishing an electronic data exchange between the checkpoints. A "revolutionary" solution that will also reduce the bureaucratic procedures is building up a common checkpoint where mixed teams will do checks. This is very difficult to be established in the near future, but in terms of the European integration of Bulgaria, both countries should make efforts in this respect.
- *Traffic capacity of the border checkpoints*. In terms of customs formalities and passing the border, many companies complain of the slow customs processing which makes them wait a long time

across the border. There are only two checkpoints between Bulgaria and Greece – Kulata – Promahona and Novo Selo – Ormenion. The majority of passengers and trucks pass through Kulata. Very often trucks have to wait a couple of days to cross the border. It is obvious that the number of the existing checkpoints and their traffic capacity doesn't meet the requirements of the dynamic of business relations and the perspectives for their development. On governmental level there is an agreement for building up three new checkpoints and road connections between Bulgaria and Greece (the Agreement is signed in 1995). Both sides agreed to build new checkpoints between Gotze Delchev and Drama, Kurdzali and Komotini, Rudozem and Xanthi. The projects are still on a backward stage of development due to different reasons and this problem is often discussed at bilateral meetings. Estimating the economic benefits for the local business, (increase of transactions, reduction of unemployment, exchange of technologies, local administrations make efforts in this respect).

- *Infrastructure conditions.* Businessmen complain of the road conditions especially in Bulgaria. The problem in building and reconstructing roads is financial and the process of raising funds for these projects is very difficult and slow. In this respect there is a very productive cooperation within the PHARE – CBC Program which finances projects for reconstruction the roads connecting Bulgaria and Greece and other infrastructure projects. The following projects were completed: electrification of the railroad Dupnitsa – Kulata, construction of optic cable between Haskovo and Kavala. There also have started projects for rehabilitation of the roads between Harmanly and Novo Selo, construction of the Ilinden - Ekshohi checkpoint, construction of road between Gotze Delchev and Drama.
- *Bureaucracy.* This problem exists in both countries and almost every company has faced it. Bureaucracy in its different forms damages indirectly the economic relations. The negative effects are usually missing profits and opportunities. It should be emphasized that companies mention bureaucracy as a problem in the trade relations and anytime they refer to investment projects. Reduction and elimination of bureaucracy is a slow and difficult process because sometimes it leads to job losses and on the other side it is difficult some habits to be overwhelmed. In this respect a step forward is the beginning establishing of the system “all at one desk” in the public administration surveys in Bulgaria. If it works effectively, it will save time and efforts.
- *Asymmetry of information.* This problem is connected partly with the previous one. It has also much to do with gaps in administration and improper use of information. Many companies do not know whom to ask when they need some information and at the same time information is not used effectively. The problem can be resolved by popularising the state and non-government institutions that support business organisations and develop new channels for delivering information. There is a positive initiative for establishing Bulgarian - Greek business and information centres in both countries which will facilitate the contacts among companies and support their activities.
- *Term Trade Regulations:* Although trade is liberalised, according to the Agreement for Association of Bulgaria with EU, there are still some barriers concerning the requirements for agricultural product trade, such as licensing procedures, quotas, etc. Signing the Agreement abolished some of them, but some of them still require considerable efforts on behalf of the Government.
- *Passing the border - visas and other formalities.* The entrance visa requirements put bulgarian businessmen in unequal position in the realization of business contacts and were an obstacle to the Bulgarian business relations with Greece to the end of the 90's. In 1999 - 2000 there were many complaints filed to the Ministry of Economy for spoiled transactions and financial losses caused by visa problems. As of April 2001 this problem is almost solved – business invitations, checks, reservations and other documents instead of entrance visas are now required. Both countries should make efforts towards facilitating the regime of crossing the border and improving the customs services by both sides of the border.
- *The internal legislation of the country.* This problem has different aspects. It is impossible for a Bulgarian company to be registered in Greece. For instance, bulgarian legislation is very liberal

to foreign companies. Bulgarian companies are searching for alternative ways to do business in Greece, which makes contacts more expensive and reduces the economic effect. Besides, the registration process consists of 13 procedures and takes about 2 months. At the end of March, the Greek government announced that these procedures will be shortened and the registration process will take only a week. In regards to the Bulgarian legislation the Greek companies, which are willing to invest in Bulgaria complain about facing problems in regards of the gaps in the legislation concerning the foreign investments and the lack of support in the Investment law. Considering Bulgaria still a risky region for investments, entrepreneurs think that special incentives and stimuli should be increased on legislation level. More concretely privileges for companies which import new technologies and know-how are proposed.

- *Companies' attitude to state institutions and administration.* This problem is in close connection with the information asymmetry and economic culture of the entrepreneurs. A great part of the companies has no adequate attitude to the public administration. Sometimes there is full distrust, which cause loss of profits and lost chances for broadening the business. On the other hand many businessmen think that the state administration must provide markets and profits for their companies. Such an attitude still can be observed. Developing a competitive environment and working market in Bulgaria will solve this problem.
- *Economic conditions.* The unstable economic environment in Bulgaria and mainly the presence of currency risk, unsuitability, low quality of bank system and inflation were obstacle towards the end of 1997. After establishing a currency board these problems were solved and a good microeconomic stability was reached. The main problem that remains is the low purchasing power of the population. For this reason the internal market of Bulgaria is narrow and shallow that means a limited possibility to absorb volumes and commodity varieties. These terms restrict the opportunities for quick penetration to the markets and profitable business. For this reason companies with serious intentions apply long-term marketing strategy with differentiated product and price policies. A compensating factor in these limited opportunities of the domestic market is the opportunity for preference access to the external markets of FYROM, Turkey and the CEFTA countries because of the existing Free Trade Agreements. Such are to be signed with Croatia, Yugoslavia, the Prebaltic Republics and others.

In addition to the difficulties mentioned above, there are some more obstacles in establishing contacts between Bulgaria and Greece that are less burdening for companies from border regions. One of them is the language barrier, which is problem especially in the contacts between small and medium companies. The advantages of the bordering regions is that the language barrier is not that significant, they know their neighbours from across the border, check points are closer, there are many family relations and mixed families. This explains the higher activity in South Bulgaria and North Greece in trading and doing common activities in different fields.

Forms of Cross-Border Cooperation between Greece and Bulgaria. Initiatives for Stimulating the Cooperation

The considerable interest in cooperation between the border regions of the two countries can be estimated by the realization of specific projects and initiatives that stimulate the cross-border cooperation. Initiatives are carried out on different levels with the support of local and state administration, chambers of commerce, professional and non-government organisations related to the economic development of the countries. As a result, at the beginning of 1999 a Program for Cooperation between the Ministry of Trade and Tourism of Bulgaria (now Ministry of Economy) and the Ministry of Macedonia and Thrace of the Hellenic Republic was approved. The program includes concrete initiatives and it is renewed every year. This program is a successful model for institutional support of the economic cooperation and especially for the regions close to the border. Many events like business forums and meetings "business to business", visits of ministers and vice ministers accompanied by business delegations, presentations of the economies and the possibilities for

cooperation, participation in common and specialized fairs and exhibitions were organised in the cities of North Greece and South Bulgaria. These events and activities help the companies to get acquainted with each other. They also enhance the contacts between Chambers of Commerce, the exchange of information and the opportunities for doing business on the other side of the border.

A tendency in cross-border cooperation that becomes very popular lately is the so-called *fraternisation of cities*. The development of the relations between the local administrations from the two sides of the border has different aspects:

- Development of cooperation between the Chambers of Commerce of the countries and support of small and medium companies, facilitation the contacts between potential partners from both sides of the border through different initiatives and events;
- Transfer of experience and know how by a member country of the EU in different aspects;
- Cooperation in staff education;
- Support of the investment process and participation in the privatisation of industries in the region.

In order to achieve these goals and the projects to be completed many efforts have been made for participation in the projects financed by the EU. There are many examples for this kind of cooperation but the most successful are the Gotze Delchev - Drama project (establishing the so called Euroregion Mesta – Nestos) and the cooperation between Blagoevgrad and Serres.

It should be emphasized that fraternisation of cities is a successful example for cross border cooperation and it leads to real economic results. The cooperation on local level is more effective and easier to realize. The agreements signed by local administrations contain concrete stipulations and bind both countries with practical realization. Signing agreement on local level often leads to solving problems on interstate level. Typical examples for this are the contracts for hiring Bulgarian workers for season jobs in Greece. On government level there is an Agreement on this issue but due to procedure difficulties it is not functioning. Despite of the intention declared on a high level this problem is still open. By signing contracts Greek counties are able to hire Bulgarian season workers, which is a benefit for both countries.

The regions from both parts of the border rely on internal financing for the realization of initiatives and projects. There are some special programs, from with the most popular are PHARE – CBC and INTERREG (see Ministry of Regional Development and Public Works “Program PHARE-CBC with Greece” (2001)) The last one concentrates lately in supporting small and medium businesses in different initiatives. Forthcoming is the acquisition of funds on the INTERREG III program provided for financing projects on cooperation support and overcoming the regional differences in the economic development. Some of the proposed projects include building business and information centres, projects concerning the use of alternative sources of energy in the border regions, common tourist projects, especially in the field of alternative tourism, projects for renewing factories, know how transfer, professional education, etc.

Further initiatives for cross-border economic cooperation support are the project for establishing *free trade and industry zones* at the borders of the countries. There are a couple of projects concerning the establishment of cross-border: Free zones at the border region, the triangle between Greece, Turkey and Bulgaria, exhibition and Business Centre in Alexandroupolis, Cross-border free zone in Promahona, and Free zone at the new Kavala port. The positive effects in establishing the zones are improving the business climate in the border regions, creating new jobs, strengthening the turnover between the countries, building up technical infrastructure and attracting investments.

Conclusions

As a conclusion it can be stated that the preconditions for the ongoing development of the cross-border cooperation between Bulgaria and Greece are very good, considering the great interest of both sides,

as well as the accumulated experience and the positive development of the economic and integration processes. There is a large enough potential for cross-border economic initiatives and development of trade relations that so far were not used to its full capacity. There is a considerable interest for cooperation in the sphere of food and light industry joint ventures, as well as in the sphere of tourism and agriculture.

By analysing the efforts of local administrations it may be concluded that the interstate efforts do not meet the requirements of the cooperation. Higher level of coordination is required in order the existing obstacles for the trade relations to be removed. It is also required a proper environment for the development of economic relations based on mutual interest and determined of the international competition to be establish. More precisely, the activities for building the border and road infrastructure have to be accelerated, as well as the legislation obstacles for the business have to be abolished. The corruption and bureaucracy has to be reduced and finally both countries must take advantage of all opportunities for cooperation with the rest of the Balkans and the wider European economic space (Petrakos and Christodoulakis, 2000).

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