
From spectator to walk-on to actor: An exploratory study of the internationalisation of Greek firms since 1989

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Abstract

The article follows the evolution of the Greek business activities in foreign countries. Based on two unique databases, the article acknowledges the existence of two sub-periods. More particularly, the years up to 1998 are characterized by two central elements, whose importance diminishes during the second period: the overwhelming significance of the Balkans (especially the countries bordering on Greece) and the hesitance of large Greek firms. In the second period, large firms make a dynamic entry, while some of them start behaving as real TNCs. However, the importance of small firms but also of the Balkans is preserved. As anticipated, with the shift of the morphological features of Greek entrepreneurial activity in foreign countries, the impact on the Greek economy also changes.

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1. Introduction

It has been nearly two decades since the collapse of the state-socialist regimes of Central and Eastern Europe (CEE); a series of events that inadvertently changed not only the countries directly involved, but also the whole Continent. Not surprisingly, the countries bordering with the CEE region were the ones most affected. Among these, Greece holds a rather unique position, as it was the only 'Western' European country bordering exclusively with CEE countries. It was therefore one of the most heavily affected countries in many aspects including, inter alia, immigration, security and foreign trade. One of the areas of spectacular change was the internationalization strategies of Greek firms, which were traditionally extremely inward looking.

The main aim of this paper is to explore the internationalization of Greek firms. Specifically, we focus on the evolution of the phenomenon, mainly through a geographical and sectoral perspective, and, also on the resulting impact on the Greek economy. To do so, we have used a number of unique (although rather disparate) sources regarding the foreign activities of Greek firms, the details of which are provided at the respective sections.

2. A conceptual framework for the analysis of internationalization and development

We strongly believe that in order to gain a richer understanding of why firms delocalize,³ one must adopt a two-level analysis. The first level is that of the firm. To

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answer the question of why firms delocalize, one has to enter the black box that is the firm (something that very few theories claim to have achieved) or at least observe it. Acknowledging the firms as the main element / actor / node of the economy, then the second level is obviously the system / network / chain containing the firm and at the same time affecting it and being affected by it.

The main approaches in explaining why firms internationalize revolve around three main themes; the firm's ownership advantages, the internalization decision and the role of resources (internal or external to the firm). Hymer (1976) supported that a firm needs to possess certain competitive advantages that can compensate for the disadvantages of 'foreignness', which are first created in the home market of the firm, and may subsequently turn out to be more profitable to be exploited abroad.

These advantages (which can take a large number of forms, from material flows – labour, capital, and natural resources – to intangible flows that concern technology, information, entrepreneurial and organizational capabilities) are a classical case of necessary but not sufficient conditions for delocalization. Specifically, possession of such advantages can only interpret a firm's competitive advantage vis-à-vis its competitors at home or abroad. Whether these will be exploited by the firm itself or leased to some foreign firm is an issue discussed by the internalization theory (Casson, 1991).

The same is true for the firm's resources, which constitute the main building block of the many variants of the resource-based theory pioneered by Edith Penrose (1959), in an effort to analyze the growth of firms. To Penrose, productive resources are not general and unspecified categories that all firms have access to. Therefore, certain resources, and especially the services that they can offer, are particularly important to each firm, since they constitute the base of firm differentiation. In fact, even if two firms have exactly the same resources, the way they combine their services is almost impossible to be identical, so inevitably they will be led to producing different products.

The unique combinations of firms' resources, accumulated experience, entrepreneurship and unused productive services can help explain the direction of expansion (i.e. expansion at home or abroad – Kay, 2000). There is, however, a missing element, which is no other than an explanation about the decision to make or buy. Almost all answers to that question can be traced to Coase's seminal 1937 article on the boundaries of the firm. According to Coase (1937), outside the firm, it is price movements that direct production, which is then coordinated through a series of exchange transactions in the market. Within a firm, these market transactions are eliminated and the entrepreneur-coordinator who directs production substitutes the complicated market structure with exchange transactions. It is clear that these are alternative methods for coordinating production.

In other words, the firm internalizes the operations of the market to the extent that the cost of this internalization is lower than the cost of using the market mechanisms. According to Coase, the size attained by a firm through internalizing market transactions (foreign in the case of TNCs) is mainly related to the decreased efficiency that large size involves. Following Coase, as well as Williamson (1975; 1985), according to whom transaction costs, asset specificity and incomplete contracts play a

³ The term delocalization refers to the spatial restructuring of industry at a national, regional or global scale. Its primary elements are FDI (mainly vertical, although horizontal could also be considered – inasmuch as it involves the movement of production abroad) and outsourcing.

central role, Grossman and Helpman (2002) argue that the decision on whether to make or buy is a trade-off between the cost of running a large and less specialized organization (similar to those described above) and the costs involved in finding partners and incomplete contracting. Although internalization is central in understanding internationalization strategies, it is not a FDI theory, as it is unable to analyse the growth of the firm (Casson, 1991; Buckley, 1988).

Moving further away from the firm, towards the second level of our analysis, a multiplicity of factors emerge that affect how firms internationalize. These have been best captured by the various chain or network theories, with the most influential being that of the Global Commodity Chain (GCC - Gereffi & Korzeniewicz, 1994) and more recently, the Global Production Networks (GPN) theory.

While the GCC is certainly the most influential theory, it appears to be significantly 'specific' for our needs. The fact that the analytical unit of the theory is the commodity chain poses the first and perhaps most significant problem; we, in turn, believe that a greater balance is required between flows and systems on the one hand, and node (most importantly the firm) on the other. This does not imply that the GPN has achieved that. Its structure, however, is more flexible and could allow a more central position for the firm (as well as other nodes). According to Henderson et al. (2002, p.445), a Production Network is a 'nexus of interconnected functions and operations through which goods and services are produced, distributed and consumed'. They further argue that such networks have become 'both organizationally more complex and also increasingly more complex in their geographic extent'. These networks integrate firms and national or regional economies in ways that have enormous implications for their well being. The interaction of firm-centred networks with the socio-political contexts they are embedded in is a very complex, often bi-directional process, also because the former can potentially be very mobile, while the latter are territorially-specific.

Hence, our understanding of production networks is based on four categories: The firm, with its unique set of resources and competitive advantages; the sector, with its given technologies and market orientation; the location with its unique institutions, civil society, history and policies, and finally; the global environment with its unique institutions, governance and power relations. The product of any possible configuration of these four categories is value, whose creation, enhancement and capture is the core of all economic activity. In order to understand value, we follow Kaplinsky (1998) in his identification of economic rent, which in the Schumpeterian tradition stems mainly from innovation and to a significantly lesser extent from scarcity. Specifically, Kaplinsky (1998) identified no less than nine types of economic rent. Some types of rent are exogenous to the firm (e.g. resource or policy rents), while others are endogenous (e.g. technological, organizational, relational and product and marketing rents). We consider the latter to be far more significant, since they may lead to far greater differentiation. However, the most important feature of economic rents is their transient nature, which makes the ability to constantly identify and pursue new sources of rents perhaps the most significant of economic rents. This also explains why the ability to enhance and capture value is considered to be equally important to its creation.

It is exactly the ability to enhance and capture value that makes power and embeddedness so important. Territorial embeddedness refers to implanting a firm into deeply rooted social and economic relations with which it becomes interwoven. In practical terms, a firm is territorially embedded if it draws resources (e.g. labour or

intermediate products) from local sources, which possess qualities that are hard to replicate. The more embedded a firm is, the more value it creates will be captured by the region it operates in. In a similar manner, value creation and capture of a firm is also conditioned by the power it possesses within a network.

2.1 Background on Greece

Before analyzing the behaviour of Greek firms, it is essential to examine how Greece fits into a framework as the one just described. In other words, we need to be aware of the main characteristics of the environment that the firms operate in and how it interacts with the global environment.

For four decades, Greece was a 'free market island' bordering with three communist countries (Albania, Yugoslavia and Bulgaria), geographically isolating it from its main trade partners. This made the country a sort of a 'transplant' economy, since its main trade partners were the Central and Western EU member countries. This physical distance, apart from the extremely higher transport costs it imposed to Greek firms, it also made frequent interaction between Greek and other European firms impossible, fostering the establishment of rather unique business practices in Greece, as well as a peculiar type of isolationism on behalf of the Greek firms.

This changed abruptly in 1989, creating a new setting for the Greek economy with the rediscovery of a long lost hinterland. The collapse of the State-socialist systems marked a gradual reconfiguration of the Greek economy, as its 'orientation' is shifting north-eastwards.

The (admittedly) turbulent external (foreign) environment of the recent past is only one of the components of our framework. The workings of the Greek economy largely correspond to the 'environmental' component mentioned above. Although in terms of GDP/capita Greece is among the most developed countries (according to 2005 figures the country ranked 26th in a world league excluding tax heaven, but not oil producing countries – UNCTAD, 2007), it is still characterized by some considerable structural problems, such as the significant role of the grey economy (estimated at more than 40%), as well as agriculture, which remains both oversized⁴ and weakly structure. At the same time, manufacturing remains very limited, based on a plethora of small firms and traditional industries and it is marked by a low 'structural competitiveness' (Ioakimoglou & Efsthopoulos, 2001, pp.4-5). The sector is characterized by a particular dualism, with a small minority of firms investing on state-of-the-art technology and continually upgrading their skills, while on the other hand, the great majority is unable to follow this path and can only compete on the basis of its only comparative 'advantage' i.e. the use of cheap labour. Competitive pressures have encouraged a regression towards strategies involving the reduction of production costs by lowering labour costs (what Pyke, 1994 coined as 'the low road' to competitiveness). Such strategies generate a demand for a low wage labour force, preferably unprotected, a demand, which can be satisfied either through the use of cheap and flexible immigrant labour or by moving to the low labour cost Balkan neighbourhood.

Moreover, while many firms base their operations on the availability of state support, innovative sectors are under-represented. The supporting institutional

⁴ According to recent official data, crop and livestock production contribute 13% to GDP and 19.3% to total employment among the active population, while the respective figures for the EU as a whole are 2.4% and 5.3% (Ministry of Agriculture, 2000; Damianos et al., 1998).

structures (including, inter alia, research institutes, public/local authority schemes and consulting firms) are exceptionally thin, while the services provided (often) leave much to be desired. This is also the case for local government, since municipal administration is hampered by bureaucratic disorganization and the lack of specialized personnel combined with pervasive clientelism between firms and politicians.

This 'condition' has given rise to a burgeoning literature, which we will try to summarize and very briefly criticize. Some of the explanations focus solely on economic factors (Lyberaki, 2000 provides a detailed review). Hence, according to the 'underdevelopment thesis' (Fotopoulos, 1985), it was the low starting point of the Greek economy that led to a constrained development trajectory. Others (Alogoskoufis, 1993) see it as a result of 'low productivity' caused by market inefficiencies, inflexible labour markets, distortion taxes etc. A third approach puts emphasis on weak indigenous technological capability and the poor innovation record of the Greek economy (Giannitsis, 1993), while Spraos (1997) puts forward a 'Dutch disease' type explanation, according to which the availability of funds (migrants' remittances, foreign capital inflows and EU funds) has contributed to an overvalued currency inhibiting productive investment.

Some of these approaches may partially explain the apparent difficulty in transforming such funds into growth-enhancing investment. However, if one takes into account that all these problems existed in the 1960s and early 1970s when economic performance was impressive, none of them constitutes a satisfactory overall explanation. In turn, we would argue that there are two types of explanations. The first, which we consider to be more fundamental, attributes the problems to the problematic condition of the Greek civil society, while the second refers to abrupt policy changes that took place during the 1970s.

The first strand, most often associated with sociologists and political scientists, views the Greek society as deeply culturally divided (Diamantouros, 2000) and characterized by short-termism, defensive attitudes vis-à-vis change and vertical and familial links (Lyberaki, 2000). According to Tsoukalas (1993), the country's political history has resulted in an incomplete state – society separation, and consequently, social values much less influenced by market rules. This has led to attitudes and ethos which are the outcome of abstract and internalized moral codes, while responsibility is expressed in non-expropriated social links of personified reciprocity and solidarity. Instead of fostering trust, these qualities seem to forestall it, since nobody trusts or accepts as real, the expressed word of honour of others unless personified reciprocal bonds can guarantee the credibility of an undertaking. This idiosyncrasy has also dictated undisciplined and mistrustful patterns of economic behaviour inherently hostile to structural reform.

Given these characteristics, it comes as no surprise that the country's growth rates were significantly higher during the first post war decades, when the international and domestic environment was considerably more stable and disciplined.

Alogoskoufis (1995) argues that the slowdown is due to a sudden change in policies around 1974. The main feature of the first (pre-1974) regime was the existence and effective operation of a number of coordination and discipline mechanisms (not only domestic, but also international, such as the Bretton Woods system), which led to high levels of investment and development, as well as to low levels of inflation.

This highly favourable environment changed abruptly around 1974, under the pressure of both exogenous (the collapse of the Bretton Woods system and the oil

crises) and endogenous factors. Specifically, the policies of the previous regime, particularly those of the dictatorship period (1967-1974), had given rise to a particularly militant labour movement, widespread demands for income redistribution and greater involvement of the state. Apparently, the reaction to these demands was erratic, without the creation of the necessary regulating mechanisms. This led to a further increase of insecurity, since the lack of institutional mechanisms regulating the role of the labour movement made conflicts almost unavoidable, while the redistribution and the strengthening of the role of the state were almost exclusively financed by increased external borrowing and taxes.

The importance of the policy changes is also acknowledged by Christodoulakis (2000), who positions the threshold not in 1974, but 1980, when public spending was sharply increased, taxes reduced, and significant expansionary policies implemented. The next government (which was elected one year later) followed that pattern by increasing wages, expanding the public sector – along with its employment – and increasing the number of social security system beneficiaries. As a result, public deficit as a share of GDP was increased by 7% during the period 1981-1985.

3. A review of the internationalization of Greek firms: the first period (1990-1998)⁵

This section aims to provide a background on the internationalization of Greek firms. Unfortunately, the existing literature is not only limited, but also outright ignores the more ‘indirect’ types of internationalization, such as subcontracting and outsourcing. Therefore, this section concentrates on the general characteristics of FDI, with particular emphasis on its sectoral and geographical distribution, as well as evolution through time.

Given the existence of very few Greek TNCs before the 1990s, the first question that naturally arises concerns the magnitude of the Greek FDI activity. Labrianidis (2000), based on extensive fieldwork, estimated the total number of Greek FDI projects to be 1,269 in 1998. On the other hand, Rizopoulos (2001), based on a Report of the Greek Ministry of National Economy containing data referring to the years 1995-1997, brought the total number of Greek FDI projects – in the Balkan countries alone – up to 2,878, a figure which could easily reach the 3,000 mark if other countries were included. In fact, Bitzenis (2003, p.140) does estimate the number of active Greek affiliates to 3,000.

The lack of official statistics, particularly for the first period of the explosive Greek exodus to the Balkans, necessitated its estimation through extensive surveys, whose methods and findings often differed considerably. One of the efforts of these surveys was to confirm the information provided by the various Investment Agencies of the wider region that numerous reports about the Greek investment activity were based upon. More than often, the numbers of the reported foreign FDI projects were no more than a reflection of the low establishment costs. According to Bitzenis (2003), approximately half of the firms reported by the Bulgarian Foreign Investment Agency (BFIA) as established in Bulgaria in 1997, never became operative, while the reported invested capital was often exaggerated. In a similar vein, Labrianidis et al. (2000), based

⁵ We should note that throughout this section we refer to FDI stocks

once again on a BFIA catalogue, found an even larger share (64.8%) of affiliates that never operated.

At the time of writing of this paper, it is more or less clear that a complete picture of the Greek Foreign Investment Activity, particularly during the early 1990s, is more or less impossible and the only way to construct a realistic picture is through the use of the relatively limited number of relevant journal and research papers, as, in fact, our analysis does.

3.1 Location and the importance of geographic proximity

During this first period, the internationalization of Greek firms is almost exclusively a regional phenomenon. Specifically, 95% of the Greek outward FDI flows were directed towards the CEECs. More importantly, the vast majority of that share had been directed to three countries bordering Greece (Bulgaria 43.3%, Albania 27.7% and Romania 21.7% - Labrianidis, 2000), leaving an insignificant share to the more distant Central European countries. However, the importance of proximity in the Greek case goes beyond the significance of neighbouring countries, since Greek firms also showed a specific preference for the southern parts of these countries, usually areas located near the Greek borders. For example, while Southern Bulgaria managed to attract only 10.2% of the total inward FDI flows to the country during the 1992-97 period, it hosted around a third (31.7%) of the total Greek FDI flows (Labrianidis, 2001).

Nevertheless, apart from the general advantages that geographic proximity creates, the concentration of Greek investments in the southern areas of Albania and Bulgaria can also be attributed to the characteristics of the average Greek industrial unit, which is a small, family-owned and managed business, implying that the physical presence of the owner (or some other family member) tends to be essential for the smooth running of the business. This practice is further ensured when the commuting distance is the smallest possible and gives rise to what we have labelled as 'local delocalization'.⁶

3.2 Characteristics of the Greek companies engaged in FDI

During the first years of the 1990s, the majority of parent entities of Greek FDI (and most possibly the greatest share of the invested capital) came from micro, very often personal or family companies, while the phenomenon of immigrant capital (affiliates without a parent in Greece) is extremely frequent.⁷

Another peculiarity of the Greek investment activity in the Balkans is the significant role of state owned firms, which started showing a considerable interest for the region after the mid 90s, as a result of concerted government actions. This concerned some of the largest Greek firms (Hellenic Telecommunications Organization, Hellenic Petroleum, National Bank of Greece, etc.) and was often undertaken in collaboration with the private sector (Labrianidis, 2000).

⁶ Local Delocalization stands for the establishment of some sort of activity (FDI or outsourcing) at a locality or region which is very accessible to the parent firm, often allowing commuting between the various posts. Therefore, the phenomenon allows for considerably lower organizational 'stress' (in terms of human, capita or otherwise resources) caused by the initial internationalization and usually exists in border regions.

⁷ In the case of Bulgaria, Labrianidis et al (2000) estimate that firms without a parent established in Greece amounted to 62% of the total number of 'Greek' projects in the country.

Due to a number of reasons, some of which were completely exogenous (i.e. the increased political stability of the CEECs), while others less so⁸, the undertaking of business initiatives gradually became more attractive for the larger Greek firms. Thus, the adventurous and exploratory nature of the first years' projects was succeeded by a wave of some of the largest Greek firms. This turn to the Balkan markets, as we will show in the next Section, was the initial point for many of these companies to further expand in more developed and distant markets.

The majority of the Greek FDI was engaged in manufacturing (69.1%) and commerce (30%- Labrianidis, 2000; Iammarino et al., 1998), while for more than 50% of the Greek affiliates, the main motive for investing was the low cost of inputs (including raw materials, energy and mainly labour).

Greek FDI in manufacturing is characterized by the disproportionately high percentage of investments in the textile and clothing sectors. This is due to the fact that the Greek companies tried to maintain the competitive advantage they possessed during the previous period. Therefore, the vast majority of these cases were vertical investments carried out by parent firms that were subcontractors of (mainly) Western European retailers, where production was re-imported to Greece (usually in the context of OPT arrangements) and then exported to Western European markets (Labrianidis, 2000). On the contrary, the main motive of firms from the food, alcoholic drinks and beverages industries (which was the second most important group of industries) was access to the local markets.

Regarding the investments in the tertiary sector, small commercial stores, restaurants, candy stores and grocery stores were dominant, while some of the commercial companies operated as agents for foreign products. The presence of transport companies was rather significant within this sector, as it was also the case for advertising companies, business consultants, financial and tourist services companies; nevertheless, we should not ignore some very significant investments in the banking sector, software development and transport of petroleum products (Iammarino et al., 1998, p. 348 and Labrianidis, 2000).

3.3 Impact of the early Greek exodus

The attempts for a systematic analysis of the impact of outward FDI on the Greek firms, as well as on the total of the economy, have been limited. Labrianidis (2000), based on the approach of the 'new TNCs', argues that the Greek companies, given their characteristics and behaviour, will sooner or later face pressures deriving from two sources: on the one hand as the CEECs will be moving to the final stages of accession, local firms will gradually displace the Greek micro enterprises. On the other hand, due to similar reasons, developed countries' TNCs will start penetrating these markets that have been for so long considered as dangerous and inaccessible, exerting severe pressures on the larger Greek companies. Contrary, Kamaras (2001), commenting on Labrianidis' (2000) pessimism about the future and the impact of small Greek FDI on the CEECs, argues that unless the Greek exporting companies had turned to the Balkans, their export markets would have disappeared and also that the Balkan exports are preferable to those of the existing destinations. Furthermore, he is

⁸ According to Kamaras (2001), the activity of the Greek entrepreneurs during the first period gave rise to a very dense network of relations, which was quite open to almost all Greek firms wishing to utilize it in order to minimize their costs of entering a new market.

definitely more optimistic than Labrianidis (2000), as far as the future of the Greek presence in the Balkans is concerned, since it is based on a huge capitalist diaspora', which provides the Greek companies with priceless services of familiarization with the local conditions.

In fact, the fundamental question here is related to the way these investments are linked with the Greek economy. In essence, what Labrianidis (2000) argues is that since the sectors the Greek FDI took place in were highly internationalized, due to their role as subcontractors, the linkages of the parent firms with the Greek economy are particularly weak. This makes the transplantation of the whole production process abroad a fairly common phenomenon, leaving behind certain business activities such as, logistics, product development or prototype production (which were in any case usually marginal even before the delocalization process). Even in the cases where only a few segments are relocated, the overall impact on employment is clearly negative. The segments transferred are mostly labour-intensive, while the remaining ones are of minor importance as far as employment is concerned.

On the contrary, most of the activities described by Kamaras (2001) constitute market seeking FDI, where completely different mechanisms are at work⁹. It is not our intention here to describe them, however, it will suffice to note that the impact on the parent's exports (i.e. whether foreign production substitutes or complements exports) is usually considered as the most important impact (in fact, more than often, the other impacts – e.g. on parent employment or investments – are thought of as derived ones).

In the Greek case, both Kamaras (2001) and Labrianidis (2000) found market seeking FDI to be generally positive for the Greek economy. The former claimed that this was due to the creation of more favourable environment (both in terms of intelligence to the Greek firms and a more positive perception of the local populations towards them) which fostered the increase of exports. According to the latter, it was the very strong backward linkages with the Greek economy maintained by many Greek affiliates in the CEECs, especially in the food, beverages and tobacco sectors that led to significant increases in exports of equipment and/or intermediate products.

4. The second period (1998 – today)

During this period, the characteristics of the Greek FDI activities change quite drastically. Although the presence of Greek micro enterprises remains significant, their relative importance is significantly reduced. On the one hand, their numbers stop increasing, while on the other, the socio-political stabilization is gradually making the region more attractive to the larger Greek firms. Furthermore, during this period, a small number of Greek companies appear to be expanding beyond the Balkan neighbourhood towards the most developed economies.

In the beginning of 2006 (when the latest data became available), the Greek outward FDI stocks stood at about € 11.5 bn. As can be seen in Table 1 the most significant sectors are financial services, accounting for almost half of the total of Greek stocks, with transport and communications a distant second (accounting for slightly more than a quarter). These two figures, along with those of Commerce and Other

⁹ The relevant literature on the impact of FDI on the home country is actually immense and most of it is dealing with market seeking FDI (see inter alia Blomström & Kokko, 1995; Agarwal, 1997; Belderbos et al., 2001; Lipsey & Weiss, 1981; 1984).

services, render the tertiary sector by far the most significant. Manufacturing, on the other hand accounts for 17.3%

Although official statistics have greatly improved in the course of the nearly two decades since the beginning of the phenomenon, unfortunately, all detailed data is still confidential and therefore researchers are forced to look into other sources. This section is grounded on two databases on the internationalization of Greek firms, which we have compiled during a period of almost five years. Although the two databases are hardly comparable, they allow the extraction of a relatively comprehensive picture of the phenomenon.

Table 1. Stocks of Greek outward FDI by country and Sectors as of 31/12/2005 (Eur mil. and percentage of Total)

Country	Agriculture and mining	Manufacturing	Electricity and construction	Commerce	Hotels	Transport and communications	Financial services	Business services	Other services	Total
Luxemburg		1.4%		0.0%			17.1%	10.2%	0.2%	8.5%
Germany		2.5%	2.7%	3.1%		0.0%	4.7%			2.9%
Austria		0.4%		0.1%			4.2%			2.1%
Spain	19.6%	5.7%		0.8%			0.0%			1.2%
Netherlands		0.1%		0.6%			2.1%			1.1%
Italy	13.3%	3.3%		2.0%		0.1%	0.0%		0.8%	0.8%
UK	7.3%	3.7%		1.9%		-0.9%	-0.3%	38.4%		0.7%
France		2.7%		2.9%			0.1%	0.1%	0.0%	0.7%
Other EU countries				0.1%		0.0%	0.1%	-1.4%	0.0%	0.2%
Total EU	40.2%	21.0%	2.7%	11.6%		-0.8%	27.9%	47.3%	1.0%	18.2%
Cyprus	3.0%	1.1%	3.0%	34.8%	78.9%	21.9%	40.6%	28.9%	79.9%	28.3%
Romania		9.7%	7.1%	6.3%	11.3%	44.7%	7.9%	5.9%	2.8%	17.4%
Bulgaria	0.1%	4.4%	2.7%	6.2%	9.8%	7.3%	6.6%	2.1%	0.5%	6.2%
Albania		1.2%	8.6%	5.1%		6.5%	0.5%		0.1%	2.5%
Other European Countries	45.5%	18.0%	38.0%	16.2%		7.6%	10.1%	4.7%	1.5%	11.5%
Total non-EU Europe	48.7%	34.5%	59.4%	68.7%	100.0%	88.0%	65.8%	41.5%	84.7%	66.0%
USA		37.4%		2.7%		0.0%	4.2%	10.1%	7.5%	8.9%
Rest of the world	11.1%	7.1%	37.9%	17.0%	0.0%	12.8%	2.1%	1.1%	6.8%	7.0%
Total € m. by activity	55.1	2,018.5	94.3	714.5	2.0	2,932.4	5,535.5	90.3	90.2	11,532.8
Contribution of Sector to Total	0.5%	17.5%	0.8%	6.2%	0.0%	25.4%	48.0%	0.8%	0.8%	100.0%

4.1 The data sources

Both databases are rather unique since they represent the only recent efforts (at least to our knowledge) to document the foreign activities of Greek firms. The first database (Labrianidis et al., 2006) was built upon the data used in Kalogeressis (2004), which contained information on 153 manufacturing firms, of which 69 had at least one

foreign affiliate (with a total of 317 affiliates). Through the course of two years and the use of a number of additional, quite diverse, sources¹⁰, the database was expanded to include information on 1,330 affiliates of no less than 299 Greek TNCs. Therefore, this database has two parts. The first is the database used in Kalogeressis (2004), updated to include a number of additional affiliates, while the second is the considerably larger and more recent database, which we will be referring to as the 'first database'. The findings stemming from the old part of the database, which is considerably more detailed and contains detailed financial data – however, lacks information on non-manufacturing firms – will be used sparingly.

The second database is based on a survey that was conducted through electronic questionnaires. During the period September 2005-March 2006, a relatively short questionnaire was sent by e-mail to a random sample of 12,000 firms, whose information (including e-mail and financial data for the years 1995, 2000 and 2004) was collected through the ICAP enterprise database.

In contrast to the first database, FDI was only a section of the survey, whose aim was the analysis of all forms of internationalization (exports, FDI and outsourcing) and their impact, with particular emphasis on delocalization (FDI and outsourcing).

We received a total of 442 usable responses, a figure that corresponds to a response rate of 3.7%, a significant share of which (47.7% or 211 firms) were not involved in any type of internationalization. Among the remaining firms, 81 were involved only in exports, while 130 firms (i.e. 29.4%) were participating in some form of delocalization (meaning they were involved, either as the 'home' or the 'host' firm in FDI or outsourcing).

Before proceeding with the exploratory analysis of the two datasets, we should emphasize that although the data sources are hardly comparable, because of their uniqueness, they allow the creation of a very comprehensive and novel view of the phenomena.

4.2 The Greek FDI through/by the 1st database

Almost half (48.3%) of the Greek TNCs are parents of only one affiliate, while a significant percentage (23.2%) own 2-3 affiliates; 16.3% own 4-9, while there is a considerable minority (12.2%) of parents with more than ten subsidiaries. On the other hand, although joint ventures are quite common, it seems that Greek firms show a preference towards owning the majority of stakes in their affiliates since in 81.9% of all Greek affiliates, the Greek stake is more than 51%, while for 61.1% of the affiliates, the stake is between 91% and 100%.

Using the old part of the database, which included a number of non-TNCs, it becomes obvious that the average TNC is quite different compared to the non-TNC; larger (by almost 100 employees), more extrovert, and with better financial performance. Because of the role of the Balkans in shaping the overall image of the Greek FDI activity, this section is divided into two main subsections, describing the period in terms

¹⁰ Reports from Embassies' Commercial Attaches, unpublished data collected through personal communication with commercial attaches of all the embassies (telephone, e-mails during the period June 2005 – October 2005), press clipping (newspapers), databases of special national institutions that observe the development of the TNCs' activity in their country, field surveys conducted in companies within Greece, Bulgaria and Albania in the context of relevant research programs (Labrianidis et al., 1997; Labrianidis et al., 1998) and finally the companies' web sites (accessed during the period April-June 2006).

of employment and number of firms. This allows us to check for consistent differences between the Greek FDI to the Balkans and other parts of the world.

4.2.1 Employment

We were able to collect the relevant information for 224 affiliates (16.8% of the total), which employed 123,391 people. In other words, the average Greek affiliate employed 553 people.

The top six countries in terms of employment in the Greek affiliates are: Romania (33.3%), Bulgaria (16.5%), Serbia-Montenegro (11%), Nigeria (5.7%), Russia (5.7%) and Armenia (4.7%). Although this distribution does not seem to signify an overall change in the orientation of Greek FDI during this second period, there appears to be a relative shift away from the traditional host countries of Greek FDI (i.e. Bulgaria, Albania, Romania and FYROM). However, this shift should be viewed with caution, due to the role of the garment industry, which besides being underrepresented in our sample, displays a tendency to transfer segments (and therefore employment) to subcontractors in the neighbouring countries. 'Outsourced' employment is not included in the Greek FDI employment figures¹¹. Therefore, the wider Balkan region remains the preferential area of activity for the Greek TNCs, since 51% of their employment is created there. The remaining European continent accounts for 35.8%, while Africa is also significant (with 11.4%). Asia and America (mainly the USA) account for 1.6% and 0.2% respectively.

Regarding the sectoral distribution of the employment created by Greek TNCs, it is mainly concentrated in the tertiary and secondary sectors (46.5% and 44.3% respectively). Within each sector, there is one very important industry, i.e. the food industry in manufacturing (accounting for 32.1% of total employment) and the telecommunications industry in services, accounting for 27.1%.

The exceptionally limited contribution (2.2%) of the clothing sector in total employment is an interesting issue. In fact, that could be attributed to several factors such as: a) due to the data collection methodology, our sample focuses on large firms; b) it implies a shift in the composition of Greek FDI in the course of time, with larger manufacturing and (mainly) service firms becoming more important, and c) the gradual movement of the Greek FDI in other regions apart from the Balkans.

4.2.2 Number of firms

When it comes to the number of firms, the tertiary sector becomes more significant compared to the secondary one (accounting for 54.7% and 37.4% respectively). Closely related to the above is the finding that the sectoral distribution of Greek affiliates in the Balkans is considerably different than the overall one. Hence, although the Balkan countries host 45.3% of the Greek affiliates, they host 81.3% of the clothing affiliates, and respectively 72.6% and 70.4% of the construction and banking affiliates.

¹¹ The second database, presented in the next section is one of the first efforts to also deal with outsourcing.

However, the most interesting feature of the sectoral distribution is that it differs from that outlined for the previous period¹², since it appears to correspond more closely to the comparative advantages of the Greek economy (with food products and beverages being of primary importance). This can be partially explained by the fact that, in contrast to previous studies, the direction of sampling is reversed, going from parent to affiliate. The main argument is not that the majority of Greek TNCs are not engaged in the clothing sector (which by the way is true), but rather that the larger Greek firms utilize the same comparative advantages, which permitted them to survive and expand in the domestic market, in the foreign markets as well. This conclusion supports the findings of Louri et al. (2000) concerning the factors affecting the decision of Greek companies to invest abroad, who argued on the significance of the idiosyncratic characteristics of the companies during the formulation of their internationalization strategy.

Surprisingly, there is a – rather insignificant (1.6%) – minority of Greek affiliates that were established before 1990, while 49.4% were created during the period 1991-99 and finally, 45.3% of these enterprises were established during 2000-05. It is clear that, since 2000, the Greek FDI activity has expanded considerably, further supporting the evolution of the Greek FDI activity.

Naturally, the Balkans still remain the most important region regarding the number of affiliates. Even though we managed to identify Greek affiliates in as many as 86 countries, almost half of these (47.2%) operated in just six countries, five of which are from the Balkan region (Bulgaria, Romania, Serbia-Montenegro, FYROM and Albania). In 61 countries, there were less than ten Greek affiliates, while 30 countries hosted only one Greek affiliate. Not unexpectedly, the vast majority of Greek affiliates (83%) are located within Europe, mainly in the Balkans (46.9%). The remaining 17% is divided between Asia (6.4%), America (6.3%), Africa (3.9%) and Australia (0.5%).

An important final point has to do with the type of investment. The majority (59.2%) of Greek FDI was conducted through greenfield investment, while the remaining was accounted for by acquisitions.

4.2.3 The new geography of the internationalized Greek production

One of the most important characteristics of the period under examination, which reflects the shift in the Greek TNCs' strategies, is the significant change in geographical orientation. Specifically, until 1993, the – relatively large – firms in our sample were not only very reluctant to invest abroad (only 64 projects are recorded), but they also showed no preference to the Balkans (which host a share as low as 34% of the projects). However, the situation soon changed dramatically.

By 1998, FDI activity appears to have become a clear strategic option to Greek firms. Within only five years, the FDI of the sample companies had quadrupled (from 64 in 1993 to 285 in 1998). Meanwhile, after the troublesome first stages of the transition period, the Balkans turned into the most important destination, gathering 50% of the total projects.

¹² It should be, however, noted that the different sampling methodology does not allow direct comparisons, while the induction in the total of the Greek TNCs is erroneous, since the sample is discriminatory in favour of big enterprises.

A quite important percentage (25%) was directed towards EU countries. Finally, 15% of the investments took place in developing countries (primarily Asian and to a lesser extent African countries), while a few were made in other developed countries.

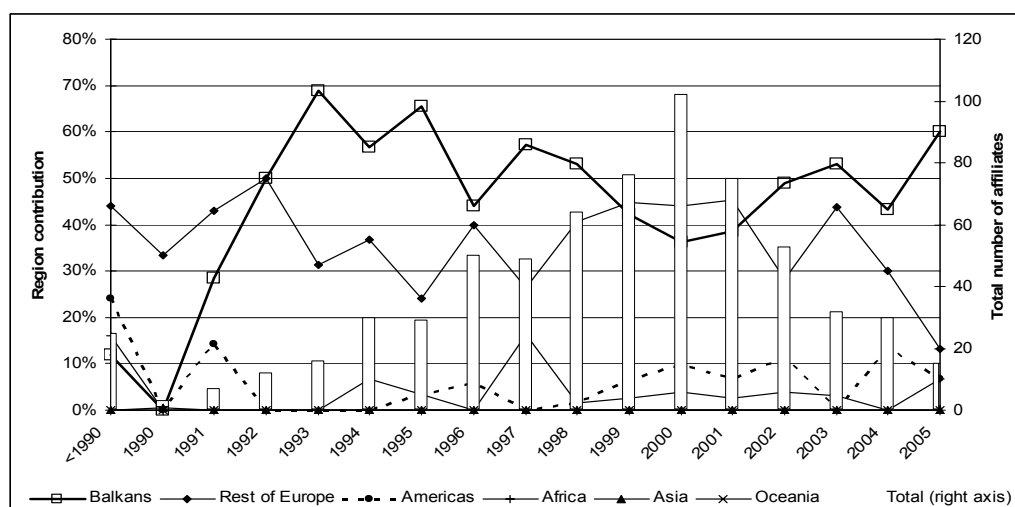
These characteristics largely explain the ‘new multinationals’ type of explanations adopted by Labrianidis (2000) when analyzing Greek FDI. However, during the following seven years (1999-2005), the situation is again altered in many ways.

The first general and in any case particularly impressive finding is that by 2005, Greek TNCs are present in all continents. Despite the fact that this was already happening during the previous sub-period, it was merely considered as an exception. In turn, by the end of 2005, it signified a consolidation of the Greek FDI presence.

The most dominant characteristics of this new geography are the following:

Firstly, the importance of CEECs for the Greek FDI (included in the sample) appears to be negatively correlated with the total number of affiliates. A tentative explanation for this seemingly irrational behaviour is provided below. Closely related to that is the fact that (at least in absolute figures) the importance of the CEECs is diminished. In fact, between 1999 and 2005, the cumulative contribution (i.e. the share in the stock of affiliates) of the Balkans is reduced from 50% to 45.6%. Moreover, with the exception of Bulgaria and Romania, where more than half of the Greek investments in the CEECs were directed to, no other country from this region seems to constitute an important destination for Greek FDI. This is also apparent for the countries outside the Balkans, whose shares remained stable.

Figure 1. Evolution of establishment of Greek affiliates by wider geographical regions



Secondly, the role of the EU as a destination of Greek FDI on the contrary increased considerably, with the larger economies (Germany, France, Italy and to a lesser extent the UK and Spain) constituting the more attractive markets. The role of Cyprus is also important, although its share is most likely highly underestimated, since it hosts a rather large number of offshore firms. That means that certain enterprises are likely to have reasons to withhold their presence there.

Thirdly, if the upgrade of EU countries as Greek FDI destinations reflects a tendency of strategic change for the Greek enterprises, this is more or less confirmed by the shares of the USA market, which is the second most important destination of Greek

FDI after the Balkan countries. Overall, developed countries in 2005 hosted more than 50% of the sample's affiliates, significantly increased compared to less than 1/3 in 1998.

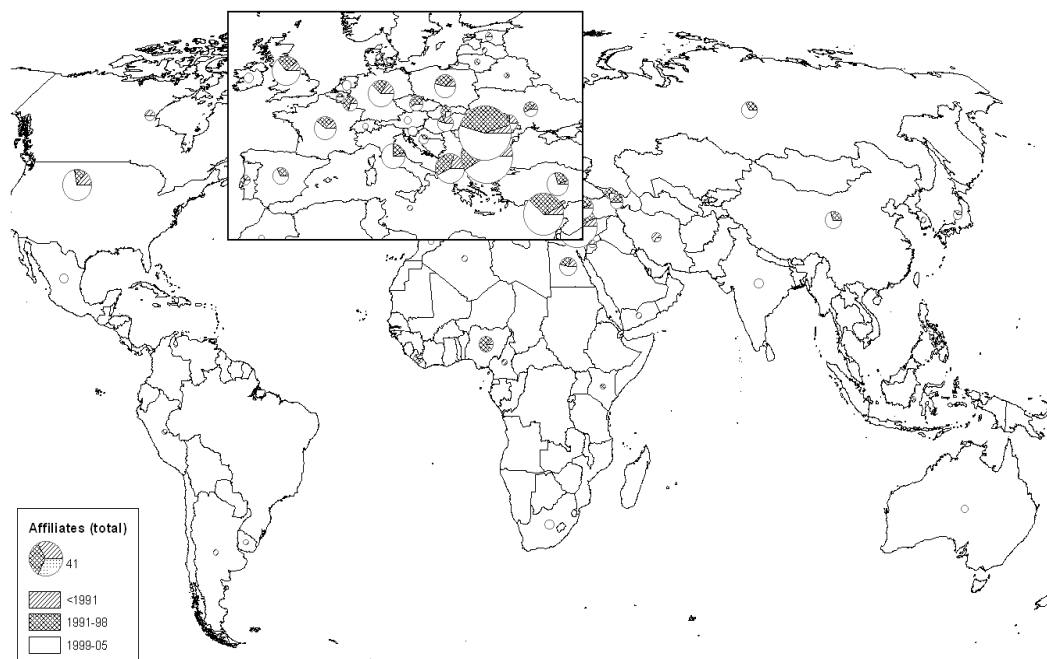
The changes of the conditions are visible in Map 1. More specifically, as it is evident by the composition of the 'pies' of the neighbouring Balkan countries, almost half of the Greek FDI took place during the 1993-1998 period. The picture in all other European countries (except Portugal, whose total size is, however, very small) is clearly different, with the majority of FDI concentrated in the last period (1999-2005).

Table 2. Greek affiliates by sector and wider geographical region (2005 – Figures in percentages)

Sector	Balkans	Other Europe	Americas	Africa	Asia	Oceania	Total
Primary	7.6	7.5	6.3	5.0	13.1	0.0	7.7
Agriculture	5.2	3.4	0.0	2.5	3.3	0.0	3.9
Mining	2.5	4.1	6.3	2.5	9.8	0.0	3.7
Secondary	41.5	29.9	35.9	52.5	39.3	40.0	37.0
Food products	13.4	13.5	3.1	15.0	6.6	0.0	12.4
Other/ Manufacturing	9.5	6.5	10.9	17.5	18.0	20.0	9.3
Clothing/Textiles	5.4	1.2	0.0	0.0	1.6	0.0	3.0
Construction	7.6	1.9	7.8	2.5	0.0	0.0	4.8
Wood processing	1.0	1.7	1.6	0.0	0.0	20.0	1.3
Metallurgy	1.7	1.7	1.6	7.5	1.6	0.0	1.9
Plastics	2.9	3.4	10.9	10.0	11.5	0.0	4.3
Tertiary	50.8	62.7	57.8	42.5	47.5	60.0	55.4
Telecommunications	3.9	0.7	0.0	0.0	6.6	0.0	2.4
Banking	3.9	1.4	3.1	0.0	0.0	0.0	2.5
Other services	27.9	44.8	48.4	20.0	26.2	60.0	35.5
IT&C	6.8	7.0	4.7	15.0	4.9	0.0	6.9
Retail Sales	6.0	6.7	1.6	0.0	3.3	0.0	5.6
Electronic appliances	2.3	1.9	0.0	7.5	6.6	0.0	2.4
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Fieldwork

Map 1. Evolution of the Greek FDI activity



Source: *Fieldwork*

This change of geographic orientation is due to two reasons, one of which is exogenous, while the other is endogenous.

The exogenous factor is the Athens Stock Exchange (ASE) boom during the period 1997-1999. It should be noted here that, due to the absence of the required data, it is impossible to statistically test the validity of the argument. Instead, what follows is based on the processing of data gathered from interviews, that were either conducted by the authors, or were released in the press (newspapers – internet) or by the companies. During this brief period, a large number of Greek firms listed in the ASE saw their stock value multiply, while the enormous capital amassed could not be profitably invested in the saturated and small Greek market.

The endogenous factor refers to the gradual strategic re-orientation of Greek firms. Specifically, increasing labour costs coupled by intensified competitive pressures. The causal relations between the two factors cannot be taken for granted. In certain cases, the already shaped expansion strategy was facilitated by the significant surge of financial inputs that were available through the Stock Exchange market. In other cases, the additional resources led the company in formulating an internationalization strategy.

4.3 The 2nd database

The first very interesting finding is the relatively high incidence of Greek firms that are actively involved in internationalization. Specifically, 5.4% of the firms that responded to our survey (i.e. 24 of 442) owned at least one foreign affiliate. Even if we assume that this share is biased in favour of the TNCs, since they tend to respond in questionnaires more often due to their larger size and more complex administrative structure, the percentage still remains significant.

Although it is very difficult to generalize, after initiating foreign investment activity, the vast majority of firms either increased their employment (56.3%) or

managed to keep it stable (38%). Furthermore, there is some evidence of change in the educational characteristics of the workforce employed, since 66.6% of the TNCs in the sample increased their shares of University graduates among their employees.

In a similar manner, TNCs claimed that following their affiliate's establishment, 87.5% of them saw their exports increase as a share in total sales (75% of the companies).

National firms are considerably smaller than their TNC counterparts, since the former employee on average 60 people, while the latter about 256. The interesting point concerning the size of the two categories is that, contrary to expectations, the TNC category presents higher homogeneity, as the standard deviation is 696 (that is to say roughly three times the mean number), while the corresponding figure for national enterprises is 296 (roughly five times higher than the respective mean number). Removing from the sample two enterprises with 4,000 employees, who constitute an outlier, the average employment in the two categories is decreased at 39 and 117 employees respectively. The financial data also show that TNCs are much larger. In other words, the typical TNC will be medium or large sized enterprise, while the cases of small TNCs are exceptionally infrequent.

Table 3. Financial data for the sample companies

	TNC	National Companies
Turnover	64,371,458	8,132,442
Profits	20,416,081	1,902,250
ROE	20.88864	30.33856

Source: Fieldwork

The geographic dispersion of the Greek affiliates presents a high concentration in Balkans (59.5%) and in the rest of Europe (28.6%), while in America and Asia the percentage is 4.8% and in Africa 2.4%. The uniformity of their geographic distribution resulting from this database is obvious, compared to that of the first database, where the corresponding percentages were 46.8% and 36.1%.

The internal markets of the host countries were the main reason to undertake FDI for 30.8% of the TNCs in our sample. The second most significant factor for 17.3% of the TNCs was improved access to "internationalized market networks". Therefore, access to new consumer market is most important for 48.1% of the firms. Roughly 13% of the enterprises choose to internationalize in order to gain access to specialized or unskilled labour, while 9.6% of them are operating abroad due to the natural resources and an equal percentage due to the operation of other enterprises in the place of destination.

Although the characteristics of FDI and its impact on the firms involved are particularly important since it implies a higher degree of commitment, the assignment of subcontracting is the most common form of internationalization, since 28.60% of the sample firms assigned even a very small part of their production to foreign subcontractors.

One of the most interesting findings of this section was that manufacturing firms are not the only ones to assign subcontracting, as it also becoming more of a commonplace also for firms of the tertiary sector. In fact, the share of the tertiary sector

firms assigning subcontracting (standing at 23%) is very close to the overall figure. Despite of the fact that this figure is quite lower than the equivalent of the secondary sector (37%), it shows an adaptation of the Greek firms to the international tendencies of the service sector companies to be more intensively involved in outsourcing.

On the other hand, the technological level of the firm does not seem to influence subcontracting assignment, since the observed differences are statistically insignificant.

Companies assigning subcontracting are typically larger than those that do not (the former employing on average 100 employees, while the latter 74.5). However, this finding is rather weak, since the removal of two outliers (two extremely large firms with more than 3,000 employees), actually reverses it, with companies which do not assign subcontracting becoming on average larger (with 48.7 employees) than those which do (46.6 employees).

The highest percentage of subcontracting (62.8%) is assigned to Europe and Asia (20.7%). Most surprisingly, perhaps due to the structure of the sample, the Balkan region accounts for a relatively small share (11.7%).

A share as high as 23.4%¹³ of the firms that have been internationalized undertake subcontracting. Greek subcontractors belong mainly in the secondary (74.3%) and to a lesser extent (22.8%) in the tertiary sector. These companies undertake subcontracting mainly from Europe (87.2%, with the Balkans accounting for 22.3% and the rest of Europe for 64.9%), although there are links to practically all continents.

4.4 The FDI impact of this period on the Greek economy

The impact of Greek FDI on the home economy appears to have been much more positive during this second period (post 1998) compared to the first one. The firms involved are no longer those that were ousted from the domestic market and they do not seem to share a 'hit-and-run' approach, which was the case at the beginning (particularly, although not exclusively) during the first, nostalgically coined 'El Dorado', period of Greek FDI

In no case do we argue that during this period no jobs were lost because of FDI; quite the contrary. However, the characteristics of the FDI during this period point to a longer term restructuring and more increased competitiveness of Greek firms that appear to lead to a retention or even creation of better paid jobs at home.

FDI during this period is mainly undertaken by large firms within the context of a 'slicing the value chain' strategy, including the removal of the most labour-intensive segment away from Greece, since they can no longer be competitive, while retaining the most knowledge or skill intensive segments, as well as those that depend on the existence of supportive sectors or specialized infrastructure in Greece. The enterprises of the clothing sector possibly constitute the most indicative example. The companies which are internationalized by these means present a higher performance compared to those that did not follow an internationalization strategy.

They now invest in very developed markets as well, which are much more difficult to enter. Companies acquire an international experience, while even entrepreneurs and employees have the same opportunity, owing to their engagement in different environment/countries. A part of the enterprises that allocates FDI has now

¹³ The share includes firms that apart from being subcontractors to foreign firms, they are also involved in other forms of internationalisation.

entered the coveted restructuring phase, within the bounds of a rationale of transition within the production value chain and, undeniably, this is extremely important. However, the greatest objective remains the same: on one hand, it is necessary for this phenomenon to constitute a much more generalized tendency and, on the other, there is a need for overall changes in the Greek society, so that it will become able to hold such a role in the long run. For example, why should Greece remain one of the vertexes in the triangular manufacturing it currently shares with the Balkans, if this does not really have something to offer?

5. From the explanations of the first ‘heroic’ exodus of the Greek migrant capital to its transformation into multinational capital proper

This section aims at interpreting the evolution of the internationalization of Greek firms through the conceptual framework presented in the opening chapters.

Given the importance of the firm, it is no surprise that the starting point is the firm, and the question naturally arising is the following: Were Greek firms around the beginning of the 1990s really different than those at the beginning of the following decade? A first, rather tentative, response is negative. Greek firms during the first period were not considerably smaller than today, nor did we notice some groundbreaking educational reform that could boost innovation and entrepreneurship. In fact, in 1996 (slightly before the beginning of the second period), Makridakis et al. (1996) were arguing that, compared to their counterparts from other developed countries, Greek firms were still very small (in fact during the previous decade the concentration at the top had decreased), excessively focused on ‘traditional’ low value added and low to mid tech products and characterized by a considerably more conservative (highly centralized and hierarchical) management. However, we should note that, according to the authors, there were clear signs of change, while on the other hand this concerned the ‘top’ Greek firms; we should realistically expect the vast majority of family owned and run SMEs to be rather more traditional.

In light of the above, the big change we are looking for can be found at the environment. Until the end of the 1980s, Greek firms, as well as the whole country, were in fact isolated. To the country’s north, the Socialist countries were more or less inaccessible, while the vast majority of the foreign trade conducted was in the context of bilateral trade agreements. Turkey, on the other hand was, and to a considerable extent still is, equally inaccessible for very different reasons. Greece, of course, was not completely politically or economically isolated. Being a member of NATO and the EU, the country developed trade relations (although characterized by a chronic deficit) with the most developed countries.

It is important to try and understand the implications for the country, and mainly for the firms, induced by the fact that the main export markets were more developed countries. Specifically, Greek exports of the period can be categorized in two main groups, i.e. agricultural products and labour intensive industrial products (clothing, footwear, non metallic minerals, metallurgical products etc.). Hence, the main competitive advantage of the Greek firms was their low cost, while their basic aim was obviously its suppression.

The collapse of the socialist regimes did more than merely alter the environment. It put in motion a mechanism of upgrade which evolved in three broad phases. Before transition Greece, along with other peripheral W. European countries were stuck with low labour cost as their main competitive advantage; Greek wages are

considerably lower than W. European ones, while even the largest Greek firms were too small to enter the highly contested W. European markets. Come transition, Greece (and its firms) were transformed into the semi-periphery and CEE takes – albeit briefly – the role of the periphery. It is vis-à-vis these countries that Greece holds a competitive advantage centered on skills, competences, market access and knowledge. This changing environment allows Greek firms to expand abroad, initially to take advantage of lower labour costs. However, changing market conditions and some sunk costs encourage Greek firms to adopt a market seeking strategy (still, this could not possibly have taken place in W. European markets – that would come in the next stage). In their effort to capture a market share of the transition economies, Greek firms must compete with affiliates of established Western TNCs and in many cases they are successful, not only because of their lower cost but also because in the process they adapt to the competitive requirements.

Does that make Greek firms skill or knowledge intensive? We feel that there can be no definitive answer to this question, since that would depend on the perspective. They certainly become more skill and knowledge intensive, and this is a clear indication of change.

In just a few years, the geographical void that had shaped the environment of all Greeks (firms included) had evaporated, giving rise to completely different perceptions of competitive advantages, pressures and opportunities. Hence, it could be argued that Greek firms were facing an enormous impediment that when removed made expansion possible.

Through a relatively different perspective, the Greek case is a corroboration of the evolutionary character of FDI and internationalization in general. Before 1989, the establishment of affiliates or the assignment of subcontracting was a discontinuous step for the Greek firms. In turn, the opening-up of the Balkan markets made international activities through local delocalization relatively easy. The first wave of Greek firms in the Balkans was instrumental into how the region was viewed by the relatively larger firms of the second wave. As Kamaras (2001) argues, the pioneers paved the way for the larger players. Hence, the move beyond the Balkans is simply a matter of resources and competitive advantages. With the distortion of the socialist regimes long gone, the structure of the Greek international activities will tend to resemble that of the Greek economy and its most fundamental characteristic, its duality.

6. Conclusions

Since the beginning of the 1990s, Greek companies present a dynamic foreign investment development mostly towards the Balkan countries. During the first phase, the companies' foreign development took place mainly under the "double pressure" they faced (their products were more expensive than the corresponding of the low cost productions and lower in quality terms compared to the high-quality productions). Relocation in low-cost countries gave those companies a breath of life, allowing them to reduce the average per unit cost. However, in most of the cases, this happened within the bounds of a short-sighted rationale, namely the simple cost reduction, without an aim of applying structural changes in their Greek companies.

Later, however, and after 1999, we notice that there are also many foreign Greek investments aiming at the long term. These include investments, which show that it has been understood that Greece cannot win in the cheap product's competition, because it now has a living and social-financial-political standard that does not present low labour

cost as a competitive advantage. In fact, it seems that, nowadays, companies investing abroad “are being rewarded” by the market.

The geographic proximity with the Balkan countries provides Greece with a huge competitive advantage, whose exploitation constitutes a matter of national strategy and as such, it should be not left solely to the market’s power; on the contrary, advantages towards this scope should be developed.

However, once more, it should be clearly explicit that this does not include an indefinite extension of Greek companies’ modernization and restructuring. Nowadays, some of the most developed Balkan countries (e.g. Romania and Croatia) have already stopped being the preferential field of activation for the Greek companies, as their competitive environment begins to resemble more and more that of the more developed central European countries. In these countries, Greek companies engaged in different sectors (e.g. banks) are now competing not only with the local, ex-poor relatives, but also with the large European and American TNCs.

Therefore, if the major objective involves the creation of a large “internal” market for the Greek companies, then the formulation of a long term strategy, including the co-ordination between the state and private policies, is essential. Defined as simply as that, this objective seems perfectly feasible (and it can be surely used as a glamorous pre-electoral flare). In fact, the country’s recent history shows that during the post-war period, such a co-ordination was only possible for a small period of 10-15 years. This ascertainment can solely show how difficult this effort would have been, if it ever was to be decided.

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