TECHNOLOGICAL EDUCATION INSTITUTE OF KAVALA
“MSc in Finance and Financial Information Systems”

DISSERTATION

title: Foreign Direct Investments between Greece and the Balkans

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KAVALA 2008
ABSTRACT

The great political change in the former Soviet Union and its satellite countries during the 1989-90 period has created a completely new situation. All of them from the first year of this change faced a different world in their economic and commercial relations with the outside world and of course in their everyday life. It was vital for them to make radical changes in their legislation in order to face the free market problems, the international competition and the growing economic and political globalization.

Greece, the only country in the Balkans with a traditionally free market economy, tried to adjust and improve its political and economic relationship with all neighbors from the first years of the above changes.

During the last eighteen years the commercial relations of Greece with the Balkan countries increased radically. The Greek foreign direct investments to the Balkans covered all the areas of activity like agricultural and industrial sectors, tourism, banking, transportations, energy and still keeps on with a raising rate.

The Balkan countries must make serious efforts in order to reach the economic level of the other developed European countries and succeed their entrance to the European Union. Some of these countries like Slovenia, Romania and Bulgaria are already members of the Union and it is expected that the rest of the Balkans will follow in the future.

For Greece the perspectives are very hopeful as its expansion in the Balkan markets continuous and its leading position is going to be even better.
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INTRODUCTION

It is widely known by years that the root of the Balkan Peninsula was never calm and clear. A plethora of mainly sadly events, stunt the plain sailing of the consisting Balkan countries, so to keep up with the other developed European and generally western countries. And just only two decades ago, the first changes in economic and political level led the countries to important social and institutional transformations.

Today’s challenges of globalization have led to unexpected levels of competition. In these global competitive markets, businesses need to find those solutions that will provide flexible and reliable structures, by reducing cost, rising productivity, focusing on new innovations and technology. (Marcus & Tanis, 2000)

In this investment competition, Greece is asked to play the most important role in its area. Greece that is often characterized as a crossway country due to its geographical position has to work up all the above and implement them in such a way so to combine the western business way of thinking to the traditional but everyday growing Balkan market.

This project is aiming to:

1) Present the progress of Greece and especially its northern part in the industrial and investment sector
2) Remark the entrance of Greece in the Balkan trade and FDI market
3) Analyze their commercial and foreign investing relations and their common route in the challenges of globalization
4) Point out the importance of FDI for a developing area like the Balkan Peninsula so to prepare their entrance in the European Union
5) Predict future investment policy of Greek companies in the Balkans

This project will deal with the following countries:
Bulgaria, Romania, Albania, Former Yugoslavian Republic of Macedonia (FYROM), Federal Republic of Yugoslavia (FRY) and of course Greece.
The analysis of the subject is consisting of the following eight parts:

In the first part there is a general presentation of the social, political and economical situation of each of the above mentioned Balkan countries so for the someone to understand on what general environment the Greek foreign direct investments will be blossomed and developed.

The second and the third part are referring to the relationships between the Balkans and the European Union and to the Balkan cooperation correspondingly. The chapters are focusing on European programs of support, national agreements, difficulties that might occur to the developing Balkan route and also to the common spots of cooperation, agreements and pacts and inter Balkan cooperation schema that compose the Balkan scenery.

The following five parts form the basic body of the project as they are referring to the special FDI relations between Greece and the Balkans. More detailed, the fourth chapter underlines the role of Greece and more specifically northern Greece in the Balkans, presenting the cooperation plan between the two, mentioning the reasons that prevent this cooperation, aiming to excuse the future FDI actions in the Balkan Peninsula. The commercial relations between Greece and each Balkan country are included in the fourth chapter. Through diagrammatic presentation the route of exports and imports to and from the Balkans is presented for random years of the last decade. The sixth and the seventh chapters should be considered as the most essential both in volume and of importance as they are focusing on the FDI only. In the sixth chapter the meaning of the term is explained, the types of the FDI are presented and the positives and negatives of FDI moves are expresses. There is also a detailed schematic presentation of Greek FDI inflows, outflows, inward and outward stocks and also mergers and acquisitions. The seventh part is referring and analyzes the foreign direct investments of Greece in the Balkan Peninsula. That is followed by tables of the existing Greek investments and corresponded diagrammatical schemas that present the GDP growths, the merchandise trade and the FDI inflows for each one separately. A detailed theoretical analysis and diagrammatical presentation of inflows, outflows, inward and outward stock between the examined country and each Balkan country is also contained in this chapter, giving a more specific and detailed view of Greece’s FDI. The project is concluded with the eighth chapter that contains general thoughts, future trends and assumed predictions and conclusions, of how the Greek investors will act in the future in the Balkan scene that is ahead of entering
European union, and how the Greek FDI will expand and Greece will keep playing a leading role to a supposed “European” Balkan peninsula.

Ending this project it is willing that the main aim is achieved to present the Greek and Balkan FDI relationships and to predict their future cooperation in all levels and their common rout towards the European development and challenges.
RESEARCH METHODOLOGY

This project as mentioned above is aiming to point out the entrance of Greece’s foreign direct investments to the Balkan Peninsula, analyze their relations and common route towards the challenge of globalization and predict future investment policy of Greece in the Balkans.

The basic research objectives that this project is focusing on are:

- to analyze the Greek foreign direct investment policy
- to present the social, economic and institutional situation of each Balkan country and its perspective
- to summarize the commercial and fdi relations between Greece and the Balkans
- to investigate the prospects of investing expansionary policy of Greek enterprises in the Balkan markets
- to do statistical analysis and diagrammatical presentation of the survey results
- to match the data with the literature

In this project a combination of research methodology is used so to come up with most reliable results.

In the beginning a historical flashback is presented with the most important social, political and economic aspects of all countries involved in this project.

Afterwards, a descriptive study will be undertaken, instead of an exploratory study (e.g. case study), while the former will provide the variables of the study. Many scientists believe that experiments / surveys are the only way of doing explanatory inquiries (Shavelson & Townes, 2002).

To achieve the above it is imperative to follow an investigation research so to collect the right clues to enrich the main theme.

The main sources that will be used as research objects, is library researching for relevant books and articles, the electronic journals, the web searching and personal help from the project’s supervisor.
The last step of the methodology used is to match the analysis of the data with the literature and make comments.

To achieve and find clues to implement the above methodology, the basic sources below were used in order to select the most reliable, recent and fulfilled data so to help to compose a more analytical project:

1) Library searching in universities and technological institutes
2) Web searching, either electronic journals or relevant sites
3) Collecting information from relevant organizations
4) Personal contact with supervisors or other experts that could help

Concluding this assignment it is expected to present the current situation in the Balkan peninsula, to focus and examine all the aspects of foreign direct investments between Greece and each Balkan country and finally to predict the future relations between them in all levels, towards the challenge of globalization.
LITERATURE REVIEW

The literature review is one of the most basic parts of a project as it presents the subject globally in the way that many other researchers have examined it in the past.

The main objectives of this project have been mentioned in the introductive part. Many other researchers have dealt with the same relevant subject in the past times and their opinions sometimes agree and some other not.

In this project the collection of the literature data were mainly based on Internet searching as well as in libraries of educational institutions. Many ideas, thoughts and aspects of other researchers were analyzed and used in order to achieve a more spherical and academic presentation of the subject.
CHAPTER 1

THE SOCIAL, POLITICAL AND ECONOMIC SITUATION OF THE BALKAN COUNTRIES

1.0 General

The Balkan Peninsula is undoubtedly the most distressed area of the European continent the last decades. Although by the end of the Second World War there are no any special problems in the western Europe, a number of political nationalistic conflicts are playing important role in the Balkans. Especially after 1989 the political evolutions are rapid. Some of the most serious events are the following (according to Bildt C.):

1. the downfall of the autarchic regime in Albania that caused the end of the country’s international isolation
2. the Albanian crisis
3. the Romanian revolution and the fall of Ceausescu
4. the civil war and the end of the Yugoslavian federation
5. the recent crisis in FYROM
6. the war in Kosovo

The unstable general political and social conditions and the above mentioned major events resulted to a worse financial reality for the Balkan countries. After 1989 the transition from communism to capitalism all Balkan governments tried to make the necessary legislative changes in order to help the privatization of the economy and attract foreign capitals.

In this irregular scenery, Greece a democratic country, member of the NATO and the European Union, stayed out of the conflicts in the area and tried to keep its internal financial and political stability. All these, gave Greece the opportunity to play a leading role in the Balkan Peninsula.
## General Information

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Area (in sq.km)</th>
<th>Income per capita(U.S $)</th>
</tr>
</thead>
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</tr>
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<tr>
<td>Federal Republic of Yugoslavia</td>
<td>10.646.000</td>
<td>102.173</td>
<td>2280</td>
</tr>
</tbody>
</table>

*source: eurostat, express newspaper 1999*
1.1 Greece

Greece is the southeast country of the Balkans and its natural position has set it as a crossroad of three continents. Unrolling its political history and by the end of the World War II, the civil conflicts in the late 40’s decimated Greece. After a seventeen year period of peaceful route, the dictatorship of 1967 changed the political scene. In the following years the establishment of democracy smoothed the way to development in all levels.
Although Greece was never involved in war incidents, there were always existing problems with the neighborhood countries such as Albania or FYROM that were leading to chilly relationships. No matter how major were these problems, they never prevented Greece from reaching its institutional and financial stability and progress.

An examination of the economic evolution of Greece, leads to the conclusion that its economy has succeeded remarkable progress during the last decades. From the successful administrative, social and economic reorganization after the war period and the spectacular progress in the following decades, to the great success with the entrance in the euro zone, the Greek economy today presents all the characteristics for further progress to all sectors. Greece now is ready to proceed with new goals towards further development, dynamic reformations in the public administration, privatization of major state enterprises and reduction of unemployment. Other major sectors which need improvement are social security and the tax system. All these must be combined with a serious effort to minimize bureaucratic inefficiencies.

The economy of the country is mainly based on tourism which provides a large portion of GDP and foreign exchange earnings. Greece also counts as a world leader in shipping. The service sector, the telecommunications and the commerce are also major parts on which the economy is based on. (evidence found in dipek.gr)
So it is not accidental that Greece is the first Balkan country that is a member of the NATO and of the European Union for years and is also the connecting link of the Balkan chain to the European future development.
1.2 Bulgaria

The republic of Bulgaria is one of the oldest countries in Europe. It is located in its southeast part, bordering with Greece to the south.

Its history begins from the Ottoman Empire and its autonomy was gained in 1878 by the end of the Russo-Turkish war. The declare of independence which established Bulgaria as an independent kingdom came in 1908. At the latest history, Bulgaria was involved not only in the Balkan War -something that cost serious conflicts with its neighbor countries- but also in World War I and World War II. The communist domination ended in 1989 and till then Bulgaria’s political life is characterized by instability. During a decade (1989-1999) the government of the country has changed seven times. From the downfall of Tontor Zivkof to the socialistic government of Andrei Loukanof, and from the democratic forces supporting the party of human rights to Vintenof’s socialism, the political scene of Bulgaria changed to today’s parliamentary democracy. (source by www.wickepedia.com)

Bulgaria has recently joined NATO (2004) and is a member of the European Union since 2007.

The Bulgarian economy after the successful decade of the sixties and till today can be characterized as problematic. Its major crisis was between the 1980 and 1990. More specifically in 1985 the GDP was 3% lower than 1984. That was due to the high raise of the external debts, to the failure of connecting the productivity, to the delivery channels and to the collapse of COMECON.

During the next decade the government suggested the unsuccessful political liberation of the economy. The reduction of the public incomes is hard because of the tax evasion and some other measures that were taken to limit the national revenues, harmed the peoples’ cost of living and had no results. The GDP fell dramatically in 1996 to -10,9% and in 1997 to -6,9%. The unemployment increases from 16% in 1999 to 19,5% in 2001 and still remains a serious problem. Although the majority of the investing activity come from the public, the last year’s remarkable progress came from the private sector and refers to investments in industrial, commercial and services sectors. (according to Glaister K. and Atanasova H.)
“The last years Bulgaria is trying to propel a program of political and financial stability, which besides others, has succeeded in a satisfactory level to attract the interest of foreign investors and to proceed to the privatization program in a percentage of 70%” (Ilko Shivachen, the Bulgarian ambassador).

The main aim of the last years in Bulgaria is to decrease unemployment and develop investing policy so to raise the economy and increase the GDP ratio.

<table>
<thead>
<tr>
<th>years</th>
<th>GDP</th>
<th>inflation</th>
<th>unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>3,5%</td>
<td>0,9%</td>
<td>18%</td>
</tr>
<tr>
<td>1999</td>
<td>2,6%</td>
<td>6,2%</td>
<td>16%</td>
</tr>
<tr>
<td>2000</td>
<td>4%</td>
<td>2,8%</td>
<td>17%</td>
</tr>
<tr>
<td>2001</td>
<td>5,4%</td>
<td>4,8%</td>
<td>19,5%</td>
</tr>
<tr>
<td>2002</td>
<td>5,9%</td>
<td>3,8%</td>
<td>16,8%</td>
</tr>
<tr>
<td>2003</td>
<td>6,7%</td>
<td>5,6%</td>
<td>12,7%</td>
</tr>
<tr>
<td>2004</td>
<td>8%</td>
<td>4%</td>
<td>11,7%</td>
</tr>
</tbody>
</table>

Source: www.seve.gr

1.3 Romania

Romania is the largest Balkan country and its government system is democratic republic. It gained its independence by the Romanian war and was declared in 1877. Romania has been a member of NATO since 2004 and is a member of the European Union since January 1st, 2007.

Although the country’s history begins years ago, the latest decades are more interesting as they can give a better image of the today’s political and financial situation.

The most important political event of the last decades was the communist dictatorship of Ceausescu that fell in 1989 and the end of the Cold War. After the revolution of 1989 the power was taken by the Social Democratic Party (PSD), leaded by Ilieskou. The policy that he followed was characterized as successfully although it was lacking to reformations. However, in the next elections, winner was his political enemy who
continued the same policy, emphasizing to a future entrance in the European Union something that was managed some years later in 2007.

To examine the financial situation of Romania it should be wised to divide the history of its economy in two periods. The years before 1989 and those after that date. The main elements of the Romanian economy in the years of dictatorship were:

1) “concentration of personal property by the nation
2) superseding the service sector and focusing on the industrial production
3) low consuming ratio
4) low participation in the international trade
5) focusing in the exports , aiming the payment of external debt”(1)

After 1989 the country experienced a decade of economic instability and declined due to the obsolete industrial base and the lack of structural reform. Great efforts were made to succeed the institution of democratic frameworks and the passage to the market economy. However the results of these efforts were not satisfying. The pressure of the syndicates, the poor financial help from abroad and the exchange problems were some of the reasons that prevented these tries. But the continuous attempts of the country managed to change the economical scene.

Starting from 2000 the economy was transformed into one of relative macroeconomic stability, high growth, low unemployment and increasing foreign investment. As economic growth from 5% in 2000 raised to 8% in 2004, this characterized Romania as one of the fastest growing countries in Europe.

The last years a significant number of companies have been privatized, including the majority of banks, oil and telecommunication companies and other kind of enterprises. Foreign direct investments have increased from 2003 to 2004 reaching 1.5 billion €.

Besides all the improvements in macroeconomics, privatization, and fiscal policy of the last few years, corruption remains a major problem at all levels and threatens economic growth. Also the lack of transparency in public spending and lack of competitiveness in the agricultural sector also remain a problem.

After the entrance of Romania in the European Union since January 2007, these problems is expected to be solved.

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1 Express, newspaper, April 2001, p12, interview ambassador (ILKO SHIVACHEN)
1.4 Albania

Albania is a Mediterranean country in southeastern Europe and is bordered by Greece in the south. Albania declared its independence from the Ottoman Empire after the First Balkan War in 1912. The communists gained power after World War II with the leadership of Enver Hoxha. His governing harmed the country, as he destroyed international relationships and isolated Albania both from the west and from the communist east. After Hoxha died, Ramiz Alia took his place and followed his steps. But the political scene was changing in Europe and Albania was staying behind. In 1996 the Democratic Party won the elections. The sad happenings of 1997 and the collapse of the scheme “pyramid”, gave the opportunity to the social party to win the elections. But Albania had already touched the limits of degradation. Today’s government in Albania is emerging democracy. (www.wikipedia.com)

In Albania there is an existing conflict between the north and the south. The wealth is gathered in the south where there is financial blossom. In the south there also exists the Greek orthodox minority, which has special power and authority. The wealth passed to the north after the elections of 1992 and the victory of the Democratic Party but there is not something permanent.

According to Brada, Kuton and Yigit, these political circumstances harmed the economy of Albania that couldn’t follow an increasing development. During the years 1980-1990 the GDP was only increased by 1%. The basic sector of employment in
Albania is agriculture, but due to a drought in the early nineties, the agriculture productivity fell and the GDP was decreased to 10%. After the elections of 1991 and for the first time it was permitted to Albanians to run a business and to buy land.

The external dept wasn’t given to the productivity, but to bankrupt companies so to cover their needs. That had as a result the shortage of the state budget to reach the 44% of the GDP and the inflation to a 23.6%. That year the intervention of the International Monetary Treasury tried to rescue the Albanian economy by increasing the taxes, decreasing the public expenses and changing positively the GDP. Immediately the shortage of the budget was reduced from 44% to 16% of the GDP and the agricultural branch showed a remarkable development.

The implementation of the value-added tax began in 1996 for the businesses. But the collapse of the scheme “pyramid” in 1997 created another crisis. “The balance of trade in Albania is unfavorable. In 1997 the exports were up to 685 billion dollars and the imports to 167 billion dollars” (1).

Today, the country has almost no exports and has also a high rate of unemployment. Money for imports comes from financial aid and from emigrants that work abroad, especially in the neighbor Greece. Among the other problems, the country has to fight with corruption up to high government levels and organized crime so to believe to a financial development.

**General macroeconomic indexes of Albania**

<table>
<thead>
<tr>
<th>years</th>
<th>GDP</th>
<th>inflation</th>
<th>unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>8%</td>
<td>8.7%</td>
<td>17.6%</td>
</tr>
<tr>
<td>1999</td>
<td>8%</td>
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<td>2000</td>
<td>7.8%</td>
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<td>2001</td>
<td>6.5%</td>
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<td>2002</td>
<td>4.7%</td>
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<td>2003</td>
<td>6%</td>
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</tr>
<tr>
<td>2004</td>
<td>5.9%</td>
<td>2.2%</td>
<td>14.4%</td>
</tr>
</tbody>
</table>

*Source: www.acci.gr (*) no information found*

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1 Website of interbalkan and countries of the Black Sea commercial center, www.dipek.gr
1.5 Former Yugoslavian Republic of Macedonia (FYROM)

FYROM is one of the latest established countries of the Balkans. It gained its independence at the beginning of the nineties. The lands governed by FYROM were previously the southernmost part of Yugoslavia. Its current borders were fixed shortly after World War II when socialist Yugoslavia established the Socialist Republic of Macedonia, controversially recognizing the Macedonian Slavs as a separate nation within Yugoslavia. Renamed as the Republic of Macedonia in 1991, it succeeded peacefully to be detached from Yugoslavia without any further territorial changes. Here it should be mentioned the political dispute with Greece concerning its use of the name "Macedonia", which is the name of north Greece. That is why all nations and international organizations recognize the country as the Former Yugoslav Republic of Macedonia (FYROM).

The government is parliamentary democracy and all the frameworks are set by the constitution. Remarkable is the percentage of the Albanian residents in FYROM which is almost 40%. This issue of the power balance between the two communities led to a brief war in 2001, which was ended by a power-sharing agreement. FYROM is also a member of international organizations such as the United Nations and Organization for Security and Cooperation in Europe. Future expectation is to join the NATO and the European Union.(www.wickepedia.com)

Fyrom was the poorest and less developed area of the former Yugoslavia. Its economy suffered from the same problems faced by other former socialist East European countries. With the combined effects of its post-independence move to an open market economy and the collapse of the internal Yugoslavian economy arose various economic and political problems with a great number of its main trade partners. The negative impacts that kept the economic difficulties till 2002 as Bastian has mentioned are:

a) the Kosovo war,

b) the following UN-mandated sanctions against Serbia,

c) the economic trade embargo imposed by Greece

d) the Albanian crisis in 2001.
Today Skopje force great efforts to improve their economy and compete the international market although there is not much help from the International Monetary Fund. Agricultural section plays a leading part in the Republic’s economy with most popular products tobacco, wine and vegetables. However the industrial productivity is still quite limited although future changes may transform the whole economic scene.

General macroeconomic indexes of FYROM

<table>
<thead>
<tr>
<th>years</th>
<th>GDP</th>
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<td>6%</td>
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<td>*</td>
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</tr>
</tbody>
</table>

*Source: ‘’Makedonia’’ newspaper, 2001
(*) no information found
www.acci.gr

1.6 Federal Republic of Yugoslavia (FRY)

Federal Republic of Yugoslavia is consisting of two former Yugoslav unions, Serbia and Montenegro. It is located on the west-central Balkan Peninsula and it is regarded as the most distressed area not only in the Balkans but also in Europe for the last few years.

FRY was finally shaped as it is today after the civil war that caused the break-up of the Socialist Federal Republic of Yugoslavia to Skopje, FRY, Bosnia-Herzegovina, Croatia and Slovenia. Slobotan Milosevic played a leader role in the politic life of the country supporting communist dictatorship. After the elections of 1997 he jumps over from the leadership of the former united Yugoslavia to the government of FRY. The worst government phase of FRY was the Kosovo war in 1999 when Milosevic tried to chase away the Albanian minority of the Kossifopedio area. This kind of refining
caused the anger of the NATO and military forces entered in FRY destroying the substructures of the country. Milosevic lost the next elections by Kostounitsa, his political enemy, and Kosovo now is under the supervision of NATO forces.

As Andrew C.J mentions, under such political circumstances it is hard to achieve financial progress. Before the Second World War FRY was fast developing so to reach the other European countries. But through the years all the political and social problems, did the efforts of financial development look as great expectations for the FRY. In the eighties the embargo set by the European union prevented the country’s economic ascent.

In the latest years, the wrong management of the finance, the extended period of economic sanctions, and the destroyed infrastructure of industry by the war, damaged the economy of FRY. After that sadly period and, stabilization measures and market reform programs were set so to strengthen the economy. The International Monetary Fund also supported FRY. But unfortunately, the complexity of Serbia and Montenegro's political relationships, slowed progress in privatization, and stagnation in the European economy are holding back the economy. Unemployment remains a major social economic problem that sometimes leads to corruption with the development of black market and a high degree of criminal involvement in the formal economy. The only solution that would lead to a developing economy is the reformation plan and the help that was suggested by the west countries.

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*Source: www.acci.gr, (*) no information found*
CHAPTER 2

THE RELATIONSHIPS BETWEEN BALKANS AND THE EUROPEAN UNION

2.0 General

There was always a special bond between the European Union and the Balkan Peninsula. It is a real fact that the relationships between the western Europe and the Balkan countries were formatted and affected by internal and international parameters. Looking at the recent history, it is obvious that the presence of the actually existing socialism for many years in the peninsula and the general instability in social, political and financial level, hampered the progress of interbalkan and European cooperation.

An exception to the rule is the case of Greece where the communist system wasn’t existing. Thus it managed to sign the connection contract that led to the country’s entrance in the European Community.

As Kouzof S. said the Balkans is consisting of many different nations that despite the common geographical space, couldn’t manage to create a united political and economical entity. There are considerable differences between the countries that refer to their internal policy, their financial structure, their external orientations and other national themes. This politico-economic disintegration does not help European Union from exercising a united Balkan policy.

According to Petrakos G., after the collapse of communism many countries of the peninsula such as Albania, Bulgaria, Romania and others, are willing the transition to a west type parliamentary democracy and to a mixed economy. Their expectations are to enter in the European market and to engage foreign investors. Thus they hope to financial aid and technical support from the European community. Of course there are some countries like Federal Republic of Yugoslavia that were involved in violent disputes that discouraged the development of cooperative relations with the west.

It is obvious from all the above that the connecting link to a Euro-Balkan cooperation is Greece. And it is quite encouraging that sooner or later all the countries will lead to Europe.
2.1 European programs for Balkan support

The transaction of the Balkan countries to the social economic western world, and their plane integration to the already existing institutional European countries, are indicating structural changes and social transformations that result to social, financial and political cost. For the alleviation of this cost, and the easy entrance of the Balkans to the European Union, the community implements some supportive measures from 1989. The most important are:

- “The PHARE program
- The ISPA and the SAPARD programs
- Financial cooperation patterns through the European Investment Bank and the European Bank of Reformation and Development(EBRD)
- Dimer service from the European country-members” (1)

These programmes are adopted by the European Union in order to promote cooperation between the Member States in different specific fields related to Union policies, over a period of several years. At the beginning there were referring exclusively to the countries- Members, but they have been gradually opened to the future candidate countries in order to support their access preparations. Each country has to contribute from its own resources to the general budget of a specific community programme. The funding it gets back from each programme depends on the quality of the project proposals submitted by that particular country, against competing projects from all the countries to which the programme is opened.

It should be mentioned that according to the department of international economics relations of the ministry of economics, the total financial aid from the European Union to the Balkans for the years 1991 to 1999 was up to 7.863 million €. And based on the budget forecasts, it is expected that from 2000 to 2006 5.5 billion € will be granted to the west Balkan countries and 6.2 million € extra to Bulgaria and Romania.

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1 www.mnec.gr, department of international economic relations
2.1.1 The PHARE program

The Phare programme is one of the three pre-access instruments financed by the European Union to assist the Balkan countries to their preparations for joining the European Union.

“Phare’s objectives are:

a. Strengthening public administrations and institutions to function effectively inside the European Union.

b. Promoting convergence with the European Union’s extensive legislation and reduce the need for transition periods.

c. Promoting Economic and Social Cohesion” (institution of international and financial relations, 2001, What is Phare)

It was created in 1989 to assist member states. But in the period of massive economic restructuring and political changes PHARE assisted also Bulgaria that joined the program in 1990 and Romania. Until 2000 the program benefited several countries of the Balkans. After 2000 a new program, the CARDS (Community Assistance for Reconstruction, Development and Stability in the Balkans) has provided financial assistance to these countries.

Most countries that previously were eligible for the Phare programme are fresh members of the European Union since May 2004. Romania and Bulgaria are members of the European Union since January 1st, 2007. (source on www.europa.eu)

2.1.2 The ISPA program

Ispa (Instrument for Structural Policies for Pre-Accession) finances infrastructure projects in the field of transport and environment between 2000 and 2006.

“The objectives of Ispa are:

• to help beneficiary countries to catch up with EU environmental standards;

• to extend and link up their transport systems with the Trans-European transport networks

• to familiarise applicants with policies and procedures of the EU Structural and Cohesion Funds.” (www.europa.eu)
2.1.3 The SAPARD program

Sapard (Special Pre-Accession Programme for Agriculture and Rural Development) helps candidate countries to deal with the structural reform in their agricultural sectors and rural areas, as well as in the implementation of the European Union legislation.

"The priority measures for a country to be financed under this programme are:

- Improving the competitiveness of processed agricultural and fishery products
- Improving the infrastructure for rural development and agriculture
- Development of the rural economy
- Development of human resource” (www.europa.eu)

2.2 Policy of cooperation and financial completion

After the collapse of the actually existing socialism and the social transformation, the Balkan countries aiming to the development of close relations with the European Union and their entrance to the economical forms of European cooperation. The union, responding positively to this extensional effort of the centre eastern Europe countries, signed commercial and financial agreements widely known as first generation agreements. After a while these kinds of agreements were revoluted to a new type of connective agreements known as European agreements.

2.2.1 Financial and Commercial Axis (first generation agreements)

These kinds of agreements are valid for Albania from 1992 and for the Former Yugoslavia Republic of Macedonia from 1997. Bulgaria and Romania because of their faster adaptation to the community’s social, political and economical models automatically signed the new type, the European agreements. Because of its already known problems, the Federal Republic of Yugoslavia, signed none type of agreements.

“The agreements of commercial and financial cooperation are based on general political and financial institutions such as the respect to the authorities of democracy and human rights, the respect to the minorities and the transmission of the economy of the market. The objectives of these treatments are the tightens of the dimmer...
relations, the support of the transformation mechanism, the development of the international trade and the establishment of new type of financial cooperation.” (1)

These kinds of cooperation refer to industrial, agricultural, structural, technological transfer, tourism and environmental issues.

2.2.2 Connective Axis (European Axis)

Only two countries of the Balkan (as Petrakos G. said) managed to over jump the level of commercial and financial agreements and to develop further relationships with the European Union. Bulgaria and Romania signed in 1995 the European “Agreements that aiming to the:

a. Establishment of a free commercial zone
b. Achievement of harmonic relations between the members that signed the agreements
c. Financial development of the two Balkan countries
d. Create proper conditions for Romania and Bulgaria so to join the union
e. Establishment of new institutions” (www.europa.eu)

2.3 The Stability Pact

In the international conference in Germany in 1999 and under the participation of all member states, the stability pact was adopted. It was inspired to reassure future security, prevent violent incidents, set the premises for democracy and accelerate the Balkan entrance in the Euro Atlantic structures. This pact is regarded as the first succeeded effort of the national community to assist and support the Balkans and it is not an international institution but a cooperation frame that aims to mobilize its countries. So the success of the implementation of the stability pact basically depends on the participant nations. Unfortunately the ambitious targets of the Stability Pact haven’t brought any encouraging results because of its inaccurateness that had never clearness. (www.stabilitypact.org)

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1 www.mnec.gr, department of international economic relations
CHAPTER 3

INTER BALKAN COOPERATION

3.0 The history of inter-Balkan cooperation

According to Dell C, the collapse of communism at the late eighties, set the base of further cooperation between the countries, with common denominator their Balkan identity and with Greece owning the leader part as being the only member state in the NATO and in The European Union. A financial collaboration among the countries, will contribute to achieve stability in the Balkan. As Poulton H. said, by a common effort growing the wealth and raising the social prosperity, the Balkan countries will uptight their bonds and create stronger internal relations in all social, political and financial levels.

But as the countries of the Balkan Peninsula do great steps to achieve the restructure of their economy, several common problems are appearing that prevent their urge to inter cooperation.

As all the problems that exist will be eliminated the economical hardiness, the social prosperity and the political stability will be the new characteristics of the refreshed Balkan Peninsula.

3.1 Common cooperation points

The Balkan countries have both common cooperation points and common problem to face. As Kondonis H. mentions, the bonding ties the followings are gathered:

-Transportations: because of their geographical position, Balkans are owning the leadership in the trade relations of east and west. That is the reason that the transportations sector is a popular investing field for the foreign investors

-Communications: modernization and interaction of the communication stations of all countries so to be more attractive to the external investors

-Inter banking cooperation: the more the banking sector is improved, the more the social development is achieved
**Agriculture:** partnership in this section is necessary as the Balkan countries trade products internally.

**Industry:** it is the weakest link of the inter Balkan cooperation as it is still in low levels.

Although the above are the hot spots where the Balkan countries should focus on so to succeed a powerful cooperation, there are some common problems that derive from this Balkan movement: Some of the most important are the following according to Petrakos G.:

- Lacks of public revenues prevent banks from funding the investments. This has bad influences to the banking sector that fails to organize the financial life of the Balkans.
- Failure in finding products that are exportable. These countries usually export traditional products which are not competitive in the national markets.
- The timid public sector and the bureaucracy that exists in the Balkan countries.

3.2 The Balkan entry and the south eastern cooperation

The Balkan countries, besides their inter Balkan cooperation, are participating in other kind of regional formations, ruled by the south Eastern Europe. These kinds of formations can be divided by Buildt C., in two kinds:

1) The internal cooperation, organized by neighbourhood Balkan countries
2) The external cooperation that were inspired from irrelevant countries that exercise power and influence in the Balkan area.

In the first category belong:

- “The Central European Trade Agreement (CEFTA)
- The Black Sea cooperation
- The Danube coast countries cooperation
- The South East Europe Cooperation Process (SEECP)” (www.europe.eu)

In the Second category only the South Eastern Cooperation Initiative (SECI) is contained. This agreement is also supported by the United States of America, but it is not sponsored. Indeed, the European Union although supports none of these formations, has invested many euros in technological innovations and know-how transfer.
3.2.1 The Central European Trade Agreement (CEFTA)¹

The Central European Trade agreement was aiming to the gradual introduction of a free trade area by the country- members during the transition decade from 1991 to 2001. (www.cefta.org)

As Gligorov says, its main goal is to harmonise the development of economic relations among the countries. This would be achieved if it manages to speed up the development of the commercial activities, to raise standards of living, to ensure better employment opportunities, to increase productivity and financial stability and to focus on trade expansion.

CEFTA is also aiming to ensure fair trade between members and to contribute to the balanced development and expansion of world trade by removing the trade barriers.

“The Agreement covers industrial and agricultural productivity and contains general provisions which encompass rules of origin, co-operation in customs matters, internal taxation, general exceptions, security exceptions, state monopolies, payments, the rules of competition concerning undertakings, state aid, public procurements, protection of intellectual property, dumping, general safeguards, structural adjustment, balance of payments difficulties, re-exports and serious shortage, an evolutionary clause, a joint committee, and other trade associations”. (Gligorov V.)

3.2.2 The Black Sea Cooperation

This cooperation is combined by eleven member states: Albania, Bulgaria, Romania, Turkey, Russia, Ukraine, Georgia, Armenia, Moldavia, Ascerbaitzan and Greece. “This cooperation is regarded of great importance because it is referred to the role of the Black Sea in energy and products transmission to the Russian market through the Danube river.”(²) The Black Sea’s cooperation can be very powerful and can threaten the interests of the European Union. Thus the union stays away and takes no part to the formation of the Black Sea countries. More specifically, Europe’s greatest fear is that because of this close cooperation, the oil advantages and the

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¹ www.ceft.org
² www.mnec.gr, department of international economic relations
energy giving will gain local character and advantages, something that will result to the increase of the petroleum price for all Europe.

3.2.3 The Danube coast countries cooperation

Danube river is regarded as one of the most powerful thruways of Europe. It crosses Germany, Austria, Hungary, Slovakia, Romania, Yugoslavia, Croatia, Bulgaria and ends to the Black Sea. So it is undoubtedly the biggest river road of all Europe. This cooperation was an initiative of Czechoslovakia and first started in 1935. “Its main aim is the development of the commercial and the improvement of the trade relationships of the above countries that would lead to financial benefits for all the Balkan area”(department of international relations of ministry of economics). The future vision is the connection of Danube river to Thessalonica, through river Axios (Bardar) and river Morava. This is an expensive project but when it is materialized it will set Greece as a main transportation knot.

3.2.4 The South East Europe Cooperation Process (SEECP)

The South-East European Cooperation Process is a regional co-operation structure that was created in 1996 by Bulgaria’s initiative and was aiming to create a new co-operation forum, following the birth of new countries in the Balkans. The participant’s countries are: Albania, Bulgaria, Greece, FYROM, Romania, Serbia and Montenegro, Bosnia and Herzegovina, Croatia and Turkey. SEECP (as mentioned on www.seecp.org) is aiming to the maintenance of good-neighbourly relations, stability, security and cooperation in South-Eastern Europe. The Bucharest Charter which is the most important document of SEECP represents a comprehensive framework for regional cooperation in domains of common interest, aiming to the strengthening of the good neighbourly relations among all the States in the area, turning it into a region of peace, security, stability and collaboration. SEECP was conceived as an expression of solidarity among the States in the area, able to transmit to the international community a coherent and credible message regarding the ways to solve the problems the countries confront with. SEECPs major objectives are:
a. “measures for enhancement of the stability, security and good neighbourly relations

b. measures for intensifying the multilateral, economic and commercial co-operation in the area, especially on the inter-border co-operation, the improvement of transportation, communications and energy infrastructures, investments and trade promotion

c. the promotion of co-operation in the humanitarian, social and cultural fields

d. co-operation in Justice and Home Affairs issues, for combating the organized crime, illicit traffic of drugs and guns, terrorism”(1)

3.2.5 The South Eastern Cooperation Initiative (SECI)

Seci Center is an organization that aims to the maintenance of peace among the participants countries, and to the improvement of the business environment in Southeast Europe so to be more attractive to foreign investors.

“Goals and objectives of the SECI Centre:
Setting-up a mechanism based on enhanced law enforcement cooperation at national level to be used by the Parties in order to assist one each other, in preventing detecting, investigating, prosecuting and repressing trans-border crime.

1. Support of the field activities of the law enforcement officers, the SECI Center being a “service provider” for their daily activities.

2. Provide assistance to the Parties in order to harmonize their law enforcement legislation in respect to the EU requirements.

3. Support national efforts in order to improve domestic cooperation between law enforcement agencies.

4. Support of the specialized “Task Forces” addressed to the combating of:
   - Illegal Human Beings Trafficking
   - Illegal Drugs Trafficking
   - Commercial Fraud
   - Stolen Cars
   - Financial Crime
   - Customs Evaluation

Advantages of the SECI program:

1 www.mfa.gr/seecep
1. Uniqueness – the SECI Center is the sole international law enforcement organization which brings together police and customs representatives

2. Swiftness – the use of the SECI Center speeds up the exchange of information process Economical – instead to send liaison officers to 11 states, the Parties have the opportunity to find in one place all the representatives of the participating states Simplified legal basis – the SECI Agreement ensures the necessary legal framework for all type of cooperation in law enforcement field

3. Cooperation Common House – the SECI Center is the ideal place for joint trainings, exchange of experience, being a facilitator in respect of the realistic evaluation of the organized crime phenomenon in the South-east of Europe”(1)

Seci is aiming to the economic and political stability in the region.

3.3 Inter-Balkan Unions with vital centre of Thessalonika

After the collapse of the communism establishment in the Balkans, Greece as the only member state of the European Union and of the NATO then, was trying to develop a leadership role in the area as Pournarakis M. said. More specific, Thessalonica – the capital of the Northern part of Greece- due to its geographical position, had the privilege of being the main Balkan knot. But because of the tended Greek Turkish relations and because of not good long terming planning, Greece’s good potations had no results.

In spite the inactivity of the Greek government, some non-governmental vehicles and citizens of the city, decided to create non-governmental inter-Balkan unions resided in Thessalonica. These according to the Greek ministry of foreign affairs are:

- **Union of the Balkan lawyer’s bar:**
  That was established in 1995 and participate the national lawyer unions of Albania, Romania, FYROM and FRY.

- **Union of the economic universities in the Balkan countries:**
  The initiative of the Greek University “Macedonia”, has as main objective the cooperation of the Balkan economic universities with the European unions programmes.

1 [www.secicenter.org](http://www.secicenter.org)
- **Inter-Balkan feminine movement:**
  all feminine movements from the Balkan countries are participants. They are interested on issues that concern the equality and the role of the women in the Balkan scene

- **Chambers union of the Balkan countries:**
  in this case the resident is not always Thessalonica but changes among other countries of the peninsula

There are more other unions of lower importance that is not so popular both in the Greek and in the Balkan public. That is due to lack of advertisement of the appropriate governments. In this area people of different nations and religions managed to exist, with the common aim of cooperation and neighbour ness of all countries and with the future vision of Balkans becoming a strong power.

For Thessalonica, these unions are the practical proof, that all Balkan countries, accept the leadership role of this city.
CHAPTER 4

THE ROLE OF GREECE IN THE BALKANS

4.0 General

The previous chapters were on the one hand referred to the relationships between the Balkan countries and on the other to the challenge towards the European Union. Greece that always owned the privilege among these countries because of its early entrance in international organizations is regarded as the connective link between the Balkan Peninsula and the European world. The leading part is given to northern Greece which because of its natural geographical position can be characterized as a communication channel between the east and the west.

Undoubtedly, as Edwards S. mentions there are many similarities between the Balkan and the neighbourly Greece. The common geographical position, the religion bonds, the prospect of financial solidarity and general mutual aid are the basic points that set Greece as a leader to the Balkan reconstruction.

With main lever the cooperation and with main objective the effectiveness, Greece presents its already progressive industrial field to contest for the Balkan reconstruction.

According to Vaknik S., Greece’s main objective is to open its boarders to the Balkan land through the development of the foreign direct investments and the blossom of the commerce. Its future vision is the creation of a robustness Balkan Peninsula with metropolitan centre the Thessalonica’s port. To achieve this aim, many transformations ad development projects should be made in the Balkan area. When all the above targets illustrated then northern Greece -and specially its capital Thessalonica-would gain the role that deserves in the international scene.

4.1 The Development Plan of the Balkans

To achieve a prosperous cooperation between Greece and the Balkans, and also to achieve the evolution of the investing and business activity of the Northern Greece
that would help to the financial increase of the Balkan countries, many transformation should be made in the Balkan scene according to Petrakos G.: 

-Insurance in the Balkans

The dramatic incidents of the last years, proofs the inactivity of the community for the formation of an insurance policy in all social, economical and political level. And it is imperative need the establishment of the insurance, the struggle of corruption and the disarticulation of the crime in the unstable Balkan field. Lack of the above is a negative motive for the foreign capitals and the Greek investors that expect to expand their businesses.

-Development of Transportation

Aiming to the presentation of the Northern Greece as a developing knot of the Balkans there should be great improvement in all transportation means. So the railway, the air transportation and the under sea network should be evaluated. Thus a commercial knot is created that firstly connects Thessalonica-Skopje-Belgrade-Sofia and by its future development covers all the Balkan regions.

-Improvement in the Telecommunications

One of the most urgent needs of the development plan according to Haralanova Ch., is the improvement of the telecommunication network so to assist the communication level in the Balkans. The technological evolution and the progress that had been made in this sector through the last years help all kind of communications and support the commercial and investing development of the Balkans.

-Establishment of the proper Legislative System

“The most basic premise for the development of foreign direct investments and trade relationships between Greece and the Balkans is the settlement of a Legislative System that would reassure the rights and settle the obligations of the cooperative member-states” (Vakinin S.)

The secure of democracy, the insurance that would be provided in the investing level and in other legislative orders, would protect the rights of all countries and make easier the investing and commercial activities.

-Evolution of the Banking System

Last but not least in the development plan is the evaluation of the banking system with main target the creation of a new Balkan Banking Market that would simplify the dealing, will reinforce the commercial development and support the foreign investing aiming to the profitability and the industrial capitalized development of the Balkans.
4.2 The entrance of the Northern Greece in the Balkans

Greece -and especially the northern area- is searching for common sign for its penetration and spreading in the Balkans. The basic reasons for the greek-balkan cooperation are the following according to Kut U. and Irin A.:

- North Greece that boarders to the Balkans and it is already an old member of the European union, is the connective link with the west world and presents placing in potentials and foreign direct investments’ cooperation between the western and eastern Europe.
- The traditional, religion, cultural and social bonds of the two geographical areas have more similarities than with those of the western world
- The northern Greece has the priority to support the Balkan countries socially and financially, and organize them according to the European standards

The main means that will ensure the Greek entrance in the Balkan area are the following as Vaknin S. has expressed them:

- Introduction of Greek banks to the whole Balkan area
- Improvement to the transportation network and especially of the Egnatia Road
- Effective cooperation with the state administration and the public sector
- Motivation for foreign direct investments
- Complete of the development plan that has been mentioned above
- Establishment of Thessalonica as an inter Balkan capital

4.3 Balkans and Thessalonica

Thessalonica in this whole inter Balkan cooperation owns the leading part and aims to gain the title of the Balkan capital. It is calculated that the Greek development programme for the Balkan reconstruction comes up to 61,2 billion euros.

The metres that are proposed to propel Thessalonica are:

- “The foundation of a Balkan banking school that would train the executives that would be placed in the Balkan banks
- The Greek banks should create a common department that would service the needs of the foreign investors
• Intervention of leasing companies
• Establishment of an inter Balkan chamber
• Foundation of services that would examine the financial situation in the Balkans and would give information for foreign investments and banking dealings
• Introduction of a bank that should check the industrial and investing development and would be responsible of the distribution of the foreign capital” (www.elke.gr)

4.4 Factors that prevent the Greek Balkan cooperation

Unfortunately there are many factors as Kolliopoulos has written, that interrupt the development of financial, investing and other relations between Greece and the Balkans. And these factors derive from both sides. The unconcern of the Greek public mechanism, the unstable Balkan policy, the basic spots of the Balkan economy that are difficult to identify and are impregnable to the foreign investors in combination to the unsteady social, political and financial Balkan environment prevent the development of commercial and investing bonding with Greece.

And although Greece owns the privilege in the Balkan scene, the above reasons prevent its domination to the area.

4.5 The case of the Hellenic Plan for the Economic Reconstruction of the Balkans (HiPERB)

Greece has committed itself to allocate annually 0.20% of its Gross Domestic Product (GDP) to international development aid, as it is obliged by the European Union as a member state.

Greece has drawn up a Year Program of Hellenic Development Aid for the period 2002-2006. An important part of this program is the Hellenic Plan for the Economic Reconstruction of the Balkans (HiPERB). The participants countries are: Albania (49.89 million €), Bosnia and Herzegovina (19.53 million €), Bulgaria (54.79 million €), the Federal Republic of Yugoslavia (265 million €), the Former Yugoslav Republic of Macedonia (74.84 million €) and Romania (70.93 million €).
The HiPERB is a five-year plan aiming to the financing of projects, investments and activities in the Balkan countries. Its long-term targets are to modernize infrastructures, promote productive investments, support democratic institutions and the rule of law and the training of manpower. Its ultimate goal is, therefore, to contribute to the political, economic and social stability in the entire region of South-Eastern Europe and generally create the appropriate conditions for the areas strength so to motivate foreign investors in the Balkan fields.

The HiPERB can be regarded as the first effort made by Greece as a donor country to incorporate various separate development aid initiatives into a single comprehensive plan so as to promote an integrated development policy. (1)

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1 www.mfa.gr
CHAPTER 5

COMMERCIAL RELATIONS BETWEEN GREECE AND THE BALKANS

5.0 General

Greece—as the most developed country in the Balkan Peninsula—, aims, through the development of commercial relations with the Balkan countries, to create and support the need of foreign direct investments in the area so in the future to spread in the Balkan scene and soon to grow and reach the west financial model.

As Cernat L. and Vranceanu R have said, the cooperation of the Balkan countries, in the commercial sector, presumes the approach of their financial systems and the broadening of their contacts in all levels so to achieve the flourishing of the inter Balkan commerce.

“The countries of the wider Balkan area are separated in three groups, as far as the percentage of their participation in the inter- Balkan commerce is concerned (imports- exports with other Balkan countries)” (1)

The first group consists of countries with the most powerful presence in the Balkan commercial scene thus as Former Yugoslavian Republic of Macedonia, Federal Republic of Yugoslavia, Albania and Bulgaria. But the serious financial problems that the above countries have to face, prevent them from developing relations with the western markets which results to the maintain of the traditional Balkan commercial bonds. (Rosenstein-Roden P.N)

The second group contains Greece which has presented a more developing commercial activity—especially in the ‘90s decade—among countries of the first group mentioned above. That is because Greece is regarded as the most interesting country in the Balkans from the financial and investing point of view.

Romania belongs to the third group because its low commercial relations in the Balkan.

The following table presents the trade relations between Greece and the Balkan countries for the period 1993-19997:

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1 Nautemboriki, Tuesday 22 of May 2000, Ilias Fegas
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<td>Exports</td>
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<td>447</td>
<td>324</td>
<td>314</td>
</tr>
<tr>
<td>Imports</td>
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</tr>
<tr>
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<td>-37</td>
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<tr>
<td><strong>Federal Republic of</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yugoslavia**</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Exports</td>
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<td>0</td>
<td>21</td>
<td>91</td>
<td>68</td>
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<td><strong>Former Yugoslavian</strong></td>
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<tr>
<td>Republic of Macedonia**</td>
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<tr>
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<td>60</td>
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<td><strong>Romania</strong></td>
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<td>Exports</td>
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<tr>
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<td>93</td>
<td>134</td>
<td>144</td>
<td>197</td>
</tr>
<tr>
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<td>23</td>
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<td>46</td>
<td>30</td>
<td>-22</td>
</tr>
</tbody>
</table>

*Source: N.S.S.G, Economicos Tachydromos magazine Values in mil. $*

The table provides us the necessary data to make some simple graphical presentation of the exports/imports of Greece with the Balkan countries in total and with each one of them separately. In the graphs also appears the exports and the imports trends for the critical period which followed the political changes in all the formerly known as socialistic countries.

The first graph below shows the Greek-Balkan commerce in total figures for the period 1993-97 according to the above table.
5.1 Commerce with Bulgaria

There are two stages of development in the after-socialistic external commerce in Bulgaria as Glaister K.W and Atanasova support. In the first stage that is from 1989 till 1993 there was a decrease in the exports of final products and an increase in the imports of first row materials. In the same period, there was an increase in the imports of consuming and final industrial products, and a decrease in the exports volume by 76% to the countries of Eastern Europe and by 80% to Russia.

During the second stage which is from 1994 and till today, there was an upward development of exports towards the countries of the European Union. In the same period imports were decreased as a result of the decrease of the consuming level.

“The imports of the country were up to 4.995 million $ in 1998. The first position takes Russia from which was imported products valued 1.003 million $. Germany follows in the second position with imports of 686 million $, and Italy owns the third position with imported value of 385 million $. Greece is behind with 295 million $ and then France is in the fifth place with imports of 227 million $. USA, Ukraine, Turkey, Great Britain, Holland and Check Republic are following.”(1)

---

1 www.dipek.gr
In the same year the exports of the country were up to 4293 million $ and were mainly to Italy, Germany, Greece and Turkey.

In the last years Bulgaria is one of the most basic trade partners of Greece. The most popular branches for importing products to Greece from Bulgaria are metals, chemical-plastic, wood-paper, garments and non metallic mines. Some other products imported to Greece are animals, electric energy, and transportation means. *(evidence found on www.dipek.gr)*

Greece exports to Bulgaria spinner products, garments, machines and also non metallic mines’ products. *(www.mfa.gr)*

Bulgaria is committed to the GATT arrangement to secure stability in its trade relationships. Therefore for the transportation of some products special permission is required. These products mainly are precious metals or protected agricultural species.

There are seven zones of free market in Bulgaria that can be used by foreigners. The dealings in the zone use foreign currency. As long as the products are in the zones they do not have taxes. *(according to Madytinos Z)*

In the following table we can see the commercial relations of the two countries for the years almost immediately after the big political change of the 1989.

**Greek-Bulgarian commerce during 1993-97 (mil. US $)**

![Graph](source: Data of table in p.34)
5.2 Commerce with Romania

As in all the former socialistic countries, the foreign exports of Romania had a real tough progress with continuously decreasingly tensions till the last years where there was a slight improvement. (according to Haralanova Ch)

The most commercial relationships of Romania are with member states of the European Union. “It is characteristic that a percentage of 82, 2% in exports and a percentage of 83,7% in imports was to and from European countries during 1998” (1). Romania tries to broaden its commercial activities as it develops closer relations with the European countries the last few years. More specifically, a 64,5% of the exports is towards European nations and a 57,7% percentage of the country’s imports, derives from Western Europe. Oppositely, the country’s transactions with countries of eastern Europe, Africa and central east Asia are decreasing and commercial bonds with USA and Asia are fluctuating by times.

Italy, Germany, France, Great Britain, Holland and of course Greece are some of the main trade partners of Romania. “In 2001, Greece owns the eleventh position, in exports (2, 43% of Romania’s total exports) and the thirteen position in imports (1,73% of the country’s total imports). (2) There are many potential for commercial flourishing between Greece and Romania but remain unutilized. Rosenstein-Roden P,N has also mentioned the following problems that exist:

1. decrease in the purchase power of the Romanian people
2. underestimation of the quality of the Romanian products
3. inability in carrying out orders from Romanian suppliers because of the existence of articulated problems

The majority of Romanian exports to Greece the last five years, concern metals, electric machines, live animals, products made of woods, and plastic and chemical products.

At the same period, Greece exports to Romania mainly are food, vegetables, drinks, tobacco and also metals and machines.

1,2 www.dipek.gr
Trying to increase its trade balance, Romania pursues its participation in international organizations such as GAAT and CEFTA.

The taxation of the country is following the European suggestions although there are some exceptions such as guns or radiation products.

The following graph shows the Greek-Romanian commerce for the 1993-97 period.

**Greek-Romanian commerce during 1993-97 (US $)**

![Graph showing Greek-Romanian commerce between 1993 and 1997](source: Data of table in p.34)

5.3 Commerce with Albania

“Albania passed through many reformations in its commercial sector. Within a few years the country’s economy from a controlled close type of commerce managed to transfer to the economy of the market. The commercial status quo of the country is liberal but its experience on matters of internal and external commerce is still poor” (Kitromilides P.). Albania spends on exports huge amounts of the country’s exchange something that can harm seriously the national economy. The inexperience of the country was also obvious when Albania tried to wide the commercial horizons in the developed international markets. Under such conditions the blossom of smuggling did the situation worst.

Albania cooperates commercially and exports products mainly to countries of the European Union. From the Balkan countries, Greece owns the first position in trade
relations with the country. Nevertheless the exports from Albania to Greece are maintained in low levels. Main sectors that are most popular in Albanian exports are garments, food, metals. It should be mentioned that the majority of the exports volume from Albania, derives from Greek enterprises that have invested there.

“Albania imports from Greece food, metals, fuels, flour products drinks fruits, chemical and plastic products and cement”. (www.wickepedia.com)

Below we see the graph that presents the commercial relation of Greece with Albania for the 1993-97 periods.

**Greek-Albanian commerce during 1993-97 (mil.US $)**

![Graph showing commercial relation between Greece and Albania from 1993 to 1997.](source)

*Source Data of table in p. 34*

### 5.4 Commerce with Former Yugoslavian Republic of Macedonia (FYROM)

Undoubtedly the basic trade partner of FYROM is the European Union and especially its member states Germany, Italy and Greece. Greece, with the increasingly tension of exports during the last years and with the end of the embargo in 1995, develops commercial relations with FYROM and gains the third position as a partner in the European competition. FYROM has made clear its interest for further cooperation with Greece. Greece on its side, take advantages of the FYROM’s good will and with the privilege of its natural position aims to develop bonds and investing potentials with this Balkan country. The basic problem that Greece has to face is the competition of the other neighbor countries such as Turkey, Slovenia and Italy.
FYROM’s exports refer to convertible products with a percentage of 60%, transportation means with a percentage of 8%, drinks and foods with a percentage of 13.4%, tobaccos with a percentage of 13%.
The Greek businesses exports to the FYROM basically metals, foods, chemical-plastic products and machines. (www.mfa.gr) It should be mentioned in this point that the commercial relations between Greece and FYROM are favored because of the following reasons as Madytinos Zisis has said:

1) The Greek exports, do not face strong competition from the western Europe enterprises
2) FYROM’s enterprises could not afford product disposal in their market thus they support Greek suppliers
3) The FYROM’s consumers are familiar and support the Greek products

FYROM achieved great progress in the sector of free market agreements. Is a member of the GATT and has also signed free market agreements with Slovenia, Croatia and FRY, and cooperation axis with the European Union.

“After the end of the embargo and in spite all the legislative and articulating problems, the bonds between FYROM and Greece got tighter” said Rosenstein-Roden P.N

An additional graph of Greek-Fyrom commercial relations during the period 1993-97 is shown below.

**Greek- Fyrom commerce during 1993-97 (mil.US $)**

*Source: Data of table in p.34*
5.5 Commerce with Federal Republic of Yugoslavia (FRY)

“The dramatic incidents of the last decade such as the civil war in the early nineties, the war of '99 and the financial embargo, were the main factors that prevented the development of international commerce relationships in the wider area of FRY”. (Michalopoulos C). Thus there are not specific data of the foreign trade of the country.

In this unstable social, financial and political clime, only Greece managed to maintain the best possible relationships with FRY. The humanity help during war periods indicates the warm relations between the two countries. As far as the commercial bonding is concerned, FRY’s main partners besides Greece are Russia, Germany, Italy and Austria. The main products that are exported from FRY are shoes, copper, car elastics and pharmaceutical products. FRY, imports petroleum, cars, natural gas and specially from Greece, cotton.

It should be underlined that in the years 1992, 1993 and 1994 FRY –because of the dramatic events of that period- had none trade relations with Greece. (www.mfa.gr) The taxation had no made any progress. Imported products are separated in three different categories:

a. Products that can be imported free
b. Products that can be imported in a specific quantity
c. Products that can be imported only by special permission (www.dipek.gr)

The above divisions do not have force in exported goods. A last measurement that is familiar in other Balkan countries is the establishment of free market zones in FRY as well, with different rules but with a common aim, the broadness of commerce.

The development of commercial relations not only with FRY but with all the above mentioned Balkan countries depends on Greece’s effort, to further investing and expanding in the Balkan Peninsula.

The diagram of the commercial relations of Greece with Fry is bellowing.
Greek-FRY commerce during 1993-97 (mil. US $)

Source: Data of table in p. 34
CHAPTER 6

FOREIGN DIRECT INVESTMENTS

6.0 General

“Foreign direct investment (FDI) is investment of foreign assets into domestic structures, equipment and organizations and does not include foreign investments in the stock market” as Hunter J.R said. From another face of view as Nedanovski P said, FDI can also be regarded as a measure of foreign ownership of productive assets, such as land, factorises ect. According to Balance of Payments Manual: Fifth Edition (BPM5), FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. The increase of foreign direct investment results to the grow of economic globalization. FDI can also be characterized as the movement of capital across national frontiers in a manner that grants the investor control over the acquired asset.

The strong competition among developed and developing countries, created the need of foreign direct investment (FDI). Thus, several reforms and strategies have been implemented to help the countries to attract FDI and improve their general business environment. These methods according to Sengenberger W. are aiming to:

- Provide targeted fiscal incentives, such as tax concessions, cash grants, and specific subsidies
- Improve domestic infrastructure
- Promote local skills development to meet investor needs and expectations;
- Establish broad-reaching FDI promotion agencies
- improve the regulatory environment

For a firm, a business, an enterprise, to approach a foreign investment has many benefits, some of which are mentioned below:

- “gain a unique position in the new geographical market
- raise worldwide the businesses competitiveness
- scale up productivity by filling the gaps of the firm’s product line in a global industry
reduce productivity and distribution costs” (Pournarakis M.)

But also an FDI can be itself more attractive and appealing because of the below factors based on Borensztein, Gregorio and Lee:

- provides stability to the economical, social and political environment
- provides access to natural resources
- long term market can be achieved in domestic areas
- low cost productivity by skilful labour

6.1 Types of FDI

There are several kinds of FDI (according to www.wickepdia.com and www.fdi.com):

By Direction
1. *Inward FDI*: is when foreigner investors, invest their capital on local resources
2. *Outward FDI*: is the opposite from above where local capital is invested on foreign resources.

Horizontal FDI: the horizontal direct investments refer to investments of the same enterprise, business, firm in another country, as a firm operates in at home.

Vertical FDI
1. *Backward Vertical*: is when a business that is located in another country, supply inputs to the productivity process of a domestic firm
2. *Forward Vertical*: is when a business that is located in another country, sells the outputs of an enterprise’s domestic production

By Target
1. *Greenfield investment*: direct investment in new facilities or the expansion of existing facilities. Greenfield investments are the primary reason for the host nation’s promotional efforts because they aim to the reduction of productivity and jobs, transfer technology and know-how, and can lead to linkages to the global marketplace. Greenfield investments refer and intent to investments in the developing countries.
2. *Mergers and Acquisitions*: usually caused by the transfer of existing assets from local firms to foreign enterprises. When the assets and operation of firms from...
different countries are combined to establish a new legal entity, cross-border mergers occur. Cross-border acquisitions occur when the control of assets and operations is transferred from a local to a foreign company. Mergers and acquisitions are the principal mode of investing in developed countries.

**By Motive:**

1. *resource-seeking*: refers to investments that aim to gain factors of production which are more practical than those available in the home economy of the firm.
2. *market-seeking*: refers to investments that aim to pervade markets or to the already existing ones.

### 6.2 FDI: POSITIVES AND NEGATIVES

The role of FDI in promoting, growth and development has never been corroborated. It is regarded by developing countries that other capital flows are more reliable and predictable than the FDI. Feldstein (2000) and Razin and Sadka (forthcoming) note that the gains to host countries from FDI can take several other forms:

According to Vaknin S., FDI allows new technology and the “know how” transfer that cannot be achieved through financial investments or trade in goods and services. Varkin also said that FDI can also provide the development of domestic suppliers that lead to the competition in the domestic input market and to the reduction of unemployment. Recipients of FDI often gain employee training in the course of operating the new businesses, which contributes to human capital development in the host country. Also FDI contributes to increase the capital investment and has a positive influence on the balance of payments.

Of course there are some negative spots that derive from FDI actions. FDI support the domination of the industrial sectors in the domestic markets something that displaces the other two main sectors of the productivity line. A second disadvantage of the FDI activities is the technological dependence on foreign technology sources that is unfamiliar and strange. The disturbance of the domestic economic plans and the cultural change that was caused by the invasion of foreign cultural elements are also potential negatives that leave the foreign direct investments (*Vaknin S.*).
6.3 Investment Factors

For FDI actions to be successful and profitable there are some important factors that should be followed.(based on reviews of Hunter J.R, Luiz R, Pournarakis M.)

1. nations to posses a commercial code
2. nations to posses clear customs and procedures
3. political and economical stability
4. size of domestic market
5. corruption shortage
6. repatriations of currencies
7. quality of host management
8. availability of land
9. favourable tax code

6.4 The role of a specialized agency in attracting FDI

The role of a specialized agency is of heavy importance for both countries that are involved. “The basic duty is to create foreign investment activity and interest by reinventing the most suitable partners and to provide them empirical management skills. Also an agency should be awareness of the FDI activities, and create a suitable domestic climate for them. Finally it should underline FDI chances and opportunities and also provide general information that refer to the taxation, legislative, administrative or other regulations.” (Sergi.B)

6.5 Statistical analysis of Foreign Direct Investments in Greece

6.5.1 Foreign Direct Investments in Greece-Analysis of Inflows

The entrance of Greece in the monetary policy didn’t have the expected results according to the attractiveness of FDI. In 1982 there was a short-time rise of FDI which fell in the early 80’s. This caused the socialistic government at that period to
have a conservative approach towards foreign investors (Mardas and Varsakelis, 1994).

In the following years this changed. Greece tried to decrease inflation and liberate the banking system. That resulted an annually decrease of FDI inflows of 27.4%. In the early 90’s the political and social changes, resulted a 40.8% raise compared to the previous years level. From then FDI inflows raise rapidly towards the years reaching 1.1 billion USD by the entrance of the new century. Unfortunately the international economical crises hurts Greece, and the FDI inflows dramatically falls to 50million USD. (Labrianidis L)

Table 1: FDI Inflows In Greece

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI</th>
<th>% change</th>
<th>Year</th>
<th>FDI</th>
<th>% change</th>
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<td>1988</td>
<td>599.2</td>
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<tr>
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<td>1989</td>
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</tr>
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<tr>
<td>1986</td>
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<td>5.6</td>
<td>2002</td>
<td>50.0</td>
<td>-96.9</td>
</tr>
</tbody>
</table>

*Source*: Greece in the International Investment Market, IOBE, Greece, 2004
The FDI outflows image presents Greece as the most developed country of the Balkan area. And as known Greece is the only member country of the European union connected to the Balkan region. (Labrianidis L. 2004) The last decade Greece’s investing activities in the south-eastern Europe give the country the premium to be characterized as the most developed one in the area. Firms, enterprises and businesses, expanded in the Balkan peninsula. The peoples and the governments of the countries of south-eastern Europe and the Black Sea, welcome the Greek presence and see it as a useful means towards achieving their aims for a closer economic integration of their economies with Western economic structures (Salavrakos and Petrochilos, 2003). Today the host countries of the Greek outflows are Romania, Bulgaria, Albania and Fyrom.

Table 2: FDI Outflows In Greece

(In mil.USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI</th>
<th>% change</th>
<th>Year</th>
<th>FDI</th>
<th>% change</th>
</tr>
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<tbody>
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<tr>
<td>1983</td>
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<td>5,6</td>
<td>2002</td>
<td>50</td>
<td>-96,9</td>
</tr>
</tbody>
</table>

Source: Greece in the International Investment Market, IOBE, Greece, 2004
6.5.3 Foreign Direct Investments in Greece—Analysis of Inward Stock

During the 90’s, Greece’s role in the capital mobility was poor, as it is presented by the FDI inward stock raise. The Inward stock in Greece present on stock on average, that equals almost 9% of a country’s GDP one of the lowest in EU. (unctad 2003, The World Investments Report)

Table 3: FDI Inward Stock

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock (mil USD)</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>1990</td>
<td>5600</td>
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</tr>
<tr>
<td>1995</td>
<td>10900</td>
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</tr>
<tr>
<td>2000</td>
<td>12500</td>
<td>11,0</td>
</tr>
<tr>
<td>2001</td>
<td>12000</td>
<td>10,0</td>
</tr>
<tr>
<td>2002</td>
<td>12100</td>
<td>9,0</td>
</tr>
</tbody>
</table>

Source: Greece in the International Investment Market, IOBE, Greece, 2004

Table 4: FDI Inward Stock as a percentage of GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>9,3</td>
<td>6,7</td>
<td>11,2</td>
<td>10,2</td>
<td>9,0</td>
</tr>
<tr>
<td>Turkey</td>
<td>12,9</td>
<td>7,4</td>
<td>9,6</td>
<td>11,9</td>
<td>10,2</td>
</tr>
<tr>
<td>Un.Kingdom</td>
<td>11,8</td>
<td>20,6</td>
<td>30,5</td>
<td>38,6</td>
<td>40,8</td>
</tr>
<tr>
<td>Eur.Union</td>
<td>6,1</td>
<td>10,9</td>
<td>28,5</td>
<td>30,5</td>
<td>31,4</td>
</tr>
<tr>
<td>Development Countries</td>
<td>4,9</td>
<td>8,2</td>
<td>16,5</td>
<td>17,9</td>
<td>18,7</td>
</tr>
<tr>
<td>World</td>
<td>6,7</td>
<td>9,3</td>
<td>19,6</td>
<td>21,2</td>
<td>22,3</td>
</tr>
</tbody>
</table>

Source: UNCTAD, 2003
6.5.4 Foreign Direct Investments in Greece—Analysis of Outward Stock

The one third of the FDI outward refers to commercial goods, manufacturing sector as the second third refers to chemicals etc. The last third refers to the banking sector and other organizations. (*unctad 2003, The World Investments Report*)

Table 5: FDI Outward Stock as a percentage of GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>6.0</td>
<td>3.5</td>
<td>5.2</td>
<td>5.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>-</td>
<td>0.8</td>
<td>1.8</td>
<td>2.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Un.Kingdom</td>
<td>15.0</td>
<td>23.2</td>
<td>63.1</td>
<td>63.4</td>
<td>66.1</td>
</tr>
<tr>
<td>Eur.Union</td>
<td>6.1</td>
<td>11.6</td>
<td>37.9</td>
<td>40.0</td>
<td>41.0</td>
</tr>
<tr>
<td>Development Countries</td>
<td>6.2</td>
<td>9.6</td>
<td>21.4</td>
<td>23.0</td>
<td>24.4</td>
</tr>
<tr>
<td>World</td>
<td>5.8</td>
<td>8.6</td>
<td>19.3</td>
<td>20.4</td>
<td>21.6</td>
</tr>
</tbody>
</table>

*Source: UNCTAD, 2003*

6.5.5 Foreign Direct Investments in Greece—Analysis of Mergers and Acquisitions

Greece didn’t take advantage of the mergers and acquisitions and that’s because was effected by the blast of M&A that took place in the 90’s. Then Greek domestic programs of privatization didn’t attract the investors. Oppositely they used to sale the shares to companies. Greece’s framework was basically focused on the attractions of foreign institutions than investors. (*unctad 2003, The World Investments Report*)

Table 6: Mergers and Acquisitions—border sales

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>50</td>
<td>493</td>
<td>99</td>
<td>21</td>
<td>191</td>
<td>245</td>
<td>1854</td>
<td>65</td>
</tr>
<tr>
<td>Turkey</td>
<td>188</td>
<td>370</td>
<td>144</td>
<td>71</td>
<td>68</td>
<td>182</td>
<td>1019</td>
<td>427</td>
</tr>
<tr>
<td>Un.Kingdom</td>
<td>36392</td>
<td>31271</td>
<td>39706</td>
<td>91081</td>
<td>132534</td>
<td>108029</td>
<td>68558</td>
<td>52958</td>
</tr>
<tr>
<td>Eur.Union</td>
<td>75143</td>
<td>81895</td>
<td>114591</td>
<td>187853</td>
<td>357311</td>
<td>586521</td>
<td>212960</td>
<td>193942</td>
</tr>
<tr>
<td>Development Countries</td>
<td>163950</td>
<td>187616</td>
<td>232085</td>
<td>443200</td>
<td>679481</td>
<td>1056059</td>
<td>496159</td>
<td>307793</td>
</tr>
<tr>
<td>World</td>
<td>186593</td>
<td>227023</td>
<td>304848</td>
<td>531648</td>
<td>766044</td>
<td>1143816</td>
<td>593960</td>
<td>369789</td>
</tr>
</tbody>
</table>

*Source: UNCTAD, 2003*
Table 7: Mergers and Acquisitions-border purchase

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>-</td>
<td>2</td>
<td>2018</td>
<td>1439</td>
<td>287</td>
<td>3937</td>
<td>1267</td>
<td>139</td>
</tr>
<tr>
<td>Turkey</td>
<td>19</td>
<td>356</td>
<td>43</td>
<td>4</td>
<td>88</td>
<td>48</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Un.Kingdom</td>
<td>29641</td>
<td>36109</td>
<td>58371</td>
<td>95099</td>
<td>214109</td>
<td>382422</td>
<td>111764</td>
<td>69220</td>
</tr>
<tr>
<td>Eur.Union</td>
<td>81417</td>
<td>96674</td>
<td>142108</td>
<td>284373</td>
<td>517155</td>
<td>801746</td>
<td>327252</td>
<td>213860</td>
</tr>
<tr>
<td>Development Countries</td>
<td>173139</td>
<td>196735</td>
<td>269276</td>
<td>508916</td>
<td>700808</td>
<td>1087638</td>
<td>534151</td>
<td>341116</td>
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<tr>
<td>World</td>
<td>186593</td>
<td>227023</td>
<td>304848</td>
<td>531684</td>
<td>766044</td>
<td>1143816</td>
<td>593960</td>
<td>369789</td>
</tr>
</tbody>
</table>

Source: UNCTAD, 2003
CHAPTER 7

FDI BETWEEN GREECE AND THE BALKAN

7.0 Foreign Direct Investments

The opening of the Balkan market in the early nineties, created the premises of investing activities in the area considering that the consumers power has great developing potentials. Greece owns a perceptibly position with popular investments such as Delta, Neoset, Goody’s, Intracom and several more.

The Balkan market can be characterized as “the new investing heaven” as on the one hand it has a plethora of wealth sources and on the other it has great lack of basic products and services.

According to Fabry N and Zeghnii S, the unstable political, financial and social situation with the non existing legislative system, the unclear taxes measurement, the much bureaucracy, the organized crime, the weak transportation and communication networks and other shortages of this kind can harm the foreign investor and prevent the area’s development.

In spite all the above, Greece has made a number of foreign investments in countries of the Balkan Peninsula. Of course the sadly events and the wars of the last years in some Balkan countries, caused damaged to some Greek investments.

Today many Greek businesses examine the Balkan fields so to expand and to develop their investments. (Louri H.Papanastasiou M., Lantouris J.) And despite all the difficulties, today Greek private direct investments are covering 27% of the total of direct investments in Albania, are second in importance in Bulgaria, totalling $1.5 billion, while during the last decade Greek direct investments reaching 1 billion euros in Bosnia-Herzegovina, to 720 million euros in Serbia-Montenegro in which the invested capital of Greek origin comes to 1.2 billion euros, and to $1.3 million in Croatia, while they came to 700 million euros in FYROM and created 9000 jobs where Greece is the top investor, and finally fifth among the important Romanian investors. (www.bridge-mag.com)
In the following tables the foreign direct investments of the Balkan countries and the highest Greek investments in each Balkan country is presented:

The Foreign Direct Investments

<table>
<thead>
<tr>
<th></th>
<th>Net FDI inflows as % of 2001 GDP</th>
<th>Net FDI stock as % of 2000 GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALBANIA</td>
<td>5%</td>
<td>15,4%</td>
</tr>
<tr>
<td>BULGARIA</td>
<td>5%</td>
<td>26,4%</td>
</tr>
<tr>
<td>FYROM</td>
<td>13%</td>
<td>10,9%</td>
</tr>
<tr>
<td>ROMANIA</td>
<td>3.1%</td>
<td>17,7%</td>
</tr>
<tr>
<td>FRY</td>
<td>-*</td>
<td>-*</td>
</tr>
</tbody>
</table>

*Sources: by the World Bank, World Development Indicators Database
* not found

The highest Greek investments in each Balkan country

<table>
<thead>
<tr>
<th>country</th>
<th>firm</th>
<th>branch</th>
<th>High/mill $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>K.I.Sarantopoulos</td>
<td>constructions</td>
<td>---</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>OTE-KPN</td>
<td>communications</td>
<td>510</td>
</tr>
<tr>
<td>Federal Republic of Yugo</td>
<td>------</td>
<td>------</td>
<td>---</td>
</tr>
<tr>
<td>FYROM</td>
<td>Greek Oil</td>
<td>strainer</td>
<td>----</td>
</tr>
<tr>
<td>Romania</td>
<td>romtelecom</td>
<td>communications</td>
<td>675</td>
</tr>
</tbody>
</table>

*Source: Economicos Tachidromos,magazine, May 2000*
7.1 Bulgaria

The Bulgarian legislative system for foreign direct investments provides equal benefits of financial activities both to Bulgarian people and to foreign investors. As Glaister and Atanasova support, foreign direct investments do not require any special permission unless they refer to the following categories:

- Investments of military industry
- Investments in banking and insurance sector
- Land market in areas that are defined from the cabinet council
- For research, development, utilization of natural sources

The system includes special privileges for countries that have signed treaties with Bulgaria and supports them.

Expropriation of foreign property can happen only in cases of special governmental needs. In such cases the investor is compensated either by other property or by cash. There are basic motives for Greece expanding its foreign investments in Bulgaria. “The facts that both countries are bordering, the nearby distances, the prompt communications are some of the most important reasons to support this investing expansion. The low level of the cost of manpower in combination to their satisfying performance level, are also basic benefits to attract a future investor. Another privilege is that the consumer society in Bulgaria is familiar with Greek products and supports the Greek industries in the area.” Said Gligorov V.

It should be mentioned that in the last few years Bulgaria has signed over 48 agreements of cooperation with foreign investors.( based on Haralanova Ch.) The programme of privatization has also been increased in a percentage of 70% and measures are taken, so to avoid taxation in foreign direct investments. “The country has signed a three years agreement with the National Monetary Fund for assistance of 860 million $ so to support the national exchange of investments. The commercial relations that Bulgaria maintains with countries of the former Soviet Union, gives privilege to Greek businesses which are interested to develop trade relations with the black sea countries.”(1)

---

1 Express, April 2001, p12, interview ambassador ILKO SHIVACHEN
A general picture of the Bulgarian economy and especially of the FDI inflows from various countries is presented in the following schema where we can see the progress of this country.

According to the Bulgarian Department of foreign investments, the Greek investing capital comes up to 77, 2 million $, and places Greece to the eleventh position of foreign investors.

Greek investors in Bulgaria are activated in all sectors of economy, with highly preference in the food sector and in the garment sector. The Greek enterprises that are activated in the country are about 450, with a manpower of 45,000 people. Other sectors also are dealing with aluminium, paper, communicative material, tobacco. “Of great importance is the presence of Greek banks in Bulgaria. In the capital city there are branches of Xios –bank, Ionian and National Bank. Emporiki Bank participates in the Bulgarian Bank of Investments with a percentage of 32 %” (1)

“The Greek Organization of Communications (OTE) and the Holland KPN leveraged the Bulgarian organization of telecommunications which was the highest investment in the country” said Haralanova Ch. Other Greek investments in the area are 3E, Delta, Titan Ltd., Intracom, Chipita, Nikas and more.

Of course there are some business dangers that affect the investments. The social and political instability, the corruption that exists in all sectors of everyday life, the deficiency in the banking system and the bulky state mechanism prevent foreign direct investments. (thoughts of Petrakos G, 2002)

Especially for Greece, the investing interest from countries of higher investing activity and with bigger enterprises is a threat that the Greek investors should face so

---

1 www.dipek.gr
to achieve qualitative and long-term direct investments. However Greek investors managed to expand in Bulgaria as follows:

The 20 biggest investments of Greece in Bulgaria

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Firm in Bulgaria</th>
<th>Activity</th>
<th>Amount in mil €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>OTE-KPN</td>
<td>TELECOMMUNICATIONS</td>
<td>510</td>
</tr>
<tr>
<td>2</td>
<td>BREWINVEST</td>
<td>DRINKS' INDUSTRY</td>
<td>40.3</td>
</tr>
<tr>
<td>3</td>
<td>EUROFINENXE</td>
<td>BANKING</td>
<td>38</td>
</tr>
<tr>
<td>4</td>
<td>YIOULA</td>
<td>GRASS INDUSTRY</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>COMMERCIAL BANK</td>
<td>BANKING</td>
<td>6.5</td>
</tr>
<tr>
<td>6</td>
<td>THRACE PAPER MILLS</td>
<td>PAPER INDUSTRY</td>
<td>6.4</td>
</tr>
<tr>
<td>7</td>
<td>FLORINA</td>
<td>SOFT DRINKS</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>DELTA</td>
<td>DAIRY PRODUCTS</td>
<td>5.55</td>
</tr>
<tr>
<td>9</td>
<td>CHIPITA</td>
<td>SNACK FOOD</td>
<td>5.55</td>
</tr>
<tr>
<td>10</td>
<td>KAPNIKI MICHAILIDIS SA</td>
<td>TOBACCO</td>
<td>5</td>
</tr>
<tr>
<td>11</td>
<td>NATIONAL BANK OF GREECE</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>12</td>
<td>TITAN</td>
<td>CEMENT INDUSTRY</td>
<td>4</td>
</tr>
<tr>
<td>13</td>
<td>INTRACOM</td>
<td>TELECOMMUNICATIONS</td>
<td>3.58</td>
</tr>
<tr>
<td>14</td>
<td>NIKAS</td>
<td>FOODS</td>
<td>3</td>
</tr>
<tr>
<td>15</td>
<td>ALPHA BANK</td>
<td>BANKING</td>
<td>3</td>
</tr>
<tr>
<td>16</td>
<td>GOODY’S</td>
<td>FOODS/RESTAURANT</td>
<td>2.1</td>
</tr>
<tr>
<td>17</td>
<td>MICHANIKI SA</td>
<td>CONSTRUCTIONS</td>
<td>1</td>
</tr>
<tr>
<td>18</td>
<td>HELLENIC BOTTLING/COMPANY GROUP 3E</td>
<td>DRINKS</td>
<td>*</td>
</tr>
<tr>
<td>19</td>
<td>EUROBANK</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>20</td>
<td>ALUMIL MYLONAS SA</td>
<td>METALS</td>
<td>*</td>
</tr>
</tbody>
</table>

7.2 Romania

The financial and political stability of the country has increased the development of foreign direct investments during the last years, and made Romania the most popular Balkan country to future foreign investors. However, the country’s foreign investments remain in lower level than those of Hungary and Czech Republic. Thus, of first priority for the Romanian government is the attraction of foreign capital, technological transfer and know-how. (according to Sergi B.)

Romania concentrates a number of advantages, appealing to foreign investors:

a. “A market of 23 million consumers (second bigger market among countries of central Europe)

b. a strategic geographical position

c. easy transportations either by sea or river (Constanza’s port, Rinos-Main-Danube Channel)

d. a plethora of natural sources

e. specialized cheap manpower”(1)

Besides the above advantages, Romanian market supplies some basic motives to attract the foreign capital. More specifically, foreign investors are free from taxation on imports that concern property elements (that contribute to the capital of the business) or technological equipment. The Romanian system also provides the right to foreign businesses, to deduct the pay off cost from the taxed profits, the advertising cost from the before tax profits and the liquidation cost of the year from profits of the five next years. Another important motive is the financial aid that the country gets from European programs such as PHARE so to assist and support its foreign investing activity. (according to Markusen J. and Venables A.)

In Romania, -as in the most Balkan countries-, there are some serious dangers that threat the foreign investors’ interests. “The financial transformations, the problematic relations with the neighbour Hungary, the international insolvency of the country, the promissory note danger, the bureaucracy, the lack of enterprising culture and the instability of the microeconomic frameworks of the country, are the main

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(1) Source: Kerdos, 9/5/2000, V.Takas
problems that prevent future investors to act in Romania” said Pournarakis M and Varsakelis N..

In the diagrammatical presentation below the FDI inflows, the GDP growth and the merchandise trade are presented.

![Diagram of FDI inflows, GDP growth, and merchandise trade]

Romania is a very popular field for the Greek investors especially in the last five years. “More specifically, since September 2000 Greece possessed the sixth position among the countries that have invested in Romania with investments amounted of 494, 5 million $”. (1) It should be mentioned in this point that a great amount of Greek capitals has flown in Romania through foreign banks (Cyprus, Luxemburg, Ireland). That raises investments to 1, 2 billion $ and set Greece to the third position.

According to the Romanian chamber of commerce, a percentage of 58,3% of the Greek investments were in Bucharest, a 8,2% in Costanza and a 5,2 % in Timis area. The sectors that are more popular to Greek investors are presented below:

<table>
<thead>
<tr>
<th>sector</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>banking</td>
<td>17%</td>
</tr>
<tr>
<td>foods</td>
<td>20%</td>
</tr>
<tr>
<td>garments</td>
<td>9.5%</td>
</tr>
<tr>
<td>commerce</td>
<td>19%</td>
</tr>
<tr>
<td>communications</td>
<td>20%</td>
</tr>
<tr>
<td>services</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Romanian chamber of Commerce, register departmen

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1 Source: Kerdos, newspaper 10/12/2000, A.Bidiou
The enterprises of Greek interests in Romania are 1721. Though, only 600 of them remain active. Also, the invested capital of Greece reaches to 494 million $ but only 110 million $ concerns direct investments as the rest was invested by privatized businesses. According to the above elements, it is regarded that the Greek capitals in Romania owns a 7,6% percentage of the total foreign capitals and according to the number of Greek enterprises in the country, Greece owns a 2,5%. (Greek Embassy in Bucharest).

“The most important Greek investment was the purchase by the Greek Organization of Communications (OTE) % of the Romanian Organization of Communications, Romtelecom at a percentage of 35%. Biochalco (Greek cables) also purchased the biggest Romanian cable industry. Finally, Pireaus Bank purchased Pater Bank.”(1)

According to the above table (Table 1) the food sector is also very profitable. Businesses such as Crimline, Delta-Rom and Katselis have expanded in the Romanian area.

It should be mentioned, that during 1999 the government withdrew the investing motives so to cover the deficit in budget, that resulted to a dramatically decrease in the rate of investments. (based on Beata Smarzynska Javorcik)

Loan donation by the National Monetary Fund and privatizations, will improve even more the Greek-Romanian enterprising climate in the future.

In the following Table (Table 2) the twenty biggest investments in Romania are presented:

---

1 Economicos Taxydromos, magazine, 2000, G.Christoforides
The 20 biggest investments of Greece in Romania

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Firm in Romania</th>
<th>Name of Firm in Greece</th>
<th>Amount in mil €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ROMTELECOM</td>
<td>OTE</td>
<td>761</td>
</tr>
<tr>
<td>2</td>
<td>COCA COLA HBC ROMANIA</td>
<td>HELLENIC BOTTELING CO.3E</td>
<td>317.3</td>
</tr>
<tr>
<td>3</td>
<td>COSMOROM</td>
<td>OTE</td>
<td>165</td>
</tr>
<tr>
<td>4</td>
<td>LOULIS SA</td>
<td>LOULIS GROUP</td>
<td>80</td>
</tr>
<tr>
<td>5</td>
<td>ALPHA BANK ROMANIA</td>
<td>ALPHA BANK</td>
<td>41.96</td>
</tr>
<tr>
<td>6</td>
<td>BANCA ROMANESCA</td>
<td>NATIONAL BANK OF GREECE</td>
<td>41.63</td>
</tr>
<tr>
<td>7</td>
<td>INTRACOM.S.A</td>
<td>INTRACOM</td>
<td>38.8</td>
</tr>
<tr>
<td>8</td>
<td>DELTA ROMANIA SA</td>
<td>DELTA</td>
<td>38.44</td>
</tr>
<tr>
<td>9</td>
<td>ICME ECAB S.A</td>
<td>VIOCHALCO HELLENIC CABLES</td>
<td>30</td>
</tr>
<tr>
<td>10</td>
<td>BANC POST</td>
<td>EFG EUROBANK</td>
<td>29.3</td>
</tr>
<tr>
<td>11</td>
<td>CHIPITA ROMANIA</td>
<td>CHIPITA</td>
<td>28</td>
</tr>
<tr>
<td>12</td>
<td>DOLPHIN S.A</td>
<td>DOLPHIN</td>
<td>27.4</td>
</tr>
<tr>
<td>13</td>
<td>PIRAEUS BANK</td>
<td>PIRAEUS BANK</td>
<td>23</td>
</tr>
<tr>
<td>14</td>
<td>EMPORIKI BANK-ROMANIA</td>
<td>COMMERCIAL BANK OF GREECE</td>
<td>17.8</td>
</tr>
<tr>
<td>15</td>
<td>EGNATIA BANK ROMANIA SA</td>
<td>EGNATIA BANK</td>
<td>17.57</td>
</tr>
<tr>
<td>16</td>
<td>SOMETRA</td>
<td>MYTILINEOS HOLDING</td>
<td>15.69</td>
</tr>
<tr>
<td>17</td>
<td>ALUMIL-ROM INDUSTRY</td>
<td>ALUMIL HELLAS</td>
<td>15</td>
</tr>
<tr>
<td>18</td>
<td>GERMANOS TELECOM ROMANIA SA</td>
<td>GERMANOS</td>
<td>12.82</td>
</tr>
<tr>
<td>19</td>
<td>ELGEK A-FERFELIS ROMANIA</td>
<td>ELGEKA</td>
<td>10.8</td>
</tr>
<tr>
<td>20</td>
<td>STAR FOODS</td>
<td>RE-MI (EX TTASTZ FOODS)</td>
<td>10</td>
</tr>
</tbody>
</table>

*Source: www.hellas-oey.ro*
7.3 Albania

The Albanian law on foreign investments provides the same privileges to external as to internal investors on issues according to the establishment, the property and the control of the enterprise. “Investments in all sectors of the economy are allowed as far as the national security and the defence are not affected, while they benefit the environment and do not harm the public order, the health sector and the customs.”(1) Foreign direct investments are secured and protected- nationalization and expropriation is forbidden unless in special cases, where remuneration is given.

There are many motives for a foreign investor to act in Albania. According to Bastian J. the fact that Albania is connected to Greece is a special privilege as distances become shorter and communication, faster. The cheap manpower is another advantage for the ambitious Greek investors. For Greek businesses that use metals and minerals, the country’s plethora in row materials is a strong motivation for investing expansion. Finally, as tourism in Albania is of a low rate and Greece is a traditionally tourist country, investments on this sector would be profitable. In the table below, the evolution of the country’s FDI inflows, its GDP and merchandise trade is schematically presented.

Albania also provides tax free advantages.(www.mnec.gr). As Dunning mentions, “Greece is the second country-as far as the foreign direct investments are concerned-", that activates in Albania with a percentage of 25%-30% in total investments. In first place is Italy with a 50% share. There are about 250 Greek businesses in the country with investing capital of 110 million $. Most Greek

---

1 www.dipek.gr
investments are located in the south or south-east part of Albania-more specifically, Koritsa gathers the 26.4% of the investments, Agioi Saranta the 22.9% and Delvino a percentage of 4.6%.

The Greek presence is obvious in the constructive (GENER, ETANE, Themeliodomi ect.), banking (Alpha-bank), agricultural-industry (Kontely) and spinnery (Fanco) sectors.

The last years, Greek investors are also interested in businesses that are under privatization, such as the brewing of Tirana, cement-industries or companies of mobile phones. In the energy sector, DEI “is in negotiations with the Albanian government for utilization the hydroelectric power of river Aoos that crosses both countries” (greek ministry of foreign affairs)

However according to Ekholm K.and Markusen J.R there are many dangers-similar to those that exist in the other Balkan countries- that should be taken under consideration from the future investors. Besides the political instability of the country, the lack of banking experiences should be a problem to the bank opening in the free market. The insolvency of the new Albanian businessmen who do not go by the agreements, result to their cancellation and to a general problematic clime. In parallel, the free action of the Albanian mafia and the disable government-state urge businessmen to bribery so to achieve easier their activities.

Despite all the above problems, Greek investors managed to expand in the Albanian market. In the following table some of the great investors are presented:
## The 20 biggest investments of Greece in Albania

<table>
<thead>
<tr>
<th></th>
<th>Name of Firm in Albania</th>
<th>Activity</th>
<th>Amount in mil €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SARANTOPOULOS</td>
<td>CONSTRUCTIONS</td>
<td>*</td>
</tr>
<tr>
<td>2</td>
<td>ETAN OVERSEAS</td>
<td>CONSTRUCTIONS</td>
<td>*</td>
</tr>
<tr>
<td>3</td>
<td>GENER</td>
<td>CONSTRUCTIONS</td>
<td>*</td>
</tr>
<tr>
<td>4</td>
<td>ALBA DRINK</td>
<td>DRINKS</td>
<td>*</td>
</tr>
<tr>
<td>5</td>
<td>NATIONAL BANK OF GREECE</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>6</td>
<td>TIRANA BANK</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>7</td>
<td>ALPHA BANK</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>8</td>
<td>INTERCOMMERCIAL BANK</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>9</td>
<td>GLOBAL</td>
<td>OILS</td>
<td>*</td>
</tr>
<tr>
<td>10</td>
<td>KAPNIKI MICHLIDIS SA</td>
<td>TOBACCO</td>
<td>*</td>
</tr>
<tr>
<td>11</td>
<td>KAVEX TOBACCO INDUSTRY</td>
<td>TOBACCO</td>
<td>*</td>
</tr>
<tr>
<td>12</td>
<td>ALFAN</td>
<td>ATHLETIC GARMENTS</td>
<td>*</td>
</tr>
<tr>
<td>13</td>
<td>TEKMA</td>
<td>CONSTRUCTIONS</td>
<td>*</td>
</tr>
<tr>
<td>14</td>
<td>ALPHA CONSTRUCTIONS</td>
<td>CONSTRUCTIONS</td>
<td>*</td>
</tr>
<tr>
<td>15</td>
<td>ALPHA BANK</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>16</td>
<td>GOODY’S</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>17</td>
<td>MICHANIKI SA</td>
<td>CONSTRUCTIONS</td>
<td>*</td>
</tr>
<tr>
<td>18</td>
<td>HELLENIC PETROLEUM</td>
<td>OILS</td>
<td>*</td>
</tr>
<tr>
<td>19</td>
<td>THEMELIODOMI</td>
<td>CONSTRUCTIONS</td>
<td>*</td>
</tr>
<tr>
<td>20</td>
<td>ALUMIL MYLONAS SA</td>
<td>METALS</td>
<td>*</td>
</tr>
</tbody>
</table>

*Source: Greek embassy in Sofia, Economicos Tachdiromos magazine, May 2000*
7.4 Former Yugoslavian Republic of Macedonia (FYROM)

The end of the financial embargo that Greece had imposed to FYROM, led to smoother financial relationships between the two countries. More specifically in the last five years the foreign direct investments by Greek investors have increased in the Former Yugoslavian Republic of Macedonia, and –according to the inter Balkan and black sea countries’ commercial center evidence-have set Greece to the first position of international investors. (according to Slaveski T and Nedanovski P.)

The number of Greek businesses invested in FYROM the last years, are about 50 to 70 covering an investing capital of 250 million $. (1) Besides Greece, great investors in the area are Germany, Italy, Austria and Lichtenstein. The rapid increase in the Greek investments in Skopje is due to the Greeks expectations to expand their investments in the whole Balkan area. To attract foreign capitals the governments of Skopje are setting the following motives:

1. “The right of free transaction or re investments of the profits
2. cooperation to the management according the percentage of the owing capital in the investment
3. increased liquidations: a) in cases of technological progress b) in case that the liquidations are used for environmental protection
4. taxation liberation”(2)

Although these motives are not too radical, they had results. And as the motivation is improved it is certain that foreign direct investments would present further increase. A restraining factor for the foreign investors is the dangers in FYROM, which are common and related to all the Balkan countries. Such dangers are the financial reformatons, the negative financial growths, the existence of problematic public businesses and the nationalist Albans residents of the area. However remarkable inflows of FDI from various countries are noticed during the last years, as it is shown in the following table

---

1,2 www.dipek.gr
The sectors that Greek investors are activated are:

- “Building materials
- Software and electronic
- Pharmaceutical products and medicine tools
- Food, drinks, agricultural-industry
- Tobacco industry
- Communications
- Oils
- Metallurgy”

One of the greatest Greek investments in the neighbor country is the redemption of the OKTIA oil refinery by the Greek Oils Association and the construction of a petroleum conductor between Thessalonica-Skopje.

Another important investment is the redemption of the cement industry “Usje” by the cooperation of the Greek “Titan” and the Swiss “Holderbank”.

Great investing movements are also regarded the redemption of the largest Skopje bank by the Greek National Bank, the redemption of the brewing “Pivara Skopje” by the cooperation of the “Athens’ Brewing” and the “3E” and finally the purchase of “Strumnica Tabac” to the “Kapniki-A.Michailides”. A sample of the twenty greatest investments in FYROM is presented below” (www.elke.gr):

---

1 Express newspaper, 12/2000
The 20 biggest investments of Greece in FYROM

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Firm in FYROM</th>
<th>Name of Firm in Greece</th>
<th>Amount in mil €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>OKTIA -SKOPIJE AD</td>
<td>GREEK OILS</td>
<td>160</td>
</tr>
<tr>
<td>2</td>
<td>STOPANSKA BANKA</td>
<td>NATIONAL BANK OF GREECE</td>
<td>158</td>
</tr>
<tr>
<td>3</td>
<td>COSMOFON</td>
<td>OTE</td>
<td>135</td>
</tr>
<tr>
<td>4</td>
<td>PIVARA</td>
<td>ATHENS BREWING</td>
<td>60</td>
</tr>
<tr>
<td>5</td>
<td>USJE CEMENTARNICA</td>
<td>TITANAS’ CEMENT</td>
<td>60</td>
</tr>
<tr>
<td>6</td>
<td>MERMEREN KOMBINAT</td>
<td>KYRIAKIDES MERMEREN</td>
<td>50</td>
</tr>
<tr>
<td>7</td>
<td>VERO-VEROPoulos</td>
<td>VEROPoulos</td>
<td>30</td>
</tr>
<tr>
<td>8</td>
<td>ALPHA BANK</td>
<td>ALPHA BANK</td>
<td>25</td>
</tr>
<tr>
<td>9</td>
<td>ZITOLUKS</td>
<td>ELBISKO-PHILLIPOU</td>
<td>15</td>
</tr>
<tr>
<td>10</td>
<td>NIKAS SKOP DOO</td>
<td>NIKAS</td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>RODON HAPPENING</td>
<td>GINIS</td>
<td>8</td>
</tr>
<tr>
<td>12</td>
<td>PASCALIN</td>
<td>PASCALIN</td>
<td>3,9</td>
</tr>
<tr>
<td>13</td>
<td>LARIN MRAMOR AD</td>
<td>KYRIAKIDES MERMEREN</td>
<td>3</td>
</tr>
<tr>
<td>14</td>
<td>KRI-KRI</td>
<td>KRI-KRI</td>
<td>2,9</td>
</tr>
<tr>
<td>15</td>
<td>ICC DELTA SKOPIJE</td>
<td>DELTA DAIRY HELLAS</td>
<td>2</td>
</tr>
<tr>
<td>16</td>
<td>ELLASKOM</td>
<td>HELLASCOM</td>
<td>2</td>
</tr>
<tr>
<td>17</td>
<td>ALUMIL SYSTEMS</td>
<td>ALUMIL HELLAS</td>
<td>1</td>
</tr>
<tr>
<td>18</td>
<td>IRON FROZEN</td>
<td>IROUKIS</td>
<td>1</td>
</tr>
<tr>
<td>19</td>
<td>KUZMAN@DAMIAN</td>
<td>ARGYRIADIS PANTELIS</td>
<td>1</td>
</tr>
<tr>
<td>20</td>
<td>ELENA-M</td>
<td>CHATZIOANNIDIS</td>
<td>0,9</td>
</tr>
</tbody>
</table>

Source: Greek Embassy in FYROM
*no information found*
7.5 Federal Republic of Yugoslavia (FRY)

Although the Federal Republic of Yugoslavia concentrates the highest amount of the Greek foreign investing capital, there are no much evidence for the financial and the investing activity of Greeks. And thus because the war of Kosovo and the dramatic incidents of 1999, that destroyed the already existing businesses and prevented foreign investors to expand in further activities.

It is regarded that till the war of ’99 the amount of Greek enterprises were 250 with an investing capital of 1 billion $\,(1)$. “After the bombing of the area in 1999, there was an upward movement for most of the Greek businesses.” (Greek consultant of financial and commercial relations in Belgrade).

The establishment of the embargo, the existence of the strict taxation measurement and the indefinite meaning of the free market zones, prevented the attraction of foreign investors.

The main sectors of Greece’s direct investments in the neighbor FRY, are communications, food-drinks and electrics. Some representable samples of great Greek investments in the area are presented in the following table:

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Firm in FRY</th>
<th>Activity</th>
<th>Amount in mil €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>OTE-KPN</td>
<td>TELECOMMUNICATIONS</td>
<td>*</td>
</tr>
<tr>
<td>2</td>
<td>COMMERCIAL BANK</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>3</td>
<td>DELTA</td>
<td>DAIRY PRODUCTS</td>
<td>*</td>
</tr>
<tr>
<td>4</td>
<td>NATIONAL BANK OF GREECE</td>
<td>BANKING</td>
<td>*</td>
</tr>
<tr>
<td>5</td>
<td>INTRACOM</td>
<td>TELECOMMUNICATIONS</td>
<td>*</td>
</tr>
<tr>
<td>6</td>
<td>HELLENIC BOTTLING COMPANY GROUP 3E</td>
<td>DRINKS</td>
<td>*</td>
</tr>
<tr>
<td>7</td>
<td>MYTILINAIOS HOLDINGS</td>
<td>MINING INDUSTRY</td>
<td>*</td>
</tr>
<tr>
<td>8</td>
<td>GERMANOS’ BATTERIES SA</td>
<td>BATTERIES</td>
<td>*</td>
</tr>
<tr>
<td>9</td>
<td>MEDICAL CENTRE OF ATHENS</td>
<td>HEALTH SERVICES</td>
<td>*</td>
</tr>
<tr>
<td>10</td>
<td>EMPORIKI BANK</td>
<td>BANKING</td>
<td>*</td>
</tr>
</tbody>
</table>

Source: www.elke.gr, (*no information of economical data found)

\(^1\) www.dipek.gr
7.6 FDI Statistical Data and Forecast Model

Examining all the above, “Greece’s expansion in the Balkan area is obvious and year by year more frequent” (Koliopoulos J). Greek businessmen tried and keep on testing their investing abilities, by making foreign direct investments. Greek businesses foundation and operation in the Balkans set up the country in social, political and of course economical levels.

But this investing tendency of Greece, gave the wounded economies of the Balkan countries a fresh air of retrieval, leading them to the European rhythms of development and progress.

Bulgaria, Albania, Romania, Fyrom and Fry, opened their markets to the investing perspectives of their neighbourhood country, expecting to reinforce their economical status and one day succeed to join the western world (based on Wade R. 1998)

As Edwards S. says among the balkanian countries, in the last five years, there were great changes in the FDI inflows, outflows, inward and outward stocks- the main elements of characterizing an economy. In the following tables there are data for all the above that present their incensement decrease towards the last years. And below each table there is a diagrammatical presentation of the total amount in average and each country and also the tendency line that helps a researcher to predict the future trend of fdi in each country.

- **FDI inflows (millions of US dollars)**

The basic Balkan countries that are examined in this research and which cooperate with Greece in economical levels, are Bulgaria, Romania, FRY, FYROM and Albania. The table below includes the FDI inflows data (www.unctad.org) of all the mentioned countries, in the last five years. All the countries follow an unstable increasing rate, reaching its higher limits between 2003-2004 and following the next years. Romania has the highest inflow rates towards the other countries, as FRY has zero FDI inflows in the last five years.
Table 1

FDI inflows in Balkan countries (mil. USD)

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>984</td>
<td>85</td>
<td>571</td>
<td>1089</td>
<td>1560</td>
<td>51</td>
<td>586</td>
<td>704</td>
</tr>
<tr>
<td>Albania</td>
<td>48</td>
<td>45</td>
<td>41</td>
<td>143</td>
<td>207</td>
<td>135</td>
<td>180</td>
<td>114</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>505</td>
<td>537</td>
<td>819</td>
<td>1002</td>
<td>813</td>
<td>905</td>
<td>1419</td>
<td>857</td>
</tr>
<tr>
<td>Romania</td>
<td>1215</td>
<td>2031</td>
<td>1041</td>
<td>1037</td>
<td>1157</td>
<td>1144</td>
<td>1566</td>
<td>1313</td>
</tr>
<tr>
<td>FYROM</td>
<td>30</td>
<td>128</td>
<td>33</td>
<td>175</td>
<td>442</td>
<td>78</td>
<td>95</td>
<td>140</td>
</tr>
<tr>
<td>FRY</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: www.Unctad.org

Below there is a diagrammatical comparative presentation of the above data, which shows a rather unstable evolution of the FDI inflows in almost all the countries. However we give its trend line in the graphs for each country separately. Romania and Bulgaria present noticeable high amounts and a continuous increase during the period 1999-2005.

Comparative FDI inflows in Balkan countries (in mil. US $)

Source: Data of table 1
Source: Data of Table 1
• **FDI outflows (millions of US dollars)**

The table below oppositely, presents the outflow data for the six Balkan countries. Greece’s advantage is obvious against the other countries. Bulgaria’s and Romania’s FDI outflows reach negative levels in certain years, while FRY and FYROM remain at zero.

**Table 2**

**FDI outflows in the Balkan countries (mil. US $)**

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>156</td>
<td>262</td>
<td>539</td>
<td>2102</td>
<td>616</td>
<td>655</td>
<td>47</td>
<td>625</td>
</tr>
<tr>
<td>Albania</td>
<td>10</td>
<td>1</td>
<td>7</td>
<td>6</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>-2</td>
<td>0</td>
<td>17</td>
<td>3</td>
<td>10</td>
<td>28</td>
<td>22</td>
<td>11</td>
</tr>
<tr>
<td>Romania</td>
<td>-9</td>
<td>-9</td>
<td>16</td>
<td>-11</td>
<td>-17</td>
<td>16</td>
<td>56</td>
<td>6</td>
</tr>
<tr>
<td>FYROM</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>FRY</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: [www.Unctad.org](http://www.Unctad.org)*
The following diagram based on the above data comparatively shows Greece’s high levels of FDI outflows, while all the other Balkan countries are almost at zero level or below zero.

**Comparative FDI outflows in Balkan countries (mil. US $)**

![Graph showing comparative FDI outflows in Balkan countries](chart)

*Source: Data of Table 2*

The graph is self explanatory, as only Greece is shown with remarkable FDI outflows.

- **FDI inward stock (millions of current dollars)**

Examining the FDI inward stock elements in the following table 3, it is easy to remark an increase to all countries during the last three years. Greece is long ahead among the others, then is Romania and Bulgaria that are placed in second and third position correspondingly, and finally come Albania and FYROM. FRY again is in zero place.
Table 3
FDI inward stock in Balkan countries (mil.USD)

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>12999</td>
<td>13084</td>
<td>15890</td>
<td>12499</td>
<td>13940</td>
<td>15560</td>
<td>17000</td>
<td>14425</td>
</tr>
<tr>
<td>Albania</td>
<td>339</td>
<td>384</td>
<td>425</td>
<td>568</td>
<td>775</td>
<td>910</td>
<td>1091</td>
<td>642</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1059</td>
<td>1597</td>
<td>2403</td>
<td>2257</td>
<td>2758</td>
<td>3662</td>
<td>5082</td>
<td>2688</td>
</tr>
<tr>
<td>Romania</td>
<td>2352</td>
<td>4418</td>
<td>5469</td>
<td>6480</td>
<td>7638</td>
<td>8873</td>
<td>12693</td>
<td>6846</td>
</tr>
<tr>
<td>FYROM</td>
<td>75</td>
<td>203</td>
<td>235</td>
<td>410</td>
<td>851</td>
<td>929</td>
<td>1024</td>
<td>532</td>
</tr>
<tr>
<td>FRY</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: UNCTAD

The schema below pictures the above data with only Greece, Romania, Bulgaria and Albania appearing actually in it while Fyrom’ s line is near bottom.

FDI inward stock in Balkan countries (mil.Us $)

Source:Data of Table 3

- FDI outward stock (millions of current US dollars)

In the FDI outward stock table below, Greece is again placed in the first position. Albania and Bulgaria follow with a stable increasing rate, as FYROM and FRY are at zero levels of outward stock.
Table 4

FDI outward stock in Balkan countries (mil. USD)

<table>
<thead>
<tr>
<th>Country</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>3134</td>
<td>3396</td>
<td>3935</td>
<td>5861</td>
<td>7020</td>
<td>9000</td>
<td>10000</td>
<td>6049</td>
</tr>
<tr>
<td>Albania</td>
<td>68</td>
<td>69</td>
<td>76</td>
<td>82</td>
<td>82</td>
<td>86</td>
<td>90</td>
<td>79</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>74</td>
<td>75</td>
<td>90</td>
<td>87</td>
<td>97</td>
<td>125</td>
<td>147</td>
<td>99</td>
</tr>
<tr>
<td>Romania</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>FYROM</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>FRY</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* Source: Data of Table 4

In the following picture, Greece’s leadership is obvious. The other countries are below 200 mil.$ and do not appear in the graph.

FDI outward stock in Balkans (mil. US $)

Source: Data of Table 4
CHAPTER 8

CONCLUSIONS

Ending this dissertation, it would be wised to gather and mention all the basic conclusions that refer to the relationships between Greece and the Balkans, the future of their foreign direct investments and their external social and financial policy towards the challenges of the developed European Union.

The most basic conclusion is that Greece owns the leading part in the Balkan Peninsula. According to Koliopoulos its political stability the last three decades, gives Greece the privilege among the other Balkan countries that have to face either political or national problems. As far as we refer to the relations between Greece and its neighborhood countries, they present great improvement. Typical example is the cases both with Albania and FYROM that may not be the willing but they are smoother now.

Although there are many Albanian immigrants in Greece, Albania still refuses the foundation of Greek schools for the Greek minority in this country. Quite the same situation exists in FYROM. The existing nationalism towards Greece is unfair assuming the financial and diplomatic aid that this country receives from Greece the last few years.

Also in the financial sector things are similar. Greece as the country with the most developed economy in the Balkans, is for years a member of the European Union. The way of how the Balkan economies are organized and operate has great importance to Greece both for planning its external policy and for the Greek investments in these countries. (based on Kut U and Irin A). Unfortunately there is not a proper development for the area, as the basic macroeconomic indexes give a disappointing picture for countries as Albania, FYROM and FRY.

The political instability with the lack of proper structures of and specialized staff have as a result for these countries not to attract foreign investments. Also the passage procedure to the free market is slow and timid. “It is quiet clear that Greece can and has to exploit its superiority and promote its financial and national benefits” says Kouzof S.
Referring to the relation between the European Union and the Balkans, things are crystal clear. Greece is the oldest member of the union. Bulgaria and Romania are next having signed the connection pact in 1995. Albania and FYROM have loose relations, as FRY-because of the incidents of 1999- has no relations at all with the united Europe. (Ekholm k. Markuses J.R)

Examining the trade relations between Greece and the countries of the Balkan Peninsula, the conclusions are quite disappointing. Greece owns a position of great importance in the inter-Balkan commerce, but worth a lot more. More specifically, the trade balance is positive for Greece when referring to Albania, FYROM and FRY, but that does not count for Bulgaria and Romania.

The trade balance for these two countries is either positive or negative. (Michalopoulos C.) Countries such as Italy and Germany have better trade relations with the above two Balkan countries. That is not excusable if we consider Greece’s geographical position. But assuming that both Italy and Germany are great economic powers we result that the political relations between Greece and any Balkan country affect and regulate the trade relations of the countries.

There are certain conclusions that can be derived from the analysis of Greek direct investments in the wider Balkan area. After the establishment of the open markets in the beginning of the nineties, Greece had great investing opportunities in the area. The governments of these countries, were strongly interested in the attraction of foreign investment capitals. As mentioned above, Greece owns the privilege of the geographical position towards the other European countries. Despite this privilege, Greece does not owns the majority of the investments, as Greek investors usually were interested only in low scale investments that are based on low manpower and production cost. These kind of investments do not contribute to the development and improvement of the Greek competitiveness but only intend the quick profit. The failure of the Greek investing efforts is also based on the lacks in the banking system, the unstable financial and commercial rules and regulations and the abstention of the Greek organizations that did not support the future investors. (Vaknin S.)

However, the attempt of the Greek investing expansion in the Balkans marked had success. Worth investing initiatives were made, despite all the problems that the Greek companies face in the Balkans such as wars, unstable environments and lack of modern market structures. (Petrakos G, 2002)
The northern part of Greece also plays a major role in the whole scene, with Thessalonica -the capital of northern Greece- having the leading role in this attempt. Considering all the above and regarding Sergi.B aspects on Greece, Balkans and FDI it is obvious, that the future of the Balkans is bright and Greece would finally conquer the role that it deserves. But great efforts should be made from both sides so for the Balkans to reach the financial, political and social position of the other developed countries, and for Greece to expand in the Balkan market with its investments, exports and long time free market experience.
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