Greek Private Investment in the Balkans

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The framework

Greek private direct investments in Balkan countries carry a special weight because, on the one hand, the country of origin of the capital invested is a member of the European Union and, on the other, it is a neighboring country and those involved are well aware of the business ethics prevailing on both sides. Furthermore, the existing historical bonds between Greece and the other Balkan countries, combined with the large number of immigrants from the latter to the former, contribute to the better understanding and collaboration of all concerned.

One should take into account, though, that this type of Greek investment - up to now and to a considerable degree - has in its favor the lack of any great interest or of the difficulties other countries encounter when attempting to financially «infiltrate» the wider area of the Balkan Peninsula.

At the same time, Greek laws and regulations concerning Greek investments abroad are considered «reasonable», although some of those

1. C.GE. ATHANASSOPOULOS, V. DELITHEOU: Greek Private Investment in the Balkan Countries' and the Hellenic Plan for the Economic Reconstruction of the Balkans (HIPERB). Athens, second edition, 2005. See also: C.GE. ATHANASSOPOULOS: The Legal Framework of Regional Development. Vol. III, Athens, 2005, p. 290. THE BRIDGE, Issue 1, 01/2006, p. 42.

2. That is to say: political instability, considerable state financial intervention, hostile attitude on the part of the local population, unlawful activities on the part of the team members, insufficient infrastracture etc.

involved wish that they would comprise more types of subsidized ventures, such as the acquisition of existing businesses in the host countries.

The risk

Now, however, it is considered imperative to establish measures that will smooth the path of Greek businessmen who wish to expand their activities and augment their profit[1] since there is no doubt that they are also exposing themselves to a series of risks.[2]

Within this framework, one should not seek the achievement of bilateral agreements that would be «very good» for the Greek economy and simply «good» for the economies of the host countries. The aim should be for any such proposed agreement to be more functional and fairer than any alternative that could possibly be devised. Furthermore, this expected fair distribution of profit and opportunities also depends on a series of parameters, such as the countries involved, but also on international conjuncture within the constantly changing regime of globalization.

For the real risk lies not in whether there will be Greek private investments in the Balkan countries or with their number. And anyway, inasmuch as local societies and markets are willing and allow it and Greek businessmen are profiting from these investments, it is inevitable that, as a consequence of globalization, those investments will be realized with or without the approval or support of the Greek state. Furthermore, it goes without saying that in view of the existing strong competition, capital will continue to strive toward discovering ways to achieve the most favorable business environment for cornering new markets.

Therefore, the Greek state has the duty to and should aim at lowering as much as possible the risks Greek capital will face through the reforms, establishing conditions of transparency and wiping out corruption in the neighboring countries within the framework of already existing international institutions and regulations and mainly within the framework of the European Union and the individual Stabilization and Association Agreements with the other countries in this area.

Greek investments

Following our investigation in the countries involved, quite reliable evidence shows that the situation, as it is currently developing, is particularly impressive with regard to Greek investments, not only on the agreements level but also on the purely financial level.

Currently 16 special Collaboration Agreements are being enacted with Albania, eight with Bosnia-Herzegovina, nine with Bulgaria, eight with Croatia, five with the Former Yugoslav Republic of Macedonia (FYROM), seven with Serbia-Montenegro and six with Romania.

Already Greek private direct investments, despite the inevitable difficulties that Greek businessmen are encountering because of the nature of the whole venture:

Are covering 27 percent of the total of direct foreign investment in Albania;

are second in importance in Bulgaria, totaling $1.5 billion, while during the last decade Greek foreign direct investment scame to a total of 1 billion euros in Bosnia-Herzegovina;

to 720 million euros in Serbia-Montenegro - in which the invested capital of Greek origin comes to 1.2 billion euros - and

to $1.3 million in Croatia, while they came to

700 million euros and have created 9,000 jobs in FYROM, where Greece is the top foreign investor, and, finally,

are fifth among the important foreign investments in Romania.

The banking system

Precursors of Greek investments in the Balkans have been the Greek banks, either those operating out of Greece or their subsidiaries in the Balkan countries, or even, in certain cases, in collaboration with the Black Sea Trade and Development Bank.

The investments of Greek businessmen in the Balkan countries - hundreds of millions of euros in a new market of 120 million people - could not possibly have been realized without the involvement of the Greek banking system, which has been operating in the area either through the establishment of subsidiaries of Greek banks in the countries of SE Europe, through the acquisition of local banks, as well as through participation in their capital, or even through simply financing the business ventures of Greeks.

Within this framework, the banks have co-financed Greek business initiatives in the Balkan countries or have covered the business risk of the ventures being undertaken.

The Black Sea Trade and Development Bank

In certain cases the co-financing of the Greek businessmen was effected also in collaboration with international or multilateral financial institutions including the International Development Bank, The European Bank for Reconstruction and Development, The European Investment Bank, as well as the Black Sea Trade and Development Bank.

It should be further noted that the purely regional Black Sea Trade and Development Bank is the first multilateral international institution of its kind to be based in Greece, in Thessaloniki. Greece's participation in the bank's capital comes to 16.5 percent, the same as Russia's and Turkey's; 13.5 percent is the participating capital of Bulgaria, Romania and Ukraine, while the participation of Azerbaijan, Armenia, Georgia, Moldova and Albania comes to 2 percent.

In total, the Black Sea Trade and Development Bank has extended bank credit to Greek industrial developments or those of Greek interest based in Balkan countries to the tune of 150 million euros.

Altera pars

Nowdays, the view that the expansion of Greek business ventures in Balkan countries will prove beneficial to Greece itself - because of the repatriation of capital and profits, the acquisition of new know-how and the opening of new fields of activity - seems to be gaining in popularity among Greek businessmen.[3]

The latter quote in their favor the expansion of Greek commercial activities beyond the country's national borders, the possibility of contracting business deals of strategic importance with foreign multinational or other concerns, and the direct or indirect facilitation of Greek exports, as well as that already existing organizations for the Balkans which offer the necessary substructure and operate out of Greece will be used to advantage. These are:

The European Agency for Reconstruction;

The Southeastern European Cooperative Initiative;

The Inter-Balkan and Black Sea Business Center, and

The Black Sea Trade and Development Bank.

Certainly the effect of Greek investments in Balkan countries cannot be labeled simply as positive or negative depending on the personal views of those involved, since it is an especially intricate and complex venture. Therefore, one cannot offer sweeping aphorisms as a conclusion, since one has to take into account the multifaceted, international economic environment of our times.

Yet it should be pointed out that it is necessary to seek and find a more functional and fairer way of redistributing the accrued benefits between Greece - the country of origin of the capital and resourses that are being invested - the Balkan countries that are receiving the inflow of Greek capital and the Greek businessmen involved.

It has to be done, even though this quest, especially difficult in itself, is being influenced by inherent factors, mainly in the host countries, as well as by outside ones that act to the detriment of all concerned. They are both products of the globalization of the economy, which transcends geographical borders.