Greek Crisis Takes Its Toll On Industry

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KOMOTINI, Greece (AP) — In its heyday just over a decade ago, the Komotini industrial zone in northern Greece was a hive of activity, with dozens of factories producing everything from textiles to ceramics and employing nearly 20,000 people.

Hefty government and European Union subsidies gave incentives for businesses to set up in the region, bolstering the local economy and stopping the drain of people from rural areas to the cities.

Now, the industrial zone nine kilometers (5.5 miles) east of Komotini town is a picture of desolation. Weeds have taken over the grass alongside formerly busy roads. Raw materials that never made it to their final destination are now collecting dust on conveyor belts that stopped when the money ran out. Wind whistles through broken windows of factories that have been abandoned and looted — right down to the wiring in the walls.

It is a stark illustration of the toll Greece's vicious financial crisis has taken on the country's industry. Deep spending cuts made in return for billions of euros in international rescue loans have plunged the country into a deep recession, now running into its fifth year. The latest figures make for grim reading: Gross domestic product shrank by 6.5 percent in the first quarter of 2012 compared to the same period last year.

Credit has essentially dried up for businesses as Greek banks struggle and wary lenders from abroad hesitate to trust businesses with bleak futures.

Industrial output across the country fell by 2.2 percent in April compared to the same month last year, on top of a 10.8 percent drop in April 2011 compared to April 2010, according to data from the country's statistics agency. In the first four months of this year, industrial production shrank by 6.3 percent compared to the same period last year — which itself saw a 7 percent drop compared to 2010.

The figures are particularly alarming given that the debt-ridden country would need industry to recover if it has any hope of returning to growth.

Set up in the late 1980s to attract industry away from the main urban centers of Athens and its second largest city of Thessaloniki, the industrial zone about 800 kilometers (500 miles) northeast of the Greek capital enjoyed subsidies of up to 60 or 70 percent of overall costs for starting up new factories, said Pantelis Magalios, head of the region's labor union center. Up to three years ago, the industrial zone was a thriving area producing metal goods, aluminum, textiles, trash containers, bathroom fixtures, plastics, drinks and even aromatic herbs.

"In 2000 about 17,000 people worked in the industrial zone. Now, there are barely 1,000," said Giorgos Chatziathanasiou, treasurer at the labor union center. He is one of the lucky ones. The lumber company he works for, one of the largest in the area, is still operating.

"At that time we had 99 factories in the industrial zone, now there are only 15 left, and of those only five are operating at a normal rate," said Chatziathanasiou. "The rest work only when they have an order in."

Industrial output in northern Greece has fallen by nearly 40 percent over the past two years, according to Nikos Petzos, head of the Federation of Industries of Northern Greece.

Petzos identified Greek industry's biggest problem as a lack of liquidity. Banks have drastically reduced credit and companies have run out of cash to pay its suppliers and its employees. But he also blames the low competitiveness of Greek products due to high production costs affected by high taxes.

Other people caught up in Komotini's decline blame the high subsidies that were offered to set up business in the area, saying they just attracted people who just wanted to make a fast buck. Now that the subsidies are gone, the region has little hope.

"The EU funding for development projects was never overseen as such. All this has contributed to where we are now," said Thanassis Karkatselis, head of a workers' union at a ceramics factory in the industrial zone.

"Because in addition to proper businessmen, we also have vultures who came in, abused funding, created something, hired workers to whom they made big promises, and after a year they would get out of here."

Even in the companies that are still running, salaries have been reduced, workers are asked to take unpaid leave and people have been laid off in droves.

At the ceramics company, security guard Jelaletin Topour is one of three people looking after an idle factory that was once considered one of the most modern in Europe. "We stopped working three years ago, they told us we would do maintenance but since then the machines haven't been restarted," he said. "I'm here and waiting. It's not possible for such a factory with high technology to stay closed."

The ceramics factory still nominally employs 60 of the 140 workers it used to have — but they haven't been paid and therefore have stopped working until they are given their salaries. Topour hopes an investor will be found to save the plant.

"The only thing I can do is hope. I have two sons, one is 27 and the other 22," he said. "They both made it into university, but neither actually went to study. We just couldn't afford it."

The crisis in the area took a tragic turn in March in a nearby plastics factory which makes trash bins and other plastic products and employs about 85 people. A former employee, who had been laid off six months earlier turned up at the plant with a shotgun. He shot and wounded the company's chairman and another employee and took two others hostage for 12 hours before police persuaded him to surrender.

"We condemn this incident," Magalios, the Komotini labor center head, said at the time. "But ... we have to think about what put the gun in this man's hand.

"What made him reach this point? Unemployment, which is on the rise, and a cut in wages. These are problems we will continue to be confronted with."