

13.67: International Logistics

Assignment 2: Country and regional issues

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Team

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Coastline: 8,500 miles

2. What is the population? What percentage live in the 3 largest cities?

The population is 10,6 million people. A total of about 50% of the population live in the 3 largest cities (Athens, Thessaloniki, and Patra).

3. What is the predominant language? How widely used is English in business?

Greek. English is used widely in business and especially in the recent years with the creation of the European Monetary Union.

4. In the last three years have there been any instances of political instability?

In the last three years, there have been no instances of political instability of any kind. It needs to be noted that the same political (center-left-wing) party has been voted, through elections for the last ten (10) years.

5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?

The currency is the Euro. The exchange rate to the USD is 1.079 to 1 (1.079 dollars buy one Euro). The Euro or Eurodollar was introduced in January 1, 2002 and replaced the drachma. The Euro has increased from 0.85 to 1.079 in the last two years an increase of more than 25%.

6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?

In Greece there exist only one time zone. When it is noon at Cambridge, in Athens the time is 7 pm.

7. What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)

General Regulations

New-to-market food products require similar approval by the General State Laboratory. Products complying with the terms, regulations and provisions of the Food Code do not require special permit to be imported and marketed in Greece. The importation is subject only to customs clearance. Otherwise, there are no restrictions on products that can be imported into Greece with the exception of certain items such as firearms, narcotics, etc, prohibited by the EU. Pharmaceutical imports require a special approval that is granted by the National Pharmaceutical Organization.

Labeling & Marking

Requirements are in accordance with EU requirements. Labels need to be in Greek language. The Greek labels can be attached to the product after clearance from customs, and prior to their placement in the market. Greece complies with all EU regulations.

The Greek standards organisation is ELOT (Hellenic Organisation for Standardisation). Greece complies with all EU regulations. Instruction manuals, food product labels etc must be translated into Greek.

Standards

Greece follows standard requirements according to the guidelines set by the EU. ISO 9000 is accepted and applied by several local firms.

Marking of goods and packages

Special regulations apply to certain pharmaceuticals, cosmetics, textiles, wool yarn, industrial imports, basic foodstuffs, beverages, animal and poultry feed and alcohol. According to sound shipping practice, packages should bear the consignee's mark, including the port.

Gross and net weights of goods in mark. Goods should be numbered unless the shipment is such that the contents of packages can be readily identified without numbers.

Labels must be in Greek (as stated before).

Special Import Provisions

Products complying with the terms, regulations and provisions of the Food Code do not require special permit to be imported and marketed in Greece, with the exception of seeds, poultry and nuts.

Seeds - In order for a seed variety to be imported into Greece, it must be listed in the European Variety Catalogue. If not, it should be registered in the National Catalogue of Greece, which requires tests taking 2-3 years according to variety and species.

Poultry - Imports of poultry meat and poultry products into Greece are allowed only from U.S. poultry plants approved by Greek Veterinarians, accompanied by USDA certificates. Poultry products arriving in Greek ports, even for transit, must comply with EU regulations and be accompanied by health certificates.

Nuts - Imported nuts are subject to an aflatoxin test performed by the Supreme Chemical Laboratory.

Other Documentation

Health certificates are required for live animals and animal products.

Health certificate is also required for poultry, meat, fish and certain food derivative.

A **phytosanitary certificate** is required for potatoes, bulbs, plants, cut flowers, seeds, fruit and vegetables.

For used goods a certificate by the appropriate health authority is required, stating that the used articles have been disinfected.

8. What regulations or limitations exist regarding freight transport?

Greece complies with all EU regulations. The Greek standards organisation is: ELOT (Hellenic Organisation for Standardisation). The Labeling and packaging regulations require instruction manuals, food product labels etc to be translated into Greek. Goods which are in free circulation within the European Union (ie those which are not liable to pay customs duty in the EU as they either originate there or the duty has already been

paid) can move between member states without any documentation. This does not apply to excise or controlled goods which still require documentation. However it is advisable still to send normal commercial documentation with the export (eg invoices, packaging lists). Under the current European Union destination based VAT (Value Added Tax) system, goods are zero rated for VAT by the seller, provided that the goods actually leave the member state and are acquired by a buyer who is registered for VAT in another member state. To be able to zero rate goods, the seller must show both their VAT registration number and the customer's VAT number on the invoices. Standard rate Greek VAT is 18%. This applies to all goods except unprocessed agricultural products.

9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?

Athens/Piraeus (port): a variety of industries in the area including steelworks, shipyards, textiles, an oil refinery, electrical industries, food, beverages and cigarette manufacture.

Thessaloniki region (port): textile, tobacco, clothing, fertilizers, oil refinery, petrochemicals and steel industries.

Patras (port): cotton, textiles, tires, asbestos, dried fruits, paper, wines, structural equipment and steel piping industries.

Herakleon (port): dried fruits, wines, alcoholic beverages, ceramics and laces.

Volos (port): cotton yarns, cement, grain, flour, beverages, steelworks, cable and wire industries.

Larissa (a major inland town in Thessaly): paper, sugar, cereals, textiles and agricultural machinery.

Kavala (port): tobacco, cereals and marble.

Chalkis (port): cement and building materials.

10. What business terms and financial instruments are typically used for import commercial transactions?

Terms of payment

Terms of payment can be lengthy in Greece - periods of 90 to 120 days are not unusual. There are no restrictions on the volume and value of goods and services imported to Greece from other EU member states. The price of imported goods or services includes all costs, apart from VAT which is payable by the ultimate customer. Full shipping terms in English and French are quoted in Incoterms published by the international Chamber of Commerce in Paris. There are also no restrictions on the exportation of goods and services from Greece to EU member states.

The authenticity of transactions is monitored by the Greek Customs Authorities as well as the Bank which processes each import/export transaction and documents verifying the authenticity of each transaction are required. Such documents include:

a) Invoice

b) Bill of lading, airway bill, CMR

It is important that the importer's bank is involved at an early stage of the negotiations in order to assist in setting up the appropriate financial package.

Methods of payment

The most widely used methods of payment for import/export transactions in Greece are as follows:

1 Letters of Credit

This is the most acceptable method of payment, providing transparency and payment guarantee. The importer's Bank issues a Letter of Credit on behalf of the importer in favor of the exporter thereby undertaking the credit risk of the transaction and providing the exporter the certainty of payment. The exporter has to present the necessary documents to his bank which conform to the terms and conditions of the Letter of Credit. According to Greek Law, a stamp duty of 1.2% on the letter of Credit is levied, payable by the importer upon the opening of the Letter of Credit.

2 Documentary Collections

This method allows for the payment of goods by the importer before ownership of goods is transferred from the exporter (seller) to the importer (buyer). Specifically the necessary documents are dispatched by the seller's bank to the buyer's bank and the latter is obliged to follow payment instructions before delivering the documents to the buyer. Therefore the buyer's bank does not undertake credit risk and does not guarantee payment. The specific type of collections are described below:

3 Documents against Payment

The importer (buyer) is obliged to make payment to the exporter (seller) upon the receipt of documents. Funds are always transferred via the respective importer's bank.

4 Documents against Acceptance

The exporter forwards the necessary shipping documents of the goods to his bank, which in turn forwards such documents to the importer's bank. The documents are released to the importer only after he has accepted a bill of exchange or promissory note or has issued a promissory letter in favour of the exporter.

Under Greek law promissory notes and bills of exchange attract a stamp duty of 0.5% of the value of the title.

A bill of exchange and a promissory letter or note even when accepted by the importer does not guarantee payment. Legal procedures exist however to facilitate the recovery of funds owed against bills of exchange or promissory notes.

11. How large is a typical supermarket or retail food store (square feet or meters)?

The typical supermarket is about 1000 square meters.

12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys 'R Us) have stores in this country?

None of the largest US discount retailers have stores in Greece.

13. Describe the highway and rail infrastructure. Are they: extensive, moderate, or primitive nationwide?

Railways: *total:* 1,598 miles
 standard gauge: 973 miles 4' 8.5" gauge (22.37 miles electrified)
 narrow gauge: 597 miles 3' 3.4" gauge; 14 miles 2' 5.5" gauge (a rack-type railway for steep grades)
 dual gauge: 14 miles combined 4' 8.5" and 3' 3.4" gauges (three rail system)

Highways: *total:* 72,716 miles
 paved: 66,753 miles (including 292 miles of expressways)
 unpaved: 5,963 miles

The morphology of the Greek mainland has a severe impact on the transportation infrastructure as it is today. The main elements are the presence of the central mountainous volume that runs through the country from North to South and that extends up to the northern Greek territory, as well as the relatively great distance, in the same area, between the western and eastern gateways of the country. These natural obstacles have led to the development of a T-shaped road system and a railway network that only covers the central and eastern parts of the country.

Road Transportation

Road transportation is the dominant mode far ahead of the EU average and the region depends on the road system. The major peculiarity of the National Highway System in Greece is the domination in functions and traffic volume of the major North-South highway connecting Athens to Thessaloniki and the Balkans which was constructed in the early 60's. Although it does not provide a motorway level service, it carries most of the intercity and intercontinental traffic of goods and passengers in Greece. This highway crosses right through the Prefecture of Magnesia (15 km away from Volos) and the town of Larisa. Volos is a 4 hours drive from Athens and 2.5 from Thessaloniki. Larisa is a 4.5 hours drive from Athens and 2 from Thessaloniki. Intraregional road network is unequally developed due to geographical morphology peculiarities existing especially in Prefecture of Karditsa. More favoured are Magnesia and Trikala, where 87.5%, 82.2% respectively of the total road network is paved. Within the region the network does have certain discontinuities in East-West movements. Future plans for the development of the road network consist of the modernisation or improvement of the existing roads (especially in the N-S axis) as well as the establishment of new intraregional connections. Planned investment in road infrastructure in the region is estimated at 70 million Euros.

Planning for the next decade in national level comprises the creation of two major axes, which will have a direct impact on the region's economy:

- The Northern Greece W-E axis (EGNATIA, connecting Igoumenitsa to the Turkish border)
- The Igoumenitsa - Volos W-E cross - axis.

This new network provides the region with connections to all land border areas in expectation of corresponding infrastructural development in the neighbouring extra-EC countries. Current investment in infrastructure is entirely dependent on the public sector and strongly financed by the EU.

Railway network

The antiquated railway system is unable to compete with other modes both in terms of its technical characteristics and efficiency of operation. Larisa is an important railway junction on the main railway axis connecting Athens to Thessaloniki and the Balkan countries. Volos is connected to this main axis through Larisa. Most of the network is still single line. These axes are of normal, international standard gauge in opposition to the network connecting Trikala and Karditsa, which use a narrower gauge, providing a very low level service. Planned infrastructure for rail in Thessaly follows a programme similar in ambition to the road system. Most current construction focuses on the existing line from Athens to Thessaloniki and the Yugoslavian border. This modernisation effort on this line will continue, resulting in an upgraded, mostly doubled track, electrified system.

Future plans for the development of the rail system consist of the modernisation or improvement of existing lines as well as establishment of new lines. The improvements of existing lines in Thessaly aim eventually to eliminate the non-standard width lines. The new lines will further integrate the system, providing major E-W linkages from Igoumenitsa to Volos and from Western Thessaly to Kozani.

14. How bad is the traffic congestion in the major cities?

There are big problems with rush hour traffic jams, but the situation is getting better since there are many constructions in progress. Also the public transportation system provides a good coverage in metropolitan areas. Many employees use public transportation to commute to work.

15. Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?

Greece is an import-dependent country. In 1996, imports were US\$28 billion while exports were \$11.8 billion. Traditionally, European countries have been Greece's largest suppliers. In 1996, 60 percent of Greece's trade was with other European Union (EU) countries. EU membership has obliged Greece to eliminate or adjust many of its tariffs and quotas. In addition to duty-free status, EU suppliers enjoy the advantages of proximity to the Greek market, which translates into lower transportation costs and easier and faster service. Also the Middle East (including North Africa) is an important trading

partner for Greece, due to its reliance on foreign petroleum, and also Greek firms tend to be involved in business activities (such as construction) in the area.

16. Is security an issue in logistics? Why?

Security is a part of the logistics chain. The reason for this is the fact that Greece has always been and continues to be a vivid part of the European Union. It takes security very seriously, wants to avoid terrorism acts at all costs, and abides the standards set by the European Union.

17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?

The phone system is reliable and has recently been upgraded to digital. It can take from 3 days to a week for a phone line to be installed. The mobile phone network is very extensive covering almost all of the regions of Greece. The mobile phone network is superior to the U.S. system in terms of reception, coverage and services.

18. How many people have internet access?

The number of people with internet access is roughly 1.5 million.

19. What is the price of regular gasoline, \$ per gallon?

Attica

Unleaded: \$2.95

Super Unleaded: \$3.24

Super: \$3.13

Diesel: \$2.68

Thessaloniki

Unleaded: \$2.89

Super Unleaded: \$3.18

Super: \$3.08

Diesel: \$2.62

20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?

Automatic approval for imports is granted by the commercial banks before or after shipment of the goods. This implies that the required amount of foreign exchange will be made available.

No import licence is required for textile products of South Africa origin. Import licence is required for the importation of textile products originating in certain third countries according to the EU Regulation 3030/93.

Special regulations govern imports of certain items such as medicines, narcotics and motion pictures.

Items of no commercial value may enter duty free. Samples having commercial value, when consigned to local agents / distributors of foreign manufacturers and suppliers, who are members of associations of commercial agents are exempt from all duties and taxes for amounts not exceeding 4,000 drachmae.

The Greek Government encourages private foreign investment as a matter of policy, and, in general, foreign and domestic investors are treated the same.

Greece has 3 free trade zones located at the Piraeus, Thessaloniki and Heraklion port areas.

Pharmaceutical imports require a special approval granted by the National Pharmaceutical Organisation.

21. What customs documents are required for an import shipment? For export?

Documentation

Air waybill

Required. The number of copies will be specified by the importer and the airline used.

Bill of lading

May be made out "to order". A minimum of 2 copies are required.

Certificate of origin

This is required only if special trade policy measures are applied such as: surveillance, quotas, anti-dumping duties, etc. This certificate should be issued by any authorized organization.

Nevertheless, it is advisable to ask for instruction from the importer, given that not all the above mentioned documents are required in every case, depending on the product to be imported.

Commercial invoice

No special form. Information should contain the following:

description of goods;

gross and net weights of the goods in kilograms and in complementary units (e.g. pieces) as determined by the EU;

the EU Nimexe Code number of the Harmonized System (HS) for each product with the corresponding price;

unit price of product;

total value of product;

agent's commission; any discounts;

the FOB value and the itemized expenses to CIF.

It should contain the following signed affidavit: " I,(name, title, name of company), hereby swear that the prices stated in this invoice are the current export market prices of the merchandise described, and I accept full responsibility for any inaccuracies or errors therein"

This invoice must be certified by the local Chamber of Commerce;

Facsimile signatures are not accepted. 6 copies required.

Consular invoices/regulations

None

Customs invoice

None

Import licenses

Special import licenses are required for textiles, iron and steel products that come from low-cost countries.

Only for steel products

According to EU Regulation 2412/96/18.1296, the importation of certain steel products originating in South Africa into EU countries requires a **surveillance document** issued by the appropriate authorities of the member-states.

The surveillance document issued on the basis of (a) a contract and (b) a proforma invoice and is valid for four months from the date of issue, extendable for a further four month's period.

Insurance certificate

Follow the instructions of the importer and/or insurance company.

Packing list

Not a compulsory document, but will facilitate customs clearance.

Pro-forma invoice

Required if supporting the seller's price list for an application for an import license. The following must be stated:

Unit price of product

Total value of product

Agent's commission

Any discounts

It is advisable to follow the instructions given by the importer.

Other Documentation

Health certificates are required for live animals and animal products.

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Gross and net weights of goods in mark. Goods should be numbered unless the shipment is such that the contents of packages can be readily identified without numbers.

Labels must be in Greek.

22. How common is "bribery" (US definition) in trade transactions? (normal, infrequent, very rare). What are the legal ramifications?

Bribery in trade transactions is within normal levels. It is usually the case, that if you get caught you will face a trial with potential outcomes depending on the 'seriousness' of the bribery itself. Potential outcomes vary from: Payable fines to imprisonment.

23. How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?

The unions are considered to have strong negotiating power in Greece. Unions don't make concessions easily and might continue their strikes for long periods (weeks). Unions are predominantly national. Their impact on logistics is significant. When the port workers strike last year, no ship sailed for the Aegean islands for a week. That had a negative impact on tourism and trade since the only alternative option was air transportation. Union strikes can delay the whole transportation chain significantly especially when maritime unions are involved or unhappy protesters block the national roads.