Relocation of Greek business in the Balkans

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ABSTRACT

The project of the transition of Balkan countries in economic structures developed new market prospects for stability and development of the region and also created the conditions for the unprecedented outsourcing of Greek business. For the first time in Greek history, the involvement of Greek firms in the investment and business reality of other countries is so dynamic and mass, as observed in recent years in the Balkan region. Leveraging the advantages of geographical proximity, the traditional relations of friendship and cultural relevance, and the lack of investor interest in Western European countries, the Greek businesses succeeded in less than 10 years, to emerge as one of the major investors in these countries.

In the present study, through the review of relocation theories are presented the Greek relocations in different countries in the Balkans. There are presented the main characteristics of the Balkan countries, the factors that contributed to the inflow of relocation of companies in these countries and the evolution of Greek investment in the Balkans, reporting the factors of attracting businesses and the obstacles presented and then is made a reference to any one of the Balkan countries on their economic situation and the Greek presence.

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INTRODUCTION

The business environment is changing quickly and by following some basic steps, a company of tomorrow can at least have a chance of survival in an increasingly competitive marketplace.

The relocation of all or part of the manufacturing activity of businesses from one place to another, has become a particularly important issue, both at European and national level, as it reflects a significant impact on labor relations and employment.

The relocation is a complex phenomenon that takes significant proportions since the early 1990's and is already in tension particularly to the countries that have low labor costs either these countries are third countries or are members of the European Union. The transfer from multinational production activities from one country to another, is an important issue for industrial relations across Europe and especially in those Western European countries that saw a number of cases of relocations of high specific gravity across borders in recent years.

The term "relocation" is often used, however, it presents significant difficulties in its approach. One approach considers as "relocation of the company" the conduct of the company, which transfers all or part of its production facilities from one country to another and is separated into interstate movement ('outshoring' - "off shoring") or movement to another position ('delocalisation'). However, this distinction does not describe the phenomenon as a whole, as the relocation of a firm from one place or country to another, often is a part of a broader business decision for the restruction of its production activities, it is combined with decisions and strategies of mergers and acquisitions, while other times, it is necessary for the survival and development of enterprises.

Global relocation is the method of moving an element of the business of a company outside the home market. It has been stated that companies can achieve a distinct competitive advantage thorough relocating part of their business. Companies can develop a competitive advantage and this is based on improving company processes such as production and research and development. Differentiation may be the goal of a company attempting to relocate and this could be focused on improved service, higher quality or advanced technology. This may involve moving the

marketing effort of a company closer to the customer or producing the product in a faster, more customer- responsive manner. Often the key driver for relocation is simply cost, and strong influences on cost are distribution, wages and land factors (Bitzenis, 2005b).

Often, used by multinationals, the relocation of activities, helps to reshape the international division of labor. The reduction of production costs by using cheaper labor, the different tax systems and the easier access to international markets seem to be a key factor and an incentive to shift production from one country to another.

The institutional framework around the relocation is pretty limited and is confined to EU directives on collective redundancies, the change of the face of the employer and the European Councils of Workers. However, the significant effects of the phenomenon and the rapid development in recent years in an enlarged Europe, have made an urgent need for specific institutional framework, which will cover totally and comprehensively the phenomenon.

In the recent study is examined the relocation of Greek companies in Balkans. First, there are presented the theories of the relocation of the companies and then are presented some models that interpret the theory. Finally, the theory is examined in the practice for the case of the relocation of the Greek companies in Balkans.

CHAPTER 1
RELOCATION OF COMPANIES

1.1. REASONS FOR RELOCATION OF THE COMPANIES

Since the late 60s, in many industries worldwide, in Europe and Greece, have occurred significant structural changes. In developed countries, the increasing unit cost of production, and in particular labor costs, was difficult to be controlled, with a result these countries to begin to make much of their production out of the country with subcontracting agreements. The global distribution of the industries is greatly influenced by labor costs, which is the most geographically variable cost from the costs of industrial production (Dicken, 1992: 248).

The less developed countries, exploiting the favorable competitive position with regard to labor costs, began to threaten employment levels in developed economies. By focusing their efforts on this part of the market, which is characterized by mass produced products and a relatively small variation, they managed to ensure that competition is mainly based on the production cost. Consequently, less developed countries have achieved significant profits, in particular in relation to employment and strong revenues from exports (Kalandaridis, 1997). This dynamic performance was made against the developed industrial states.

To address this challenge, as argued by Simmons & Kalantaridis (1995: 287), the developed countries have implemented some new strategies: The use, for example, of the new micro-electronics-technology in the pre-assembly production.

The above reasons are valid worldwide for all companies are also pushing Greek firms in making foreign direct investment. Let us see why the Greeks choose largely the Balkans as a place of international activity and investment (Vickerman, 1991).

The gradual liberalization of world trade combined with the geographical proximity to the major markets of Europe offers to the countries of Central and Eastern Europe (CEE) the possibility for fast development. The enterpreneurs of these states enjoy lower labor costs than their Western European counterparts, sometimes comparable to those prevailing in less developed countries. That is why they are attractive destinations for European entrepreneurs who are looking for more

competitive sources of commissions. Moreover, in these countries there is an explosion of small and medium-sized enterprises (Kalogeresis & Lambrianidis, 2007).

The opening of the Balkans after the collapse of socialism in 1989, offered Greece the opportunity for rapid growth and increasing exports. At the same time it gave the opportunity for Greek enterprises to become more extroverted but also to invest in new markets across borders. This is adding major new markets and populations which are directly in the neighborhood to Greece and they can ensure the economic expansion of horizons (Labrianidis, 2004).

Greek firms have the opportunity to make major investments in new markets where their products will be more competitive that the domestic ones, as opposed to what happens with the other members of the European Union. Even many companies, especially labor-intensive as textiles, proceeded to direct investment to exploit the cheap labor costs. The main advantage over other European companies was the geographical proximity, as Greece directly borders with these countries. Also it must be added that a very important factor that favored investment in the Balkans was a significant lack of infrastructure in these countries, such as almost nonexistent the financial system (at least as it was widespread and institutionalized in the western states of the open economy), which favored investments of Greek banks. Also the lack of infrastructure and facilities has encouraged investment in the construction industry and the industry of Real Estate, as we will see below. Positive for Greek companies were still the fact that, at least the first year, there was a lack of investor interest from western countries so they do not have to face intensive competition. Furthermore, low tax rates and cheap labor are the strongest and most attractive incentives for investment in the Balkan countries (Labrianidis, 2004).

Tax rates vary around of 15%, with many tax incentives, which if combined with the level of wages, explain why hundreds of Greek companies move further north. It is no coincidence that in Bulgaria Greek investments occupy 10.2% of total foreign direct investment. The same applies to Skopje as beyond the lowest tax rate of 15% levied on net profits for the first three years of the investment, a 100% subsidiaries of foreign companies do not pay any taxes (Labrianidis, 2004).

A company may proceed to the relocation of its business for different reasons. The reasons are many and depend on the strategic planning of any company, its financial

situation, the moves of competitors, and the industry in which it operates. However, the main reasons for a company to such a decision are mainly as follows (Labrianidis, 2004):

a) Reduction in operating costs. A company can invest in a country with lower production costs e.g. cheaper labor. Besides it can invest to get immediate access to productive resources which previously were imported from foreign suppliers and thus reduce production costs.

b) Survival of the competition. Many companies due to intense domestic competition are forced to relocate in foreign markets where competition is not so great (like the markets of the Balkan countries) in order to increase sales and profits and to offset potential lost market share in their homeland .

c) Strategic development. When a company wants to develop more, but the local market is saturated, it seeks new markets to conquer there a high market share especially when in the investment country there is unsatisfied demand.

d) Operation of incentives in the host country. Many countries, especially the former socialist (which include the Balkan countries) are trying to attract foreign investment and funds and they provide important incentives for investment. Such may be the low taxes and various grants and subsidies granted by the governments of these countries.

e) The lack of infrastructure in a foreign country. Many companies relocate in countries where the sector in which they operate is not developed. It is no coincidence that, as we will see below, the Greek industry with the most investment in the Balkans is that of banks, as they have found countries with little or no developed financial system and continued growth in investments in the construction industry mainly in Serbia.

Specifically, the relocation of Greek companies in Bulgaria was aided significantly by the current legal regime. Important role in this respect plays the first labor legislation, with the facilities it provides for the increasing flexibility of the production factor of labor.

For example, the Law on Employment (Gov. Paper 112/2001 - modified on 12/6/2007) provides redundancies. Up to 10 employees for companies employing 20 to 100 employees, and 10% for companies with 100-300 employees, more than 30

employees to companies with more than 300 employees, while for the end, at least 20 workers in companies regardless of the number of employees, with the provision that they are made within 90 days (Labrianidis, 2008).

Towards this direction served the investment laws and bilateral agreements that were concluded between the two countries:

A) 8/28.1.1992 Investment Law ("Entrepreneurial Activity of foreign persons and protection of foreign investments"). As natural or legal persons are designated a) legal entities registered abroad, b) any company which has no legal personality and is registered abroad and c) any natural person who has foreign citizenship and its permanent residence is abroad. Also, according to Article 9, as foreign investment is an investment or a foreign person or a company in which the foreign person is involved with more than 50% a) shares and shareholdings in trading companies b) ownership and limited rights in immovable property, c) ownership of a business, d) bank deposits, e) bonds, cash bonds and other securities issued by the state or by the Bulgarian legal entities and f) credit agreements for periods exceeding five years. Restrictions imposed on the investment activity - in accordance with Article 5 par. c of the Law - in the following cases (Labrianidis, 2004) :

a) Production and trade in arms, munitions and military equipment.

b) Exercise banking and insurance activity or participation in banks and insurance companies (especially investment banking, responsible for marketing the Bulgarian National Bank).

c) Acquisition of real estate in "sensitive" geographical areas (mainly in parts of Southeast Bulgaria, where resides the Turkish minority).

d) Research, development and extraction of natural resources in the territorial waters, continental shelf and exclusive economic zone.

e) acquisition of a majority in decision-making in a company that develops business.

In addition, special rules were introduced in the investment law to safeguard the principle of national treatment for foreign natural and legal persons (Article 3 § a), introducing the clause for stabilizing advantages and favorable regulations of the law

(Article 8); the possibility of repatriation of profits (Article 13), the severity of the conditions under which happen expropriations (Article 10), but also to provide guarantees in favor of foreign investors in claims against third parties (Article 12).

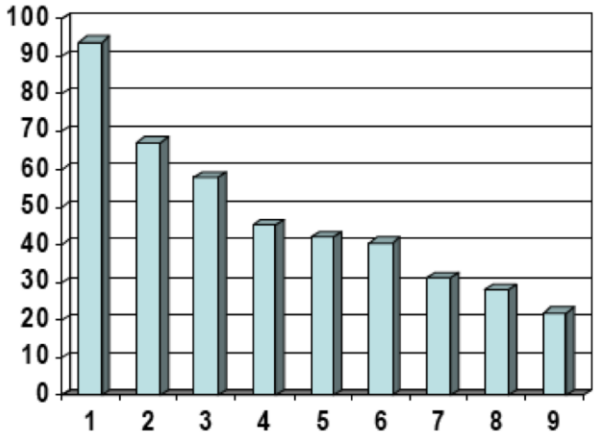
The main reasons are the ones mentioned in the introductory remarks, i.e. the geographical proximity, historical, religious and cultural ties between our country and those in the Balkans and the characteristics of the consumption pattern, which are closer to the Greek. Greek firms found a unique opportunity to open up investment in a booming market of about 150 million people located in our neighborhood. Thousands of Greek enterprises from the sectors of energy, telecommunications, retail, food, financial services, health, education etc. have already given this dynamic and expanding their presence and activities in these countries. This extraversion has multiple good results for Greek companies and creates a competitive size and a flow profitability that has a long-term perspective (with some variations of course considering the global economic crisis and the effects of both Greece and the Balkans, on stock markets, consumption and the real economy) (Petrakos, 1997). Even the integration of the Balkan countries in the development hub of Southeast Europe will bring greater economic and political stability in the area. Although the Balkan countries are lagging behind economically compared to other European, however, they have significant growth prospects (Labrianidis, 2008).

Another reason was the need and the desire of these countries to move from closed economy to an open economy and converge on western economic and financial standards. This need, combined with the tremendous lack of infrastructure in almost all sectors of the economy of these countries, gave the Greeks this huge opportunity to invest in these countries, being in many cases pioneers among foreign investors due to lack of interest of Western investors the first years. Even Greek businesses have benefited from the privatization process followed by the governments of these countries. As we will see below, mainly banks followed the method of full or partial acquisition of local banks. Even labor-intensive enterprises such as textile, invested in the Balkan countries to take advantage of low labor costs (and of course having similar effects on the Greek economy as job loss) (Labrianidis, 2004). It is noted that some 25 Greek multinationals have invested 80% of the total Greek FDI outflows throughout the Balkan region. At the same time, around 3000-3500 active Greek firms from 8000-10000 registered, offered and offer value-added activities in the

Balkan economies, such as new jobs, better quality products, a wider variety of products and increased production. Given that companies from developed Western countries have developed high investor interest in the countries of Central Europe, Greek businesses have to turn to the Balkan countries after carefully analysis of financial and operational data of the Balkan countries (Labrianidis, 2008).

In the chart below we see the main incentives for foreign direct investment in the Balkans (Labrianidis, 2004):

Chart 1- basic motivations for Relocation of businesses in Balkans



1. Market size	93.8%
2. Low cost unskilled laborers	67.2%
3. Geographical proximity	57.8%
4. International Pressures	45.3%
5. Relationship with another neighbor country	42.2%
6. Lack of domestic competition	40.6%
7. Absence of trade barriers	31.3%
8. Lack of saturation in demand	28.1%
9. Existing business ties	21.9%

On their side, Greek entrepreneurs are seeking to expand the agreements to become the country managers in the promising Balkan countries. Indeed, the trend is

recorded in a wide range of activities: from kids and sports equipment to coffee companies and business items for the home, while the designs of Greek entrepreneurs include dynamic expansion plans. In the list of foreign companies that are expanding into other countries with the help of Greek associates, are included the companies Starbucks and Marks & Spencer through Marinopoulos, multinational IKEA and Intersport through the group Fourlis and will soon be added and the British Early Learning Center through Kloukinas – Lappas (Lambrianidis, 2004).

1.2. Relocation of companies in Europe

The relocation, both from old to new states, and from the EU to other countries (especially in Asia) is an inescapable reality and process, which faces and should monitor the enlarged Europe. This phenomenon has begun to take significant dimensions in the last two decades. However, in recent years it has grown significantly and in parallel with the expansion of the European Union (Bitzenis, 2005b).

According to the table below, the issue of relocation seems to be of minor importance in countries in which dominates the relocation in the interior (Eastern and Central Europe-CEEcs), although the picture seems to change and to influence in a high degree the nature of these countries, while it is treated with attention to EU countries -15, which largely are characterized by relocation business abroad (Bitzenis, 2005b).

The dominant direction for the relocation of the countries of the EU to countries in Eastern Europe or Asia and especially China, suggests that firms obviously are looking for countries and regions that allow lower production costs, particularly lower labor costs. The main sectors of economic activity in which occurs the phenomenon of relocation focus on automotive, textiles, production of clothing, footwear, industrial of metal, the manufacture of electrical appliances, in general. These sectors are traditional industries in mass production, which require simple technologies and low skilled workforce. Therefore, the opening of markets in the globalized environment, allows countries to move their business in countries where they can take advantage of the most benefits (Welter, 2005).

Of particular interest is the example of Ireland. Ireland has been, and still is, a preferred destination for direct investment within (FDI) and relocations, especially in the area of technology, IT and communications, but also for services. In this way, Ireland appears as an intermediate case, where the two-pronged nature of migration is evident, and where the challenge - which all European countries face – of the combination of policies to attract foreign investment, especially in high value added activities, and to avoid the relocation of producers of low expertise and intensive labor, it is probably more apparent (Welter, 2005).

The following table presents and analyzes the main characteristics of relocation in the European Union and is emphasized the importance of the phenomenon in the Member States.

Table 1 – Main characteristics of production's relocation in the member states of EU

Country	Importance	Characteristics	Direction	Main sectors
Austria	middle	Because of the restricted presence of big multinational companies in the country, the relocation phenomenon is not presented in great frequency. Only 8,4% of small businesses plan to relocate their production or part of it in the Eastern Europe.	Abroad: to CEECs, Asia (especially China and India)	Labor- intensive sectors
Belgium	High	Increase in relocations but at the moment they have low impact on occupation. The state faces the phenomenon considerably and has a control on the actions of relocations from 1994.	Abroad: to CEECs (10%), Asia (6%) and other EU coutries	Labor- intensive sectors such as textiles, metal industry and services sector.

Bulgaria	Low	The relocation to the internal of the country makes the syndicates of workers to worry for the implementation of the rules of the new infrastactures. The number of relocations has been increased considerably the last years.	Internal: especially from neighbour countries such as Greece, Turkey and Italy.	Especially textiles. Clothing and shoes companies.
Cyprus	Low	Relocation has been made in the early 1990's, when the number of relocations has been increased dramatically.	Abroad: in textiles, especially in the 1990's. Relocation is made in Romania, Bulgaria, Syria, Jordan and Egypt.	Almost exclusively clothing industry and in special cases the sectors of food and wood.
Czech Republic	High	Foreign investments are important for the economy: the enterprises that belong to investors from abroad have almost the 50% of the total companies and the industrial activities and the 70% of the exports.	Internal: Especially from EU countries and from Japan. Abroad: some occasions of relocation to Asia.	Metal industry and chemical industry.
Denmark	High	Important increase of the cases the last four years.	Abroad: to the CEECs countries, especially to Poland and Baltic countries Asia (China). An important part of relocation goes to EU countries,	Manufacturing sector.

			and especially Germany.	
Estonia	Low	Relocation of companies is of restrictive importance for the local economy and the public dialogue.	Internal and abroad: low degree of relocation in both cases. Relocation in the internal becomes from EU countries, especially the Scandinavian ones. The relocation abroad consists of neighbour countries (Latvia and Russia), China and Turkey.	Food-beverages, textiles, leather, wood etc.
Finland	High	Relocations are increased but are even more.	Abroad: to CEECs and china and to EU countries.	Sectors of labour intensive, e.g. metal industry
France	High	Relocation increases continuously and is a major part of the public dialogue. The number of cases is increased but remains restricted. Almost 13.500 labor positions were relocated between 1995-2001, and 6.500 of them moved to countries of lower labor cost and 7000 moved in advantaged economies.	Abroad: China is the main destination, then follow CEECs, North Africa, North America and Asian countries.	Textiles, clothing, electrics, aircrafts, pharmaceuticals, cars.

Germany	High	Companies that followed relocation are increased the last decade.	Abroad: to CEECs and Asia, but also in Western Europe, depending on the sectors.	Cars industry, chemicals and metal industry.
Greece	High-middle	Relocation of Greek companies are increased, especially in Northern Greece (Macedonia and Trace) and the countries of CEECs.	Abroad: especially in Balkans (Bulgaria, Albania, Romania etc.)	Especially sectors of textiles, clothing. Shoes and leather.
Hungary	Middle - high	Expansion of the phenomenon the last years in non manufacturing sectors, transportation, research and technology.	Internal: From EU countries and Asia, especially Japan. Abroad: Neighbor countries with lower labor cost, Slovakia, Romania and Ukraine.	Sector of technology, of computers, of communications, chemicals and transportation.
Italy	High	Many responsibilites from the side of the state in order to face the negative impacts of relocation.	Abroad: To CEECs and Asia, especially China.	Metal industry, textiles and production of leather and shoes.
Latvia	Low	There are not important cases of relocation abroad and there only a few ones in the internal.	Internal: From the EU and especially Scandinavia.	Technology and computers.
Lithuania	Low	Few number of cases	Internal: From EU	Only one case in the textiles industry
Malta	High	Relocation is a sensitive	Internal: in	Sector of

		subject since a few industries that are located to Malta have investors from abroad who decided to invest in Malta because of the low labor cost and the strategic position between the EU and Africa.	the past. Abroad: the last years especially in Tynisia and China.	manufacturing.
Netherlands	High	Only 10% of the companies were relocated in 2010.	Abroad: mainly in CEECs. Investments to the USA, stable to Asia and increased to China.	Textiles, metal industry, technology, computer and communications.
Poland	High	Relocations in the country are an element of high importance for the development and the empowerment of the local economy.	Internal: from EU countries and from the USA.	Cars industry, chemicals, metals, nobles, food and drinks sector.
Romania	High	The cases of relocation have been increased the last years.	Internal: Mainly from EU countries (especially the Netherlands, France and Germany).	Telecommunications, services and trade.
Slovakia	Low-middle	Relocations in the internal are of special interest for the economy, as a driver for changes and development of the occupation and the development of the	Internal: from EU countries, USA and South Korea.	Cars industry, services, banking sector and computer sector.

		relationships of multinational companies.		
Slovenia	High	Relocations in the internal are of special interest for the economy.	Abroad: China, Bulgaria, Romania, Turkey, Poland and Russia.	Textiles, clothing, food and drink.
Spain	High	Increase in the number of relocations the last years.	Abroad: North Africa, Asia, Latin America and the CEECs countries.	Cars industry in East Europe and in lower extension in Asia and Latin America.
Sweden	Middle -High	Relocations in private sector was an important phenomenon from the early 1960's.	Abroad: China and CEECs.	Chemicals and metal industry.
UK	High	Relocation is an important phenomenon especially in services.	Abroad: Asia and especially China and India and CEECs.	Labor intensive sectors and increased degree of services.

Source: European Industrial Relations Observatory (EIRO).

1.3. The case of Greece

Although there are no many data for the dimensions of relocation in Greece, from the scattered data and the relevant to the topic studies is shown that the phenomenon in Greece has two forms:

- Greek Investments transfer part or their whole production activities in other countries.
- Foreign companies cease to operate (as on the part of the production activity) in Greece or shrink their production activity by closing factories and other founding new in other countries.

During the period 2003-2006 were relocated from Central, Eastern and Western Macedonia in the Balkan countries (whether acceding to the EU or third countries) 3,000 businesses.

This phenomenon was observed mainly in the field of textiles, clothing, footwear, leather species, etc. In recent years many Greek large companies large (Fanco, Hellios, Minerva ...) and small, transferred part of their productive activity in Central and Eastern Europe. This phenomenon is especially pronounced in Northern Greece (Macedonia, Thrace) (Kalogeresis and Labrianidis, 2007).

The main reason for this relocation- especially in labor-intensive industries - is the very low labor costs. The implications of these relocations are multiple, given that they are not limited to the loss of jobs for employed in production units – factories that close, but concern the network of collaborators of that business. Primarily referring to all those SMBs that provided services or their products in the form of contract.

Another reason, which for the Greek financial institutions is deemed to favor relocation of Greek enterprises in the Balkans is the low tax burden. Typically, in the Romania's case, exists a single tax rate of around 16%, much lower than Greece, while the same exists also in the case of Bulgaria, where the tax factor for companies is dropped to 10%, compared to 19.5% two years ago (Kalogeresis & Labrianidis, 2007).

Finally, decisive factor in the relocation of Greek enterprises in countries of the region, was the prospect of the entrance of these countries into the European Union. Already, Romania and Bulgaria are the two new EU member states. For the Greek businesses, the market of Southeast Europe is perceived as 'internal' the market, given their geographical proximity (Lambrianidis, 2004).

An example of such a relocation is that of Schiesser-Pallas. Schiesser Pallas (subsidiary of the German company Schiesser AG) which produces garments (underwear) for its parent company, announced in May 2003 the cessation of work of cutting and sewing that were installed in Greece. As the main reason, the administration Schiesser Pallas, raised lower labor costs per unit of output in countries such as Bulgaria or Romania. For this reason, Schiesser AG interrupted orders towards Schiesser Pallas, thus putting the company in Greece with a fait accompli.

The Association of the Workers Schiesser Pallas from its side, attempted to prevent this development considering all existing possibilities in order not to close the factory, suggesting that the two sides should jointly examine the possibilities to make changes in the operation of the business to grow gains at levels that the management will consider sufficiently high so as not to remove the production section in a low labor cost country. In this context, there were held a series of meetings between the Association and administration and members of the Association requested from the company's managers to give them the necessary data for analysis of the financial situation of the company, the identification of the problems and the configuration of documented proposals. Despite incomplete data was received, the Association developed proposals to reduce production costs (through reducing labor time that is required to produce one garment), increase productivity, reduce administrative expenses and distribution costs through outsourcing certain operations and internal restructuring. These measures combined with a possible reduction in social contributions of the employer or other economies that would result from the contribution of the State to attempt reconstruction of the company, would reduce the prices of the disposal of Schiesser Pallas' products at levels significantly lower than today (Labrianidis, 2004).

CHAPTER 2
THEORIES OF RELOCATION

2.1. Regional development

The regional science has borrowed concepts and methods of analysis of economic theory with basic theories of international trade (economic activities and relationships between two or more territorial units) and balanced growth. These theories do not seek an interpretation of regional inequalities but the terms and conditions for the development of regions, concluding that what is needed is the creation and existence of institutions and organizations that can spread development to all regions. These theories are based on leading strategic assumptions that are totaling to a fully competitive economic environment with complete and seamless mobility of factors of

production (labor and capital) and profit maximization by producers. That should be excluded from government intervention, trade unions and monopolies, forces that create obstacles to the functioning of the market (Losch, 1952).

These assumptions imply the existence of an initial comparative advantage in the region and long-term balance of income and growth of regions. The mechanism can be described as follows: If there is a productive factor in relative abundance in the region in relation to the quantity of other factors of production, e.g. more labour with a given amount of capital in one region compared with an inverse relationship to another, then this coefficient determines the region's comparative advantage in the production of concrete product. The region has an interest in producing and exporting these products. For example, if a region has a relative abundance of labor, then this region can be specialized in the production of labor-intensive products, such as textiles. The existence of relative abundance of a productive resource leads to differences in the rate of compensations between regions. Therefore, the low compensation where there is abundant resource, will cause an incentive to produce products derived from this resource. However, the relative abundance of the resource is not a permanent feature of the regions. The existing differentials in compensations will cause movement of the production rates for the region with the highest reward. Increased supply that will follow, will lead to lower wages in the region of arrival, and this process will continue with movements of resources until the equalization of wages (Vernon, 1966).

The neoclassical theory concludes that of great importance is the specialization itself and not the kind of specialization, emphasizing the importance of market forces in the harmonious development of the regions.

The modern economic reality, however, greatly devalues the above assumptions of perfect functioning of the market mechanism, which by its the nature displays defects and weaknesses, shown unable to incorporate external effects of economic activities. Today there is movement of capital and labor at the international level, reduction of the national mass production and growth of multinational and flexible production, under the concept of flexible forms of production, with innovative products for new uses and shortening of production periods (Vickerman, 1991).

The observed increased interregional and transnational ability of the movement of labor and capital creates the possibility of more productive initiatives, leading to the multidisciplinary development unlike, until a few decades ago, the persistence toward a specific goal, this of industrial development as the goal which would cause growth. Therefore, policy makers have tried to promote objectives which at first sight appeared to be incompatible: of the industrial development policy and of the policy of spatial distribution of economic and mainly industrial activity. It should be noted that traditionally the concentration of industrial activity, even in cases where the industry should be concentrated at the points of existence of raw materials, was made close to large urban centers where of course there are the infrastructure (telecommunications, transportation networks) (Anderson, 1984).

2.2 Theories of relocation of economic activities

The question of relocation decisions of economic (industrial) activity has caused much debate in theoretical and empirical level. This is because relocation decisions are an issue that is mentioned as complex and multidimensional, because the decision depends on many factors. The theoretical investigation of the problem is to describe the 'standard' that is shaped and defines these decisions. The systematic description and investigation of this framework contributes decisively to the most efficient configuration of the system of regional policy measures. In the current scientific practice, theories of relocation are classified according to the main objective of the entrepreneur when he decides location of the business. So theories are classified according to the following categories (Derek, 1980):

- Minimization of transportation costs: The choice of location is only affected by transport costs while remaining cost factors (labor, capital) are not altered in any possible location where it can be installed the company. Transport costs refers to either raw materials or consumer market or the labor.

- Minimization of installation costs: Here is introduces the concept of quality of a production rate that may vary depending on location. E.g. better quality of transport services projects, reduces transportation costs making it a more attractive place for installation.

The practical utility of theories minimizing the cost of operation (including transportation costs), is limited by the assumption of constancy of the total revenues of the company, irrespectively of the final site of this installation (Derek, 1984).

- Maximization of the demand and revenues: Companies are seeking relocation places that have the greatest demand and ensure the necessary access to the market.
- Maximization of profits: The company will be relocated where the size of the sales in a given number of buyers that maximizes profits can be handled (i.e. produced and distributed products) with the lowest total cost.
- Relocation of multinational industrial firms: The units of multinational firms are many and the growth and profitability requires spatial organization such that the central government is usually situated in major international centers and the lower in the hierarchy of the ranks to be found in international centers larger spatial area or regional centers.

But the development of the industry in the past relied on familiar incentives (grants, low-interest financing, tax breaks, government guarantees, etc.). Today these traditional policy instruments are replaced by other means of complex systems, such as the development of small and medium enterprises to create business and technology parks, establishment and expansion of inter-regional and transnational networks of production and distribution. On the latter, it may be mentioned the networks Cotrao (between regions of Italy, France and Sweden), Atlantic Arc (22 regions of the Atlantic coast), Alpe-Adria (10 regions in five European countries), Four Motors for Europe (4 regions of Italy, France, Germany and Spain) etc. Certainly a great extent and importance is given today to the notion of soft infrastructure which means the development and utilization of human factor, but also in activities associated with high technology, research, the environment and culture (Vickerman, 1991).

2.3 Theories of spatial distribution of economic activities

Another group of theories attempting to explain the spatial distribution of economic activities in connection with the proliferation of settlements in the area. The most important of these are (Vickerman, 1991):

- The theory of “central-location”: This theory explains the role of the city as a settlement that serves its residents and residents of surrounding areas. The central location i.e. urban center, supplies goods and services to itself and a complementary region which is cyclically distributed to the center, leaving some areas uncovered. Successively, are generated new central locations which thicken the space, forming export systems of settlements-markets ranked in three categories: cities, towns and villages.

- The growth poles theory: According to this theory a key element of spatial and industrial development is that growth does not occur everywhere at once, but at points or poles of growth with varying intensities.

- The model of spatial interdependence: These models formulate the theory of the structure of cities and regions and make predictions for future restructurings in space.

Commentary: The macroeconomic models to regional development, have little use due to significant restrictive assumptions that is required. Thus, the investigation turned to more practical direction, which aimed to identify the key factors affecting temporal changes in economic activity in the regions. So, there were studied the texture and the course of development in different regions and identified the forces disruption in the development process. Although no model of regional development or growth was accepted, this does not diminish their importance because each one of these models provide answers to specific questions relating to this process in the regions (Denko, 1993).

2.4. Classical School

The classical school treats the site as a distance (points, namely, that in parallel with other inputs there are also needed inputs and transport in the process of production) and as land that occupies each production unit. In other words, it understands the distribution of productive activities in site as an issue related to transportation and land use. Four key approaches are distinguished in this school (Anderson, 1984):

1. The minimal cost. According to this approach, they look at that site of installation where the total cost of collection of raw materials, processing and distribution of finished product to the market is the minimal. The study with

the greatest influence belongs to Weber (1909). Weber hypothesized that some materials are found only in certain areas, while in parallel, others are evenly spaced. The location and size of sites of consumption and concentration of the labor are specific. There are circumstances of perfect competition and every industry has unlimited market. The cost of production as well as the selling price of the product, are specific and do not vary in space.

In this simplified world that created, Weber argued that the location of the individual enterprise is based on three factors entered into the model gradually: to minimize transportation costs, labor and economies of concentration.

2. The spatial interdependence - Area market, argues that because buyers are scattered throughout the geographical area, each factory controls the area in which it sells its products more cheaply than its competitors, which are located in less favorable locations (i.e. has "spatial monopoly"). If a company wants to settle in a region with a view control the largest segment, it must take into account the likely the reactions of other firms already operating there, and of the companies that may appear in the future. Studies of Losch (1954) and Hotelling (1929) had the largest inflow in this approach.

3. The general spatial equilibrium. It deals with how is made the distribution of all economic activities in the area under certain conditions. The study of Losch (1954), that had the greatest impact, attempted to formulate a theory of space, corresponding to the general economic equilibrium. Losch hypothesized that geographical space is homogeneous in the sense that there is an equal distribution of raw materials, the same values of transport in all directions, even equal distribution of the rural population and that all people have the same consumer knowledge and economic challenges.

Losch approached the problem in stages. In the beginning, each, firm operates in cyclical markets. So, however, is impossible to service the total of the possible limited market, because cycles can not fully cover a geographic area, unless they overlap (in the inter-covered areas no company has monopoly advantages). In the second stage, the areas not supplied attract new companies. So, finally, is presented a system of export markets in which each firm has monopoly advantages. Each product has its

own system of markets share to export areas, the size of which is depending on the nature of the product.

4. The life cycle of the product. According to this theory, there are defined three main different phases in the evolution of the demand for a product in a particular market, determined through the evolution of the total demand. In summary, below are presented the characteristics of each phase (Cordella, 1998):

Stage of Development: The innovative product has just been promoted to the local market. The high degree of product differentiation, the potential power of some patent product, the cost and difficulty of design and the development of innovative products make the conditions in this newly developing market, at least oligopolistic. Therefore the elasticity of demand to the price is low and one or very few producers / suppliers have the possibility of collecting monopoly profits. Sales grow at ever growing pace. In this phase it is likely also to open opportunities for exports, but the driving force in the development of producers are resulting from domestic market. The location of businesses that developed the innovative product, selection of the installation area, or watching the same issue shortly otherwise in what area will develop specific new products, depends from the given production conditions of each region and characteristics of demand.

Phase of Maturity: The domestic demand continues to increase over time, but with a significant qualitative change in the evolution: its boundary increase, the growth rate of total sales that declines. The needs of consumer that were newly discovered principle seem to be reaching quantitative boundaries, while others producers are developing innovative substitute products and services. Exports, thus, are gaining more importance as an additional way to promote production.

Simultaneously, the initial success and positive outlook of the product have approached many competitors. Competition is increasing, and so is the elasticity of demand on price, resulting in the shortage of profits of producers. This pressure creates some initial investment moves abroad, in the attempt to exploit the best productive conditions of other countries (lower labor cost, lighter taxation abundance of natural resources, etc.).

Contraction phase: The domestic market has obvious signs of stagnation and gradual reduction of total sales. The domestic competition is further strengthened and margins shrink further. As a result, domestic production is diminishing with an increasingly rate: Either simply because businesses choose to adjust the scope of work, either because they move their capital and means of production in other areas. The differentiation compared with the previous phase is here that the FDI generated are more clearly, but in addition they are partially different in content: domestic investors do not choose to transfer them simply in areas which have lower production costs, but simultaneously and to those that are characterized by highly dynamic (yet) demand. In advanced phase of contraction of the domestic market, the country that originally developed this product satisfies its reduced needs with imports (Cordella, 1998).

Vernon argued that any new product passes through three stages. In the first stage, the product is presented for the first time; it is not yet standardized but needs significant changes, the market is relatively insecure, there is need of qualified personnel (labor and management). In the second stage, the product is standardized and is diffused in a significant market's region; the need for qualified personnel is limited. In the final stage, the product diffuses in all possible markets (mature product), the market is more stable and the economy stems from the large scale of production, organization and distribution of capital inflows (Vickerman, 1991).

According to Vernon, the stages have different space needs. In particular, firms tend to space the first stage in global metropolises (New York, Tokyo, London, Paris, etc.), second in national and regional centers with sufficient qualified personnel (Athens, Thessaloniki, etc) and third in underdeveloped areas (Christodoulakis and Petrakos, 1997).

The above four approaches of the classical school understand the process of industry location industry as a product of individual factors that are common to all cases. All businesses and social formations is assumed that they have the same characteristics, the same cost of production and transportation of products and raw materials, consumers have the same standards and the geographical area is uniform. Then, they quantify these factors and construct models to find, depending on their cases, the "best" location. But they completely ignore the social processes behind the

spatial distribution of industry. The inefficiency stems mainly from the removal method used and the assumptions made (Cordella, 1998).

The removal method that are using these approaches is based on the typical combination of features that are common in a heterogeneous set of states. They proceed, in other words, to remove proportionately. A chaotic removal, meaning that it attempts to correlate everything that cannot be correlated and to separate what is not separated. A removal irrational in the sense that is isolated an important element of the realities, in consistence and the same dynamic. Their view of the theory, grounded in positive logic and empiricist philosophy of science, leads all the four approaches more to generalization than to removal. Directly or indirectly, all assume that theory and generalizations are looking for analysis of relations between the same empirical objects and situations, not removals of those that cause them (Sayer, 1976: 3, 5).

This way of removal obscures the real dynamics and structure of the investigated object (Harvey, 1977: 244), since it leads to a process where the interpretative factors merely are "added" as utilized units to complete the picture of the social phenomenon. As characteristically argues Sayer (1980), these approaches consider the final product as a result of various determinations just listed and "added", instead of "synthesized" - instead, i.e., their combination to affect the quality of their individual constituents elements.

Another failure that is also due to the removal method that are using the analyzed approaches is that each individual element is incorporated in the "interpretation" only when it is quantified. But so are ignored the elements that are not measurable but, while those incorporated lose many of their inherent characteristics. This stems from the notion that social sciences should adopt the methods of science, to make them equally “strict” (Wright, 1974; Sayer, 1976). They try, ie, to replace the thorough study of society with mathematical and statistical techniques that results often to one-causal interpretations (such as minimizing costs or maximizing the profit) of locating. In this way, however, they distort the image of society, both overall and in the individual elements. It should be noted that this criticism cannot generally deny the feasibility of these techniques. Merely it indicates that they should be included in the appropriate interpretive framework.

Finally, the above approaches, by looking the company detached from the rest of the society, result in barren idealized models. Considering the business model as "typical" and "general", "adapt" the reality in the form of waivers. But this epistemologically is insecure, because it distinguishes the behavior of firms in two watertight levels: the core (non-social, non- historical, abstract model) and that that has differences from the standard as “additional” factors. The normative and subtractive character of the theory treats any "deviation" from the model as disadvantage not of theory, but of reality. Above all, it can not interpret adequately the behavior of any level, since the core is perceived as abstract preexisting model, and exceptions are incorporated only to this as 'additional' factors (Massey, 1978a). For example, the approach of life cycle can not easily interpret phenomena like that of Silicon Valley. It cannot explain, i.e., how new products of micro-electronics are created in an agricultural region with specific characteristics and not in metropolitan centers such assumes the same (Anderson, 1984).

The second major shortcoming of the classical school is due to its hypotheses. Hypotheses that the scientific subject of which ceases to be the reality and therefore is an idealistic structure, another, more rational "world" (Anderson, 1984).

The "world" of the classical school is an abstract society in perpetual balance. This principle, as stated by Sayer (1976: 238) complete, other supportive, non-intuitive cases, a closed system of axioms, by which is impossible to be understood non linear development processes. The school considers the society as a harmony-sub system, ignoring the complex social relations and conflicts that inevitably leads to false interpretations of social reality. Moreover, in this "world", the human behavior follows perfectly the characteristics of rational economic man of neoclassical economics, in a sense it is addicted to, i.e., human behavior absolute nature (Derek, 1980).

Moreover, the classical school, according to Smith (1981), is not apolitical, as usually is conceded because important of its questions (such as which aspects of society should be explored) are distorted by interpretations of teleological means. Studies of least cost approach, for instance, do not tell us why entrepreneurs should always minimize their costs, while those of location interrelationship do not explain why the pursuit of entrepreneurs should always be to control the market.

2.5. Behavioral school

The school was formed in the 1960's and argues that the intepretetion of the site of the industry should be based on the behavior of individuals and businesses. It seeks to describe the relationship of external stimuli and behavioral patterns and thus to construct models of the common behavior of individuals and businesses. As part of this school are two basic approaches (Vickerman, 1991):

a.*The behavioral theory of the company*. Relevant studies (eg Pred, 1967) argue that the behavior of individuals and businesses can be integrated into the minimum, maybe one or two standards, based on numerous empirical observations.

This theory dealt with the process of decisions making of location, with the process with which is obtained the relative decision, after first, at least in some cases, is evaluated the alternative action. But the attempt of some studies to interpret the decision through the process in which a is taken, becomes incomplete, because in a company the decisions are influenced not only by internal forces, and external; the choice of the location is a compromise of these forces (Cordella, 1998).

The theory, recognized, finally, that the decisions of location in the real world rarely are the best, with the meaning that they maximize profits or minimize the sources used. It challenged, in other words, the concept of "economic man" paying attention to the perception of the individual entrepreneur. However, the process is becoming even more complicated when it comes to business and not for individuals. The company, moreover, can not be interpreted as a set of the individual persons, as to this are not simply reflected the perceptions of the individual members of the Board, but also the nature of the company's position in the economic system etc (Derek, 1980).

b. *The pure descriptive behavior*. Recognizes the immense variety of behavior and tries to approach it with empirical research. But since it is not founded theoretically often results in naive empiricism. These studies did not go beyond the phenomena to reveal the operation of "internal" mechanisms of location. As typically points Sayer (1980: 7-8), they accept effortlessly definitions of objects, and generalizations of "chaotic" concepts. Another problem with these studies is obvious in the method in their research, interviews and questionnaires which they consider as unambiguous

data. Finally, they try to explain the decision of location exclusively through the company, without references to broader economic, social, political, cultural and other conditions under which the decision was made, often without reference to the circumstances prevailing in business during the decision making. In the growth of this school contributed mainly three factors (Derek, 1980).

First, the effort to integrate the study of the location of industry the term of monopolistic advantages that can ensure a business because of its location of the. There is, therefore, interrelationship of the firms on their location. In particular conditions of imperfect competition, strategic of business become to regulatory factors (Vickerman, 1991).

Second, the effort to adapt new research on material conditions. For example, with the increasing importance of monopoly capital, is recognized that business range from multinational to small cottage industry, so the hypothesis of classic school for a basic type of business is not realistic (Vickerman, 1991).

Finally, the attempt to replace the unrealistic assumptions of the classical school on the "well informed", the "rational" and "enhancer" "economic man" who is fully aware of all possible spatial variations in the cost of purchase and the demand. For the purely descriptive behavior, "economic man" does not exist. People behave in unfamiliar way and often seek non-material goals, the location behavior of business therefore depends on personal choices (Derek, 1980).

But in the end, the surveys and studies of three decades yielded no significant results. The only conclusion seems to be that the decision taking of location is a complex and unique process for each business. Therefore, we need more empirical studies to understand it completely (Anderson, 1994).

In conclusion, the classical school begins from the general principles of virtual logical and the optimal behavior, such as the maximization of profit, and reaches conclusions about expected spatial coherent's. Instead, the behavioral school starts from empirical study and then holds generalizations, which, in some cases, take the form of standard for the ideal behavior of individuals and businesses (Anderson, 1984).

2.6.School of political economy

Studies of this school helped to understand the location of the industry stressing that this is integral and essential and is fixed by the material productive priorities of each every social reality (Derek, 1980).

The school was characterized from the criticism that did on the two schools we examined above and that introduced Marxism in analyzing the location of the industry. According to it, the behavior of the people is determined by social structures, and society should be seen as interdependent structures, rather than as total of people. Degrades, i.e., the possibility of people to change the conditions of their their lives (Derek, 1980).

Like the classic, the school of political economy focuses its interest on the economy but with a completely different perspective. It regards economy as a dynamic process rather unchanged, such as the classic or behavior. For it the economic processes vary according to the forms of social organization. The theory of location of industry, i.e., such as and the economic geography in total, must take into account and the wider social framework. Therefore it is not possible to provide a universal theory of the location of the industry, independent from time and place, but only theories for specific societies (Anderson, 1984).

The school of political economy introduced to the theory of location of the industry the concept of social contradictions, which is fully dismissed of classical and behavior school. This absence is not surprising, taking into account that to those studies are missing references to social structure and, particularly, in social classes. According to Marxist theory, social contrasts are not accidental but are structural feature of capitalist production. The production, in other words, is not an end in itself but a means to achieve profit. The competitive structure of production requires companies to introduce changes which, inevitably, encounter the resistance of labor forces. The process of location now obtains social content (Anderson, 1984).

Studies of this school remove from the analysis of the business as a separate economic subject and are turning to more complex phenomena, as the regime of accumulation and state regulation, the transformation of labor and the market structure, its international division and the organization of multinationals. Until now

on, studies tend basically to three different directions, but they are not yet specific approaches (Anderson, 1984):

a. *Focus on restructuring the capital and the cycles of investment.* These studies (eg Dunford, 1977; Massey, 1978; Massey and Meegan, 1979, 1982, etc.) argue that capital restructuring (changes in the production process and other organizational changes, as opening and closing of companies, mergers) creates new needs of location, consequently alters the structure of the industry in location.

b. *Focus on restructure of capital and the labor process*. In it, the location of the industry is directly linked to the labor force employed (Friedman, 1977; Walker and Storper, 1981, etc.). For many industrial products, markets, production and global competition were also global; moreover, in any part of the world they are produced, these products are identical. In the tendency for globalism, labor is the most important factor because it continues to present huge differences from region to region. The location, then, is a management strategy to remove possible conflicts of employment and make a profit (Walker and Storper, 1984). Changes in the location of industry should be seen as a result of changes in the labor process (e.g. Perrons, 1979).

c. Theoretical foundations of empirical researches. In an attempt to articulate a new theory, many scholars fled to empirical research, research that characterizes all schools of the location of the industry in today's crisis theory. On theoretical grounded empirical studies can be classified most studies of political economy. But this direction is determined negatively. It includes all those studies that lead directly or indirectly to theoretical labeling, but they are not sufficient to formulate another direction, or to integrate the two previous approaches (Vickerman, 1991).

Generally, the school of political economy argued that the location of industry is inseparable from the social reality that defines it. It went beyond the external phenomena to discover the key relationships in the process of location, which both classical classic and behavior school failed to do. It examines the decision of location under the specific characteristics of the society in which it occurs and does not deal with realistic assumptions for these societies, like the "old" schools. It structures its theory of rational removal, rather than empirical generalization or chaotic deduction, as those (Derek, 1980).

And yet, studies of this school, despite their important contributions, have certain shortcomings. First, overemphasize the importance of the economy: they consider it as the main element and to all other levels, political, cultural, and ideological. They support, direct or indirect, that the process of industry develops primarily as a result of the dynamics of accumulation. But finance "laws" of Marxist theory (like falling rate of profit) are meaningful only within a specific society. The examined studies, however, did not deal with class relations. While they are accepting as an authority that the decision for location of each firm derives from interaction of the company with the social system in which it occurs, in practice they fail to recognize the importance of idea-political issues (e.g. Murray, 1973; Dunford, 1977, 1979; Dunford et al, 1980; Massey, 1978, 1980; Massey and Meegan, 1979; Walker and Storper, 1981). They consider the economic basic factors of both social structure generally, and the process of location, particularly.

Therefore, these studies are distinguished by economism. This, however, does not mean they do not refer to micro economic factors, such as militancy of employees, but they are not combined with their interpretation. That is, the human being is missing from them. Characteristically, says Sayer (1980:14), action and actors are reduced to the category "class struggle" and the reference to them is more of a gesture, a unique way to declare political beliefs of the author, despite ingredient of interpretation.

The second major weakness of the most studies of that school is that they decrease the importance of the individual factors, (e.g. people and companies) and point out the importance of structures (e.g. capitalists, workers and capitalist enterprises), which is supposed to work uniformly without contradictions. These studies fail to incorporate to interpret some contribution from both the behavior on the location of industry, and the social sciences. So while for behavior school the actors define the events, in these studies the development of events is determined full by the circumstances. And the significance of terms is almost nonexistent (Derek, 1980).

The third weakness of the studies of this school focuses on unilateral and not holistic analyses for the procedure of location of the industry. The industry analysis is not sufficient, however, to the overall interpretation of the phenomenon of its location.

CHAPTER 3
THE RELOCATION OF GREEK BUSINESSES IN THE BALKANS

3.1. ECONOMIC SITUATION OF BALKAN COUNTRIES

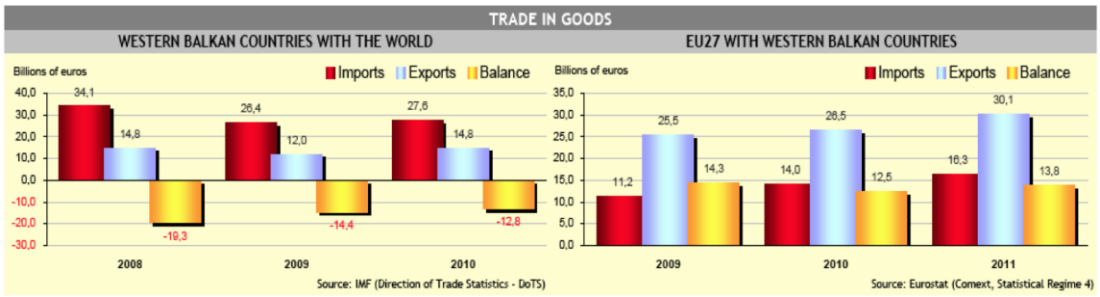
In the table below is presented the annual growth rate of GDP in the countries of Southeast Europe. It is observed that there is a temporal increase of GDP in all countries, with some changes of course intermediately and due to political developments in the Balkan countries (such as the war in Kosovo, the independence of Montenegro from Serbia etc.). Also, it should be noted that the data refer to 2010 and so they include the last two years, in which was a decline because of the global economic crisis underway (www.worldbank.gr).

Table 1 – Annual rates of GDP in the Balkan countries (%)

Country	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Romania	2.1	5.7	5	4.9	8.3	5	4.8	4.2
Bulgaria	5.4	4.1	4.9	4.3	5.6	4.2	3.8	3.7
Croatia	2.9	4.4	5.2	4.3	3.7	2.8	2.6	2.3
Serbia	5.2	5.3	3.8	2	7	5.8	5.4	4.6
Albania	7.3	7.6	4.7	6	6	5.1	4.8	4.2
Bosnia	5.5	4.5	5.5	3.5	6	4.9	3.6	3.4
Former Yougoslavia	4.5	-4.5	0.9	3.4	1.5	0.5	0.2	-0.1

Source: www.worldbank.gr

Chart 2- Balkan countries and trade in goods



In the table below we see the profile of annual FDI inflows (FDI) in the Balkans during the years 2005 to 2011 according to the data from Central Banks. There is a decline after 2008 which is the year of economic crisis

Table 2 – Annual inflows of FDI in the Balkan countries (%)

Country	2005	2006	2007	2008	2009	2010	2011
Romania	1147	1294	4100	4000	1210	1080	967
Bulgaria	1103	1250	1500	1500	903	846	756
Croatia	1181	1020	1000	800	635	592	586
Serbia	559	489	1000	827	629	593	498
Albania	155	285	400	400	156	143	123
Bosnia	15	21	50	40	18	17	16

	9	9	0	0	7	6	5
Former Yougoslavia	18 9	19 6	20 0	12 0	84	83	54

Source: www.worldbank.gr

In Table 2 it seems that over the years the Balkan countries are attracting more and more foreign direct investment in their territories. Much certainly of them are Greek investments. Apart from the above there are others such as the reduction of unemployment and the increase in per capita income in these countries which show the economic recovery under way in the Balkans.

These are elements that encouraged the Greek businessmen to relocate their business into these markets. In addition to classical sectors, such as banking and construction, major relocation investments are made and from industries such as the retail and manufacturing. Finally, it should be notes that another positive element is that all three countries have already joined the EU (Slovenia in 2004 and Romania and Bulgaria in 2007), while the other countries are in the process of integration, which of course will be completed at least in a decade.

3.2. The development of Greek investments in the Balkans

During the period 1982 - 1992 the Balkans were marked as a new Eldorado, due to the entry of many small businesses that sought the easy profit. On the one hand the fact that the activation in Western Europe is difficult, since the space is flooded with powerful enterprises that create entry barriers to firms with low and competitive position and of the other, low labor cost in the Balkan countries, attracted many Greek industrial enterprises in these countries. Given this situation Greek entrepreneurs have found the ground to make sizeable investments in relation to the financials of Greece (Christodoulakis and Petrakos, 1997).

However, about 25 Greek multinational companies have invested 80% of total Greek FDI outflows throughout the Balkan region. Simultaneously, approximately 3,500 active from 8,000 to 10,000 registered businesses offered and offer value-added

activities in the Balkan economies, such as new jobs, better quality products, greater product diversity and increase of the production.

The Balkan countries, although lagging behind economically than countries of Central Europe, however, they have significant growth prospects. Also in the Balkan region are shown strong signs of economic recovery, politico - social stability and respect for human rights (Christodoulakis and Petrakos, 1997).

Therefore are presented several investment opportunities, especially for Greek enterprises, given the lack of investor interest from western multinationals. The countries of Southeastern Europe have the prospect of the decade we are, to achieve the goal of European convergence, as well as businesses are able to make these purchases (Demko, 1993).

In the years 1992 and 1993, 100 Greek firms started their investment activity in Bulgaria (Demko, 1993). Then in 1994 there was an accumulation of about 450 new Greek firms in the years 1995 - 1997 about 750 new businesses created. From 1998 to 2001, we have a record of 2,400 additional Greek companies in Bulgaria. Moreover, some 290 Greek firms entered in the years 2002-3 and so, at the end of 2003 the Bulgarian archives appear over 4,000 registered Greek firms, of which however less than 1/3 of these are active. According to Central Bank data Bulgaria, Greece, during the last seven years is the third largest investor in Bulgaria, with a total investment value of approximately 3 billion million or 8.6% of total investment (DTZ Research, 2008).

More than 2,000 Greek companies are based in Bulgaria, according to official statistics. The National Revenue Agency (NRA) of Bulgaria states that since 2006, the number of purely Greek companies submitted tax returns in Bulgaria increased by almost three times (DTZ Research, 2008). They were 733 in 2006 and were made 2,074 by the end of 2010. In 2011 it is estimated that another 800 Greek firms relocated. The "single tax" (10%) is one of the factors for low cost of doing business.

If added to the lower labor costs, simplified bureaucratic procedures, lower transportation, cheap rental properties and stable (so far) the economic situation in Bulgaria, it is natural to attract foreign companies (DTZ Research, 2008).

As Albania is concerned, it is worth mentioning that the total Albanian inflows throughout the transition period (1989 - 2003) is less than 1 billion US $. This limited

performance in FDI is due to a series of crises that were made in Albania: political turmoil that followed the collapse of five projects pyramid in 1997, the attempt of coup in September 1998 and the crisis in Kosovo (DTZ Research, 2008). During the years 1999 - 2010, Albania has achieved high levels of FDI inflows over the past years, mainly because of successful privatization programs of public enterprises, especially in the telecommunications and banking. The majority of foreign investors came from Italy and Greece, which, according to data from the Central Bank of Albania, is the largest foreign investor.

Passing in Romania, it is noted that during the years of transition (1989 - 2003), were received more than 10 billion US $, as the accumulated stock of FDI (DTZ Research, 2008). The Greek investments of 20 Greek companies only touch the $ 1890 million, which includes investments in offshore companies in tax paradise of Cyprus and the Greek investment of OTE which was made through lending by private banks in Romania. It is estimated that about 530 large companies of Greek interests are operating in Romania with a total invested capital of approximately 3.5 billion euros.

The Greek companies registered in Romania are 2,555 and the Cypriot are 1,144. However, less than 1/3 of these are active.

Maintaining, traditionally very good relations, of cooperation and neighborliness between Greece and Serbia, which have their bases in solid historical, cultural and friendly ties, have fostered strong economic exchanges between the two countries. Greece ranks in the first position of foreign investors in Serbia, with the direct Greek investments amounting to €2.2 billion and total investment (direct and indirect) to more than 2.5 billion € (DTZ Research, 2008).

Moreover, the largest foreign investor in FYROM and the largest employer is Greece, as companies of Greek interests have invested in the neighboring country funds totaling about one billion of total foreign investment of over $ 2 billion. Greek investments in FYROM are estimated that created about 9,000-10,000 jobs (only the 32 largest offer jobs to about 6,000 people).

In conclusion it can be said that Greek investments in 2010 in the Balkan region are estimated at 7 billion US $ (Including the special case of OTE in Romania and the

use of the Greeks of Cyprus coastal stations (only 4.25% tax profits) and Luxembourg, while today it is believed to be over 15 billion €.

Simultaneously, most (over 50% of the total investment) of the total Greek investments in the Balkans (in volume of invested capital) were made by 25 major Greek corporations. Furthermore, they are calculated at 8,000 to 10,000 Greek registered companies in the Balkans, but only 3,500 of them are active, offering more than 200,000 new jobs, better quality products, a wider variety of products and increase of production of GDP of each neighbor country.

On the other hand, the fact that only 1/3 of registered Greek companies are active in the Balkans, is because the Greek businessmen wanted the easy profits using limited capital and without previous experience in economic activities in the Balkans. Some of the reasons for failure are discussed below (Christodoulakis and Petrakos, 1997):

- Many Greeks, who in the first years of transition rushed – without any investment plan and without market research - to create companies in Balkans and to register, quickly realized that they had no chance to create a company hoping to profit easily.
- Bureaucracy, high business risk and corruptionare some of the factors that led many Greeks to close their business and return (despite their familiarity with these obstacles - disincentives).
- Some joint ventures because of the inability to cooperate with local investors were led to failure.
- In some cases, "following the customer" they failed because the profits that the traders waited a few years, did not come. Many of these stopped their efforts either because the losses were significant in the first year of investment or because their consolidation in the market did not seem to give chances for something better in the future.
- The low per capita income led to low per capita consumption and exacerbated the income and corporate profits. This had a greater impact on small businesses as the target market is households, which in most cases were "tested" by financial crises.

- The economic crisis forced many Greek companies to return to Greece.
- Some Greek companies in the textile and ready garment returned to Greece because of insufficient capacity of Balkan workers, which resulted in the production of low quality products. The low labor cost was not enough to keep these investors in the Balkans.
- Different small Greek companies were established in the first year of transition, however, they survived for a short time, and very soon the Western multinationals came, offering the same products with better quality and more affordable prices.

3.3. The economic situation in the Balkans, the Greek presence and activity of enterprises in northern countries

3.3.1. Albania

3.3.1.1.Bilateral trade relations with Greece

Greece is the second most important trade partner of Albania after Italy. The Greek exports recorded a nominal increase. But their share on the total Albanian imports shrinks as the total Albanian imports is increased faster (with Germany and China substantially increasing their rates). Greece is the third client of Albanian products absorbing approximately 8% of Albanian exports (compared with 68% of Italy) (Bitzenis and Ersajna, 2004).

The trade balance remains positive for Greece and particularly in the 2009 amounts to 384.2 million$, for 2010 amounted to 436.8 million $ and in 2011 to 564.2 million $.

Imports of Albania from Greece in 2009 amounted to 453.4 million$ and 2010 to 512.0 million $, increased by 12.9%. In 2011 totaled 652.9 million $, an increase of 27.5% compared to previous year (National Bank of Albania, 2011).

Similarly, exports of Albania to Greece in 2009 amounted to 69.2 million $ and in 2010 to 75.2 million $, an increase of 8.7%. In 2011 amounted to 88.7 million $, increased by 18% over the previous year (National Bank of Albania, 2011).

Thus, the total trade volume between the two countries was formed in 2009 to 522.58 million$, in 2010 to 587.26 million $ and in 2011 to 741.61 million$ (National Bank of Albania, 2011).

3.3.1.2. Relocation of Greek companies in Albania

The areas mainly in which Greek companies tend to invest are the same as those of other Balkan countries. Greece holds approximately 28% of total FDI in Albania and is the leader in invested capital, as it is estimated that this amounts to 1.2 billion USD. The approximately 270 Greek and Greek-owned companies operate mainly in the field of telecommunications, banking, and contracting of construction, tobacco marketing, marketing and distribution of petroleum and petroleum products, textiles, food and clothing and footwear, mainly based in Tirana and Koritsa, have created about 9,000 jobs.

The major Greek investments by sector of activity are follows:

- Banking: National Bank of Greece, Commercial Bank, Tirana Bank (Piraeus Bank Group), Alpha Bank
- Telecommunications: AMC (Cosmote group), Vodafone
- Oil: Global Petroleum (ELPE), Mamidoil, Euroil
- Construction: Egnatia, DIEKAT, GEKTERNA, Atermon
- Industrial products: Miles (packaging materials), Morpack (packaging, Group Philip), Alumil (aluminium profiles)
- Food: Lulea (flour)
- Insurance sector: Interalbanian (Aspis Group)
- Consulting: Rokas and Partners
- Transport: Olympic, Aegean
- Health: Central Clinic of Athens, Group Health

Important is the presence of north-Greek businesses in Albania, both through direct investments, taking into account the data from Federation of Industries of Northern Greece for subsidiaries of its members are located in the country and studying the table below, which shows increase of exports of businesses of Central Macedonia in the years 2006 - 2010 with an average annual increase of 6.8%. This can mainly be attributed both to the vicinity of the region, as well to the significant opportunities offered by the country for investment.

Table 3 – Exports of central Macedonia (in Euro)

	2006	**2007**	**2008**	**2009**	**2010**
Albania	71.097,32	73.701,231	70.065,831	95.475,831	92.474,462

Source: Greek Ministry of Foreign Affairs

In Albania, the tax on corporate profits has fallen from 23% to 20%, and is offered a 30% discount on electricity prices for businesses. The average gross salary in Albania is 200 euros.

Among the more attractive incentives for investors in Albania are the producers under contract who are not subjected to VAT for their services, while leasing of government property (buildings and land) provides rents lower than those of market. There are also incentives for investments in the tourism sector.

AMC began commercial operations in 1996, becoming the first mobile telecommunications company with operations in Albania. Having traversed a very successful dynamic development at all levels today, AMC has consistently lead the market in the neighboring country, despite the entry of a new provider, with a market share of around 52% and its customer base to more than 1, 3 million customers at the end of September 2008. COSMOTE's subsidiary in Albania expands and continually improves the range of services, with competitive proposals communication available through a wide marketing network across the country. The company also invests steadily to strengthen telecommunications network, which currently provides over 98% of the population and more than 85% coverage.

3.3.2. Bosnia- Herzegovina

3.3.2.1.Bilaterial trade relations with Greece

The Greek presence in the economy and the market in Bosnia- Herzegovina is poor.

There are a few Greek companies operating permanently based in Bosnia-Herzegovina (typically micro-sized) and has not, to date, implemented any plan of private cooperation, although it is projected 30% subsidy of the total investment.

In 2010 and according to the Statistical Office of Bosnia- Herzegovina, the exports to Greece totaled 10.3 million KM (down 32.6% from 2009) while imports from Greece to 51.2 million KM (increase of 16% compared to 2009) (Greek Ministry of Foreign Affairs, 2009).

Because of low incomes and the general level of the country the word 'value' is dominant in the market, with quality coming into second place.

3.3.2.2. Relocation of Greek companies in Bosnia- Herzegovina

The last year has been a significant increase in FDI due to the funds for the implementation of the privatization of the Entity of Serbian Republic which was decided in late 2006. The total amount reached unprecedented level of 1,628 million €, according to provisional data of FIPA (Agency for the Promotion of Foreign Investment of B-H).

It is worth noting, moreover, that as the scope of budgets (Across all entities of Bosnia and Herzegovina), public investment or to strengthenprivate investment is very limited, since 90% of the evenues are directed to mandatory spending (wages, pensions, social allowances). In this context, privatization is an important lever of modernization of the economy, easing budgets and fundraising for investment promotion.

The Greek investment presence in the country is on investments of approximately 50 to 52 million. Major investment is the Greek Company of Bottling 3E, Alumil,

Hellenic Petroleum in commercial activity, Koligas company in the wood sector and Canberra company in aluminum profiles.

Remarkable is the presence of Greek studies in companies and consultants that implement programs of development assistance from the European Union (project cards) and the World Bank. There is also participation of Greek companies in almost all notices of projects of these two bodies.

3.3.3. Bulgaria

3.3.3.1.Bilaterial trade relations with Greece

According to data of Greek for 2008 (before the economic crisis), the volume of bilateral trade transactions with a total value of € 2.399 billion rose by 21.7% compared with the previous year. That increase has mainly buoyant Bulgarian exports to Greece, which rose in value by 35% compared to 2007, to 1,162 billion €. With lower, but quite satisfactory growth rate (11.0%) were initiated during this period, Greek exports and amounted in value to 1.237 billion € (UNCTAD, 2009).

These developments (increased rate of Bulgarian exports to Greece) resulted in a further reduction of trade surplus of Greece at 75 million € (versus € 249 million in 2007 and € 275 million in 2006) and the worsening terms of trade for Greece (UNCTAD, 2009).

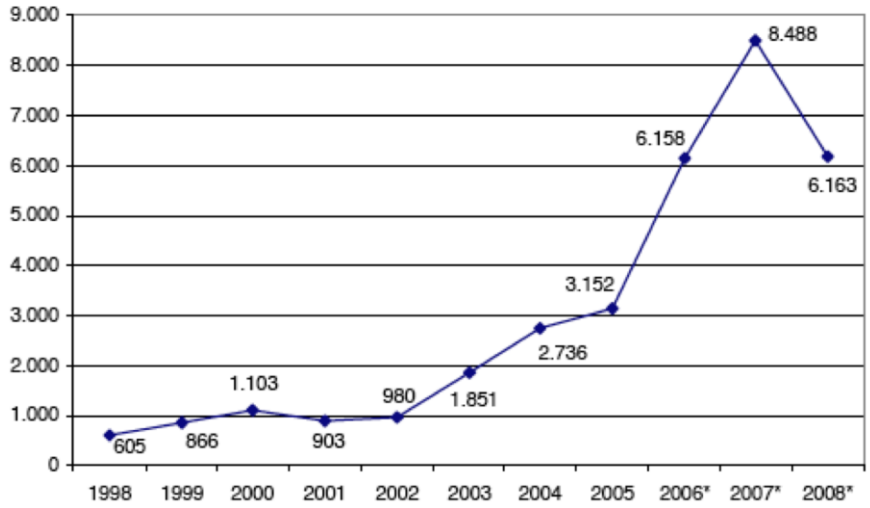
Exports to Bulgaria owns 7.1% of the total Greek exports in 2008 compared with 6.5% in 2007 and 6.3% in 2006, with Bulgaria holding the third position among foreign buyers of Greek products in relation to the fourth position it held the previous year. Imports from Bulgaria have improved their share of total Greek imports of that period from 1.5% in 2006 and 1.6% in 2007 to 1.9% in 2008 while upgraded the Bulgaria's position as a supplier of the Greek market from 18th in 2007 to 16th in 2008 (National Bank of Bulgaria, 2009).

3.3.3.2. Relocation of Greek companies in Bulgaria

Foreign direct investment in the country, amounting to € 6,163 million in 2008, went down by 28% compared with 2007 and contributed at 18.1% of GDP (compared to 29.4% in 2007) and covered with a percentage of 73.7% the deficit of current account and capital transfers. According to predictions of the Bulgarian Government, the amount for 2009 is expected to decrease 50% to stand at only 3,000 million €, which would imply the contribution of 9.2% to the national GDP.

During the last 12 years, the amount of total foreign investment in Bulgaria is estimated at 33.7 billion €. According to below chart, from 2002 onwards, with the exception of 2008, foreign investment showed consecutive annual increase, while only the last two years, Bulgaria attracted funds from abroad, worthing 12 billion €.

Chart 3- Foreign investments in Bulgaria (in million Euro)



Source: Bulgaria's National Bank (BNB)

It is noted that a significant portion, approximately 22.0% of total foreign investments absorbs the property market (7.4 billion €). Also important are the inflows of foreign capital investment in the financial sector (18.6% of total or 6.3 billion €), the production and processing (18.4% in total or 6.2 billion €), in trade (16.2% or 5.5 billion €), construction (6.3% or 2.1 billion €) and the electric energy (5.6% or 1.9 billion €).

Table 4 – Greek relocation companies in Bulgaria

Industry	Total of Greek investments	Contribution (%)
Financial	1.217,4	44,3
Transportation, telecommunications	564,6	20,5
Wholesales	369,7	13,4
Production	320,2	11,6
Real estate	188,7	6,9
Construction	41,6	1,5
Other services	15,3	0,6
Agriculture	9,2	0,3
Electricity	6,9	0,3
Hotels	6,3	0,2
Total	**2.856,2**	**100,0**

Source: Bulgaria's National Bank (BNB)

Jumbo, a Greek company in children's plays, plans to the development of the Bulgarian market in the coming years, and plans to open 8-12 stores in Bulgaria. Currently the chain has only one store in Bulgaria, located in Sofia, but bought another six areas in the Bulgarian capital and the cities of Plovdiv and Rousse. The first two new stores began their operation in 2010.

Function of the first IKEA store in Sofia, Bulgaria by the end of 2010 included, among other things, the investment program of Fourlis.

GLOBUL made its entry into the market of Bulgaria in July 2001 with COSMOTE taking over the management of the company in early 2003 (Labrianidis, 2004). The company today has managed to rank second on the very difficult Bulgarian market, with the customer base beyond the milestone of 4 million. GLOBUL offers a wide range of competitive products and high quality services, covering the most specialized market needs. In August 2006, GLOBUL was declared as the most successful company in Bulgaria, according to the Top 50 list of the prestigious business magazine BusinessWeek Bulgaria (Labrianidis, 2008).

3.3.4. Croatia

3.3.4.1. Bilaterial Relationships with Croatia

Greek exports to Croatia in 2008 amounted to 244.98 million dollars an increase of 253.67% in comparison with those of 2007 (69.27 million dollars). This significant

increase is due primarily on oil exports and ships (Greek Ministry of Foreign Affairs, 2008).

The main Greek exported products for 2008 are: medium and heavy petroleum oils and bituminous materials, passenger ships, sulfur, light oil petroleum and bituminous materials, oranges, aluminum ores, the copper, packaged organic surface-active agents for cleaning and washing off soaps, food preparations, the raw hides, virgin olive oil, watermelons, furnaces-electric (Greek Ministry of Foreign Affairs, 2008).

3.3.4.2. Relocation of Greek companies in Croatia

The total Greek investments are estimated at only about 5.5 to 6.0 million €. It is not included the investment of € 90 million MARFIN Investment Group, redemption of 49.99% of the shares of the holding company «Sunce Koncern dd »primarily engaged in the tourism sector in Croatia, because in the statistics of the Central Bank does not appear as an investment coming from Greece.

3.3.5. FYROM

3.3.5.1.Bilaterial trade relations with Greece

Greece is one of the major trading partners of FYROM. For the neighboring country, Greece is the fourth largest supplier and the third best customer. This relationship is maintained constant during the last years (Slaveski and Nedavoski, 2002). Respectively, despite the fact that for Greece, FYROM is not placed on key external markets, it remains an important market, especially in what considers the exports. For Greece, in 2008, FYROM ranks 32nd in the list of importance as a supplier country and in the 12th-place position as a customer (Greek Ministry of Foreign Affairs, 2008).

3.3.5.2. Relocation of Greek companies in FYROM

According to data from the Central Bank of FYROM with respect to total FDI in the country for the period 1997-2007 under original capital invested enterprise, Greece was ranked third with a share of total FDI at 15.2%, after the Netherlands (16.9%) and Hungary (16.6%).

But official figures take into account only the company's invested capital when it is established , ignoring the total invested capital, relating to reinvestment fund transfers through other countries (Such as the Netherlands, Luxembourg, Cyprus, etc.), privatizations and acquisitions, Greece, during the last decade, has in fact the first position in the country, with a total investment of about 985 million €.

Specifically, in FYROM are operating almost 280 firms of Greek interests, the ten largest of which have invested about 800 million €. These companies, in a country with high levels of unemployment, provide employment to around 20,000 people, while many more jobs are created secondarily (Greek Ministry of Foreign Affairs, 2009).

The main areas of activity in which compiled the Greek investments are banks (28% of total Greek investments), energy (25%), telecommunications (17% - the percentage has probably changed after from the sale in 2009 of Cosmofon in Slovenia Telecom), industry (15%), the sale of food / beverages (10%) and various other investments (5%) (Greek Ministry of Foreign Affairs, 2008).

It is noted that the absolute level of capital invested capita in Greek country is relatively low compared with other Balkan countries (Romania, Bulgaria). However, if compared to the size ratio of the country is quite higher.

The presence of COSMOFON in the neighboring country is very important and the successes and firsts from June 2003, when it started working, so far many: The company was able to win the first 3G license in the country and was the first provider presented landline - mobile telephony. And all this while COSMOFON has accomplished in the few years of its operation to expand its telecommunications network, achieving population coverage of over 99.8% (http://www.times-publications.com/reports/balkanstelecom.pdf). The COSMOFON is a sales process for regulatory purposes, due to the presence in FYROM subsidiary of Deutsche

Telekom (National Statistics Service, 2005).

About 1/2 of exports of Greece's neighboring country comes from the region of Central Macedonia, while important is the number of the establishment of subsidiaries businesses in northern FYROM. So we are led to the conclusion that the penetration of businesses of northern- Greek companies is very large, because of the physical proximity and the cheap labor cost, and of the investment incentives introduced the country to receive foreign investment (Slaveski and Nedavoski, 2002).

Table 5 – The biggest relocated Greek companies in FYROM

OKTA -SKOPJE AD
STOPANSKA BANKA
COSMOFON*
USJE CEMENTARNICA
PIVARA
MERMEREN KOMBINAT
VERO-VEROPOULOS
ALPHA BANK
ZITOLUKS
STRUMICA TABAK
RODON HAPPENING
PASCALIN
DS ISKRA STEEL CONSTRUCTION
MAKKAR-BALFINKO
LARIN MRAMOR AD
KRI-KRI
VEMED
NESTLE ICE SKOPJE
DOJRAN STEEL
DS FOODS
HELENA-M
KUZMAN&DAMIAN
ALUMIL SYSTEMS
IRON FROZEN
VIMER LTD
HELENA MOTORS
EUROCONSULTANTS
INTRACOM
AMVROSIA
AGROEFODIA
MIRKAT
PETZETAKIS PLASTIKA
KENTAVROS
GERMANOS TELECOM
MICRON
KIRKIS FARM
INTERSNACK
NETFON
ALPHA COPY NOKIA
IRAKLIS
TOYOTA AUTO CENTAR

3.3.6. Serbia

3.3.6.1.Bilaterial trade relations with Greece

The value of total trade between Greece and Serbia in 2011 amounted to 337.0 million €. Greek exports amounted to 204.5 million €, an increase of 28.6% over the corresponding period in 2010, while Serbian exports amounted to 132.9 million € (increase of 9.2% over 2010). The surplus for Greece for 2011 was 72.0 million €. It is noted that Greece appears to be the 19th largest trade partner of Serbia (Greek ministry of Foreign Affairs, 2011).

3.3.6.2. Relocation of Greek companies in Serbia

Greece ranks first in the list of major foreign investors sectors: banking, telecommunications, oil, sugar, cement, agricultural industry, tourism etc (Labrianidis, 2008).

Beyond this broad subject, it is worth noting the geographical decentralization of Greek investments in the Serbian region. In the market of Serbia are operating 200 purely Greek businesses and 250 of mix employ more than 25,000 workers. The direct Greek investments amount to € 2.2 billion and total (direct and indirect) exceeds 2.5 billion € 9 (Labrianidis, 2008).

Greek investments have contributed significantly to the modernization of the economy of Serbia, to the increase of employment, to the strengthen of the investment climate and the increase of tax revenues (Labrianidis et. al, 2011).

Among the major Greek companies operating in Serbia are included: OTE, Hellenic Petroleum, Greek Sugar Industry Titan, 3E, Veropoulos, Intracom,

ALUMIL-Miller, National Bank, Alpha Bank, Eurobank, Piraeus Bank, Agricultural Bank, Online Athens, Athenian Brewery, IKRR Rokas ACHCHON-Germanos Neochimiki Lavrentiadis Alapis, Marfin Investment Group, Lamda Development, Casino Loutraki Group, Daskalantonaki, Group Laskarides etc (Labrianidis, 2008).

3.3.7. Romania

3.3.7.1. Relocation of Greek companies in Romania

Investments from Greece in 2009, according to data collected by the Office of ISD Bucharest reached approximately 3.5 billion €. To this amount are included investment funds, which the Greek parent companies invested in Romania through their subsidiaries in Cyprus, the Netherlands, Luxembourg and other countries. According to these data, Greece is probably the third or fourth in a row of classification of foreign investors in Romania.

The range of disciplines, which have absorbed Greek investment capitals are broad. The percentage of distribution of Greek investments in Romania has branches as follows (Greek ministry of Foreign Affairs, 2011):

SERVICES: 31.4% (Telecommunications, Banking, etc.)

INDUSTRY: 27.7% (Food and beverages, textile, metals)

WHOLESALE: 23.3%

RETAIL: 3.5%

CONSTRUCTION: 7.5%

AGRICULTURE: 4.2%

Impressive and visible is the presence of Greek banks in Romania. Greek banks currently have about 901 branches across Romania.

The largest Greek investments in Romania are those of OTE (which owns 54% of ROMTELECOM) and COSMOTE.

The largest investment firms of Greece in Romania are the following (Labrianidis, 2008):

Food beverages

In the food sector in Romania operates with great success Coca-Cola 3E. It acquired in 2002, in partnership with the Coca-Cola Company, the 94.5% of the Romanian company bottling carbonated natural mineral water named Dorna Apemin S.A. In the company's products are included the mineral waters White Spring (noncarbonated), Poioana Negri (sparkling) and Dorna (naturally carbonated). The Romanian Chamber of Commerce awarded the Coca - Cola HBC, through 530,000 companies, as the best company internationally, as well as the best company in Bucharest. The award, which is the most famous for Romanian companies, recognized the company's contribution to the economy of the country and the quality of human resources available.

Textile - garment industry

In early June 2006, the chief executive of Minerva J. & Bros. V.Ladenis Knitwear Manufacturing Ltd, Ms Helen Ladeni - Philip announced that the company plans the entrance, with own shops in the Balkans, starting with the country Romania in 2006. The company completed in 2007, through its subsidiary in Romania Minco Romania Srl (founded 2001 with the production some of the products of the parent and placed on the market Romania and neighboring countries) investment amounting to 915.000 €, for the expansion of buildings and enhance of the mechanical equipment of the subsidiary, in order to increase capacity.

Metallurgy and metal products

Through its subsidiary Alumil Rom Industry SA operates from 1997 in the marketing and sales of alumina and accessories of Romania, the Group Alumil. In late December 2006 was completed with success the public offering of Alumil Rom Industry SRL in Bucharest Stock Exchange, as the overlap reached 16.47 times

resulting to funds offered to approach the 139.25 million €, when were needed 8.4 million €. The company has a unit of the art powder coating plant in Bucharest and the largest local distribution network with warehouses in 23 cities.

Additional it includes a subsidiary (100% interest) the Alumil Extrusion SA, which engages in manufacturing, marketing and domestic market.

Construction materials

The ISOMAT ROMANIA SRL was founded in 2000 with headquarters in Bucharest. Its activity is the exclusive marketing and distribution of its products ISOMAT SA in the Romanian market. Since its inception, the company develops rapidly. Typical of this is the fact that the average rate of growth in turnover is 40% annually. ISOMAT proceeded in investment of €7.0 million for the construction of administration offices and factory production facilities on private land area of 20 thousands sq.m. at Bucharest to be able to serve its growing network of sales in the Romanian market.

Retail

The exclusive distribution of Nike products in the markets of Romania and Bulgaria still has the Elmec Sport. This activity constitutes about 20% of the Group's turnover in Romania and 50% of Group turnover in Bulgaria, equivalent to 10.6 million and 5 million respectively, based on the annual results for 2008. Elmec has proceeded with the acquisition and the second property in Romania (over 3 million). Under the fiscal year of 2008, sales in Romania are 17.3% of the consolidated turnover of Elmec and grew by 17%, while Bulgaria is 3.5%, an increase of 63%.

Another store in Romania recently launched the Fashion Box, bringing the number of outlets available to the neighboring country to four. The new Replay Outlet is located within the Fashion House Outlet Center, which is part of West Park, the largest park in the commercial area of Bucharest total area of 92,309 sq.m. The opening of the new outlet is part of the broader strategic planning of the company to

further expand and strengthen the network Replay selling products on the Romanian market, which is characterized by highly attractive growth potential.

Two new Sprider Store launched in Romania until about 3 months the group Sprider bringing the number to 14. Also, the same time opened in Plovdiv (Plovdiv), the fifth store in Bulgaria. The investment plan of 2009, included the operation of another shop in Romania.

CHAPTER 4

CONCLUSIONS

The occurring today "strong" position of Greek enterprises in the Balkans is due to the fact that investors from the economically developed countries are adopting a wait. To the extent that the chaotic situation that exists today will be addressed and markets slowly - slowly will enter the logic of competition, foreign direct investment will increase. Then the Greek companies either should be able to compete or be evicted and from these markets. The question that the restructuring of Greek enterprises remain timely and open markets in the Balkans should be seen as a breath of a prospective restructuring of Greek enterprises (Labrianidis, 2008).

The problem of opening the Greek firms becomes more intense, because there is one-sided orientation of the Greek economy towards those markets of Central and Eastern Europe to that product markets that are characterized as low quality, even where there is no time for major concern of investors from developed countries (i.e. Bulgaria, Albania and partly Romania) (Christodoulakis and Petrakos, 1997).

The opening of the Balkans should not be treated with a simple logical reaction to the favorable conjuncture. Because by doing so will result, once again, to a postpone of the restructuring of Greek industry "drifting" of some favorable circumstances, and unfortunately there are similar examples from very recent economic history. See first, the growth of the non-metallic minerals and construction materials in the 70s led to the creation of sophisticated cement addressed exclusively to markets in the Middle East. Thus, when in the early 80s the international conditions changed, the virtual collapse of the Arab markets and a recovery in Western markets, the Greek industry seemed unprepared to deal with the new reality and threatened to collapse.

Greece has a number of quite significant comparative advantages to assist the development of trade relations with the Balkan countries, provided it is clear that they do not work with absolutely way. Specifically: a) physical proximity, which means cheap transportation costs, higher density of contacts and ability to create economic hinterland for Greek businesses, b) sympathy with the Greek element due to historical, cultural, and in some cases, religious ties, c) experience of Greek

entrepreneurs from operating in volatile institutional environment, in conditions of high inflation and strong and inefficient bureaucracy, d) SMEs, which constitute the vast majority of Greek businesses show a remarkable dynamism. This is mainly because they are personal or family businesses (unlike SA or companies listed on the stock exchange), a fact that helps to "take risks" easily the Balkans. It is undeniable that there is an element of leaving back to Greece to firms under conditions of political insecurity, frequent institutional changes and intense economic crisis decide to invest in the Balkans. These companies can gain from the fact that they were the first who entered the Balkan market.

With the impact of the global economic crisis to become more apparent, of major concern is the significant exposure of Greece to the "dangerous" Balkan region. The crisis, which has hit both the real economy and the public finances of the Balkan countries, raises fears that a significant part of the Greek capital invested will be lost, causing another blow to the already problematic Greek economy.

The route of Greek businesses and by extension the Greek economy in these countries depends directly on:

1. The vulnerability to the impacts of the crisis, because of their non-participation in Eurozone.

2. The magnitude of the slowdown in growth that will have next year,

3. The amount of credit to be reached in the near future,

4. Whether the existing power consumption is financed by the credit system,

5. Whether there will be a strong consumer power the next critical time, that will support the development and the banking system,

6. The evolution of current account transactions.

Apart from the investment side, equally is threatened and export activity in the Balkan countries, but mainly due to the decline in consumption in these countries. Already, the available evidence shows that, with few exceptions, it is recorded a decline of Greek exports to the Balkans as mentioned in the case of Bulgaria.

From the recent research are concluded many reasons why Greece and specifically Greek companies invest in the Balkans. In particular, because:

- The Balkans in Greece is offering a completely new market (Petrohilos and Slovaks 2003).
- New Balkan market is near Greece (Petrakos, 1997).
- In the Balkan's there is a lack of domestic competition.
- The Balkans provide cheap labor costs, so the transferred business "contribute" to the increase in unemployment in Greece and particularly in Northern Greece.
- Greece is specialized in the production of contract (especially Northern Greece), which is also based on the low cost of unskilled labor. The neighboring Bulgaria, Albania and FYROM offer extremely good conditions in this regard. It is important to note that the ratio of pay between Greece and the Balkans was 1:8 at the beginning of the transition and is now 1:4 or even 1:5. However, labor productivity in the Balkans in the first year was 1:3, but with increasing experience in some areas approaching that of Greek workers. The latest development is due to the concentration of a large number of Greek textile enterprises (particularly in South Bulgaria), which created higher demand for labor and subsequently increased wages.
- There are very favorable trade agreements (tax exemptions, lack of quotas and tariff etc.). Bulgaria in comparison with the other nearby countries has low taxation (15% tax on corporate profits in Bulgaria since 1/1/2005).
- Bureaucracy, corruption, high risk, corruption that characterize the economy of the Balkans are discouraging factors for Western investors, while the Greeks felt familiar with this reality that had lived in Greece during the decade of 1980 (and they "live" part of until today) (Iammarino and Pitelis, 2000).
- There was a general euphoria resulting from the collapse of the communist regimes and the need for comparable goods and services in countries

suggest a quick and easy profit. This euphoria encourages Greek businessmen to act hastily and without prior and thorough market research.

- The presence of thousands of students in universities mainly in Serbia, Bulgaria and Romania attracted Greek businessmen to invest-especially-in the fields of entertainment, restaurant and food industry.

Finally, the sale of state-owned enterprises through privatization or the creation of joint ventures put into "temptation" large Greek companies like Greek Bottling Company Coca-Cola, Titan, Intracom, Delta, Goodys, Nikas, Paper of Thrace and others to enter the market and gain a large part of it. This participation of Greek companies in the Balkan market will boost the power and position in the global market and increase global market share [e.g. The Greek Bottling Company became the second largest bottler in the world (competitive pressure)] (Bitzenis, 2002).

Given, then, that companies from developed Western countries have developed high investor interest in the countries of Central Europe, Greek businesses have to turn to the Balkan countries, after carefully analyzing all of the above and take particular account of the geographical proximity, cultural proximity and knowledge of the business environment in the Balkans (Bitzenis, 2004b).

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