FOREIGN DIRECT INVESTMENT IN THE FRAMEWORK OF CROSS-BORDER CO-OPERATION IN SELECTED BALKAN COUNTRIES

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Introduction

Due to certain historical and institutional factors in the past, there were significant obstacles to movement of capital to and from the Balkan economies. Balkan countries in transition faced shortage of capital at the early stages of transformation of their economic systems. Their enterprise sectors needed restructuring: financial, ownership, technological, etc., in order to be viable and ready to face the new challenges of market economy. Differences in attitudes towards FDI among countries in the region remain and are determined by various factors (cultural, ethnic, social, etc.). However, the more dynamic inflow of capital in the future is expected to reduce these differences.

The goals of the paper are:

- To elaborate the current and future tendencies in the capital movements in the selected Balkan countries. It is natural to believe that Albania, Bulgaria and FYR of Macedonia will be net recipients of capital inflows in the short and medium term. However, one should not neglect the increasing importance of joint ventures between firms from these countries, although this kind of cross-border investment is still insufficient to represent a more significant contribution to the overall economic activity in the respected countries.

- On the other hand, Greece is the leading net capital exporter in the region. For instance, the share of Greek capital in the overall FDI in FYR of Macedonia is the highest at the moment, with prospects for further increase in the near future. As a member of the European Union, and the most developed country among those encompassed in the framework of the project, Greece seems to be the natural leader in strengthening the economic co-operation among the countries in the region. In this sense, it is interesting to estimate the potential role of Greece in the future process of cross-border cooperation, and with a help of this, the possible accession to the EU for FYR of Macedonia, Albania, and Bulgaria.

Main Characteristics of the FDI in the Selected Balkan Countries (Albania, Bulgaria, FYR of Macedonia)

FDI in the region of Southeast Europe

Fundamental changes have taken place in virtually every country in Southeast Europe as reforms go forward. Despite this fact, the inflows of FDI are still comparatively low, even in the countries that have moved quickest on reforming their economies.

Till the end of 1999 cumulative value of FDI inflows in the Southeast Europe 11 countries has reached nearly USD 45 billion (about USD 4 billion for 1999 alone).[1] About 60% of this FDI account to Greece and Turkey. In comparison, the countries from Central Europe (Poland, Czech Republic and Hungary) have attracted more than USD 60 billion since the political and economic changes in the beginning of the 1990s. However, the governments in the SEE countries recognize the fact that the FDI are very important, and have created a favorable legal framework for attracting FDI.

Table 1 below lists the main sectors with FDI potential among the Balkan countries. It shows that provided the two major things (among others) still missing at large in the region – political stability and lower corruption levels – the Balkan countries in transition have a right to be optimistic about their growth prospects in the future.

Table 1. Sectors with substantial FDI for the analyzed Balkan countries

FDI attractive sectors	Sectors that have attracted substantial FDI for the past few years
Black metallurgy	FYR of Macedonia
Machinery and equipment	Bulgaria
Power, gas and water supply	Bulgaria
Electronics	Bulgaria
Construction	Albania
Transport	Albania, FYR of Macedonia
Cement	FYR of Macedonia, Bulgaria
Furniture	FYR of Macedonia
Textiles and clothing	FYR of Macedonia
Food drinks and tobacco products	FYR of Macedonia
Trade	Albania, FYR of Macedonia
Tourism	Albania, Bulgaria
Services	Albania
IT & Telecommunications	FYR of Macedonia

Source: *Investment Guide for Southeast Europe*, Bulgaria Economic Forum, Sofia, September, 2000, p. 11.

Table A1 in the Annex provides quantitative data on the cumulative total and *per capita* FDI inflows, as well as the share of FDI in the countries' GDP in 1998 and 1999 in Albania, Bulgaria, and FYR of Macedonia. It can be seen that Bulgaria has been much more successful in attracting FDI compared to both FYR of Macedonia and Albania. This applies particularly to the period after 1996, when Bulgaria achieved macroeconomic stability by introducing a currency board, among other measures. Albania suffered form the instability created by the 1997 insurgency, and FYR of Macedonia has been cursed to suffer all the possible shocks in the region, including the notorious 1999 Kosovo crisis and its spillover on its own territory two years later.

According to the EBRD, "Bulgaria, Croatia, the Czech Republic and the Slovak Republic registered their largest FDI inflows ever in 1999. Much of this increase has been attracted by progress in cash privatization, in particular in the banking and telecommunications sectors, by relatively favorable investment climates and by prospects of accession to the EU." (EBRD 2000, p. 83).

"The key issue of the post-privatization era will be how to attract FDI into greenfield ventures and into privately owned assets. While the attractiveness of existing industrial and commercial assets will depend on their valuation in secondary markets, foreign investors who consider greenfield investments need to take into account the cost of new plant and equipment, the business environment and market

[1] Southeast Europe comprises 11 countries, namely: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, FYR of Macedonia, Moldova, Romania, Slovenia, Turkey, and FR Yugoslavia.

potential. Of particular importance is the security provided to investors by the existence of enforceable contracts, standardized product classification and business practices, and customs and other regulations designed to regulate commercial transactions. Moreover, the experience of the transition economies and other emerging markets shows that FDI tends to be closely linked to rising bilateral trade flows. In this respect, the prospect of stability resulting from the removal of barriers to market entry and integration into the European Union also helps to attract FDI." (EBRD 2000, p. 74).

A general conclusion could be drawn that so far there has not been a significant inflow of foreign capital in the selected Balkan countries, compared to the Central European countries (Hungary, Poland, and the Czech Republic), for example. Having in mind the population and territory, the global amount of the FDI are much less than in the other countries in transition. Some of the reasons for this situation are:

- *Stability* (Or more precisely – instability in the region as a whole). The instability has got a very strong negative impact on the FDI.
- *Market size*. The interest of the foreign investors during the last decade shifted from the search of lower costs (especially lower labor costs), towards the search of new (bigger) markets. No one can dispute the fact that size does matter.
- *Potential candidates for Mergers and acquisitions*. During the last decade, the FDI came in the form of M&A, unlike before, when FDI were mostly in the form of green field investment. It seems that the potential of good enough companies for M&A in the selected Balkan countries is quite limited.
- *Internal factors: reforms*. The reforms in these countries are lagging behind the same processes in the other countries in transition (for instance: Slovenia, the Czech Republic, Poland, Baltic Countries, etc.).

FDI in the FYR of Macedonia

Since independence, the amount of FDI in *FYR of Macedonia* has been almost negligible. The cumulative amount of FDI in FYR of Macedonia during 1991-94 was $33.9 mil, and it only slightly exceeded US $40 mil. in 1995. The lack of interest of foreign investors for FYR of Macedonia during the above mentioned period is obvious. This conclusion could be supported not only by the number of signed contracts, but also the small amount of deals, which quite often satisfied only the legal minimum. Significant increase in FDI occurred in 1998, when, according to official statistics, FDI amounted around US $121 mil. Unfortunately, this trend was abruptly stopped in the first half of 1999, only to recover during the second half of 1999 and 2000, after the end of Kosovo crisis and relative political stability in the Balkans. The recent events showed that the country has been cursed not to experience at least two normal consecutive years. The spillover of the Kosovo still unsettled crisis, which started at the beginning of 2001 and still looms large in the country, has taken a heavy toll on the overall economic activity in FYR of Macedonia, including FDI, which is highly sensitive to the political instability.

After a surge in 1998, FDI fell back in 1999 to around $30 million. While the Kosovo crisis deterred investors, there were signs of increased interest following renewed stability in the first quarter of 2000 to foreign investors. The government is also undertook a number of measures to address concerns raised by foreign investors, such as: activities to set up a one-stop shop for registration of foreign investors, amendments to strengthen legislation on mortgages, bankruptcy and property rights, and possible increased tax exemptions. The government adopted a new law on free-trade zones in 2000, and the first zone is under construction (EBRD 2000, p.163).

The data (see Table 2) show that Greece is the biggest investor in FYR of Macedonia. As of 1998, 28.7% of the total foreign investment in FYR of Macedonia was Greek. The country that follows

(22.9%) is Cyprus, reflecting investment from some off shore companies with possibly Serbian and Russian capital. Germany, the third investor in FYR of Macedonia, is far behind with 14.2% of the total FDI in 1998. In 1999 Greece even strengthened its leading position among foreign investors in FYR of Macedonia by increasing its share to 34.5% of the total. Greek investors "discovered" opportunities for investment in the country after relative improvement in political relationships between the two countries. Germany has traditionally been the most important trading partner of FYR of Macedonian companies. The shift to joint ventures between trading partners is a positive sign of improvement towards higher forms of co-operation between the two countries.

Table 2: FDI in FYR of Macedonia, by country of origin (in dollars)

Country	Total FDI flows (in thous. dollars)		Share of total FDI (in %)	
	1998	1999	1998	1999
Austria	5.050	5.560	3.93	14.6
Bulgaria	60	144	0.05	0.4
Germany	18.038	4.844	14.20	12.7
Greece	36.274	13.130	28.72	34.5
Ireland	7.005	1	5.55	0.0
Netherlands	143	79	4.85	0.2
Cyprus	28.889	1.371	22.87	3.6
Other	25.863	12.950	21.3	34.0
Total	121.322	38.079	100.00	100.00

Source: National Bank of the Republic of FYR of Macedonia, and "Statistical Yearbook of the Republic of FYR of Macedonia 2000", Skopje.

The total FDI stocks have reached US$ 300 million in 2000. The most significant amounts of FDI in 2000 have been attracted through privatization transactions at the FYR of Macedonian Stock Exchange.

More than 90% of the FDI's in FYR of Macedonia are in the manufacturing sector (ferrous metallurgy, cement production, crude oil processing, food and beverages, textiles, etc). Since the end of 1997 the investment activity has been intensified, and in 2000 significant FDI's have been attracted in the insurance and banking sectors.

The top investors through privatization and post-privatization transactions include: Balkanbrew Holding (Greece), Hellenic Petroleum (Greece), Titan/Holderbank Financiere Glaris (Greece/Switzerland), Balkan Steel (Liechtenstein), Knauf GmbH (Austria), Tobacna (Slovenia), QBE LTD (Great Britain), Duferco Skop (Liechtenstein), National Bank of Greece (Greece), etc.

The most significant case of FDI in FYR of Macedonia to date has been the successful privatization of Makedonski Telekomunikacii, the former state monopoly mobile and fixed-line telecommunications provider. Deutsche Telecom-controlled Matav of Hungary was chosen as its strategic investor. Matav paid €342 million in cash and pledged a further €256 million in network investment over the next two years. So far this is the biggest foreign investment in the country. The cash payment alone is equivalent to 9% of the country GDP.

Foreign investments in FYR of Macedonia are governed by the Law on Trading Companies (from 1997, and amended 1998). This Law ensures that foreign investors in FYR of Macedonia are granted national treatment, i.e. investment conditions for foreigners in FYR of Macedonia are no less favorable than for domestic investors. Guarantees for foreign investment are included in the Constitution. It guarantees a free transfer and repatriation of the invested capital and profits. Also, the Constitution prohibits expropriation of property, except in times of war, and certain other unpredictable situations.

The incentives for foreign investors in FYR of Macedonia include a lot of exemptions from customs duties as well as tax breaks. For example, capital equipment of foreign investors can be imported without payment of customs duties, and foreign investors are entitled to a profit tax exemption for the profit generated during the first three years of operation. As a very important incentive for the foreign investors is the low corporate tax rate of 15% that applies to all companies and firms. As of January 2001, personal income tax rates were reduced significantly, consisting of two tax brackets – 15% and 18%. In addition, the investment climate for foreign investors in FYR of Macedonia is characterized by the following:

- The law provides for national treatment of foreign investors, both legal entities and physical persons. Foreign investors may establish their own enterprises, or engage in joint ventures with domestic enterprises.
- Law on Privatization allows foreign investors participation in the privatization process by means of purchasing shares, where their ownership in the specific enterprise may be partial or full (100%).
- The law is quite liberal in terms of areas where foreign direct investment is possible: "foreign persons may invest funds for doing business in economic and non-economic activities in FYR of Macedonia, unless it has been regulated otherwise with other law".
- Foreign investment may be done in monetary terms, equipment and materials, and royalties. According to this, it may take form of raw materials, too.
- Foreign investors may invest into and own real estate in FYR of Macedonia. However, they are not allowed to own land.
- Foreign investors may withdraw their investment at any moment, in the same form as it had been invested.
- There are certain tax and tariff benefits for foreign investors.
- Foreign investors have a right to fully manage or participate in management of a company.
- Foreign investors may transfer their rights deriving from the contract to other domestic or foreign investors. (Kikerkova 1998, pp.102-106).

FDI in Albania

The cumulative amount of FDI in *Albania* has reached US$ 458 million for the period 1992-1999. The top investors are Italy (about US$ 200 million, 600 companies) and Greece (about US$ 100 million, 300 companies). Among the top investors are *Alba Eureka*, *Kuhne & Nagel*, *Wurth*, and *Siemens*. Of the total number of joint ventures in *Albania*, 53% are set up with Italian capital, 27% with Greek capital and the remainder by German, American Austrian, French, British, Turkish, Kuwaiti etc. The fact that 80% of foreign or joint venture enterprises are Italian or Greek indicates that foreign direct investments in Albania, unlike other countries of Central and Eastern Europe, are of a vicinity investment character. Italian capital holds the lion's share and is mainly concentrated in Western areas of Albania, particularly in towns like Tirana, Durres, Elbasan, Lushnje, Shkoder, Vlore, etc. On the other hand, the Greek direct investments are concentrated mainly in the southern and southeastern part of Albania, in towns like Korca, Gjirokastra, Delvina, and Saranda.

Table 3: Cumulative amount of FDI in Albania for the period 1992-1999 (in mln. dollars)

	1992	1993	1994	1995	1996	1997	1998	1999
FDI per year	20	58	52.9	70	90	47.5	45	43
Cumulative FDI	20	78	131	200.9	290.9	338.4	383.4	426.4

Source: Bank of Albania, 1999.

From the point of view of economic activities, the main part of the FDI in Albania are concentrated in tourism, light industry, food and agriculture, and construction (see Table 5). With regard to the amount of FDI during the period of transition, it is obvious that the highest FDI flows are recorded for the period 1994-1996. After that year, the amount of FDI has been decreasing. This is mostly due to the 1997 insurgency crisis in Albania that followed the collapse of the pyramidal saving schemes[2], as well as the subsequent political and war tensions in the FR Yugoslavia and the region as a whole (Kosovo crisis).

Table 4: Foreign investment in Albania by sectors

Sector	Joint venture	Wholly owned foreign companies	Total	%
Agriculture	26	7	33	1.36
Transport	64	48	112	4.62
Construction	71	53	124	5.12
Services	77	67	144	5.95
Industry	292	123	415	17.13
Trade	1,002	592	1,594	68.80
Total	1,532	890	2,422	100.00

Source: *Investment Guide for Southeast Europe*, Bulgaria Economic Forum, Sofia, September, 2000, p. 18.

Government institution in the field of foreign investment in Albania is Albanian Economic Development Agency (AEDA). That is a government body established in August 1998. Its function is to implement the government policy aimed at increasing investments and exports.

The most important law in the field of FDI is the Albanian Law in Foreign Investments (Law 7764, 2 November 1994). It aims to ensure a favorable investment climate for foreign investors in Albania. National treatment is extended to foreign investors. Under the previous law, the investment conditions for foreigners are no less favorable than for the local investors. For instance, foreign investments and ownership are permitted in all sectors, and there are no limitations on the percentage share of foreign participation in companies. What is more important, foreign investment may not be expropriated, nationalized or be subjected to any other equivalent measure, and foreign investors have the right to expatriate profits and any article related to investment.

Table 5: Structure of FDI in Albania by economic activities (in %)

Activity	Share in %
Tourism	34
Light industry	20
Food and agriculture	18
Construction	15
Transportation	6
Others	7
Total	100

Source: ACFIP (Albanian Center for Foreign Direct Investments Promotion) investigations, 1996.

FDI in Bulgaria

The EU member countries are the biggest investors in *Bulgaria* with a 59% share. The largest investors are Germany (US$ 425.87 mil.), Belgium (US$ 373.08 mil.), and the Netherlands (US$ 165.69 mil.). Other big investors include Cyprus (US$ 240.37 mil.), USA (US$ 198.41 mil.), Russia (US$ 153.94 mil.). Turkey is also a big investor with US$ 105.12 mil., and Greece with 86.89 US$ mil.

[2] Vita Koja and Kole Prenga (2000, pp. 44-46) illustrate in more detail the disastrous consequences of these events for the FDI in Albania after 1997.

It is interesting to note that Korea (US$ 50.26 mil.) also ranks among the top investors in Bulgaria (see Table 6).

Table 6: FDI in Bulgaria by countries of origin (in mln. dollars)

Countries of FDI Origin	Total FDI Flows	%Share of Total FDI	FDI Flows 1989-1994	FDI Flows 1995-1999
Germany	425.87	15.33	168.17	257.7
Belgium	373.08	13.43	0.44	372.64
Cyprus	249.37	8.98	1.91	247.46
USA	198.41	7.1	26.64	171.77
The Netherlands	165.69	5.96	38.53	127.16
UK	157.86	5.68	14.19	143.67
Russia	153.94	5.54	3.93	150.01
Austria	124.93	4.5	28.71	96.22
Greece	86.89	3.13	8.22	78.67
France	82.8	2.98	4.41	78.39
Total				1723.69

*total FDI for the period 1992-1999 is USD 2,778.03 million

The top investors include Solvay (Belgium), Union Miniere (Belgium), Lukoil Petrol (Russia), Shell Overseas (UK), Heidelberger Zement (Germany), METRO (Germany), Eaststarch (Netherlands), Willi Betz (Germany, Spain), Knauf (Austria), and Daewoo Corporation (Korea).

In the case of Bulgaria it is obvious that the FDI are concentrated mainly in the industry, trade, finance, and tourism (see table 6). From the point of view of our research what is more surprising is the fact that to the Greek FDI goes only a small part of the total FDI in Bulgaria (3.13%, see Table 8). For instance, in the industry only 3.7% are Greek FDI, in the trade this share is 2.04%, and in the finance, there is a similar situation, 2.06%. It would be interesting to see what trends and consequences could be expected in regard to cross-border cooperation in the future, bearing in mind these data.

Table 7: Foreign investment by sectors (1992-1999)

Sector	Percentage share in the total foreign investment
Industry	54.2
Agriculture	0.3
Construction	1.0
Telecom.	1.9
Transport	2.6
Tourism	5.1
Finance	11.7
Trade	19.5
Others	3.7

Source: *Investment Guide for Southeast Europe*, Bulgaria Economic Forum, Sofia, September, 2000, p. 40

As elsewhere in the region, capital markets in Bulgaria have played a negligible role as a mechanism for attracting foreign investment (see table 9). Foreign investors have preferred to take part in some privatization deals of formerly state owned enterprises, and to bring capital into the country in variety of other forms, such as: joint ventures, greenfield investment, additional foreign investment in companies with foreign participation, reinvested earnings, credit by direct investor, etc.

Bulgarian Foreign Investment Agency (BFIA) was established in April 1995 as a one-stop shop governmental body for the foreign investors. It is under the authority of the Council of Ministers, and is responsible for coordination of the state institutions' activities in this field. The Bulgarian Constitution and the Law on Foreign Investment stipulate that foreign investors are entitled to perform activities in the country under the same conditions applicable to domestic investors.

Table 8: FDI in Bulgaria by sectors of economic activity, 1999 (in mil. dollars)

Sectors of Economic Activity	Total DFI	Greek FDI	Other EU FDI	Non EU FDI Stock
Industry	1505.69	55.55		
Trade	542.96	11.07		
Finance	324.04	6.69		
Tourism	142.84	3.05		
Transport	73.61	0.11		
Telecommunications	51.89	6.1		
Construction	26.47	1.21		
Agriculture	8.49	0.06		
Other	102.05	3.05		
Total (as of 1999)	2778.04	86.89	1557.68	1133.47

Source: *Investment Guide for Southeast Europe*, Bulgaria Economic Forum, Sofia, September, 2000, p. 40.

Table 9: Foreign investment by years and by type of investment (in million dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	Total
Privatisation		22.0	134.2	26.0	76.4	421.4	155.8	305.7	1,141.5
Capital market						29.7	64.2	53.1	147.0
Other*	34.4	80.4	76.7	136.6	180.0	185.1	400.0	447.3	1,540.5
Total	34.4	102.4	210.9	162.6	256.4	636.2	620.0	806.1	2,829.0

Source: *Investment Guide for Southeast Europe*, Bulgaria Economic Forum, Sofia, September, 2000, p. 40.
Note: * Other – Joint ventures, greenfield investment, additional foreign investment in companies with foreign participation, reinvested earnings, credit by direct investor.

An important setback to investor confidence in Bulgaria occurred in August 2000. Two years since the start of the privatization, the government announced that the negotiations to sell 51% of the state-owned operator, Bulgarian Telecommunications Company (BTC), to a consortium of KPN Telecom and OTE had failed. A new tender for the sale has been planned. Completion of the privatization is now scheduled for 2001 (EBRD 2000, p. 147).

FDI as an Ingredient for Acceleration of the Balkan Countries' Economic Development and Cross-Border Cooperation – Some Characteristics of the Greek FDI in the Balkan Countries

FDI's are the main ingredient in the transition countries' efforts for accelerated economic development, the most secure recipe for bridging the gap in the levels of economic and social development. The process of convergence in the GDP levels among the countries in the region, particularly to those enjoyed by Greece, will, of course, greatly depend on the utilization of these countries' potentials in the process of their approximation towards the EU standards. All three countries stand at different starting positions at present in their status with the EU structures.

One of the major observations is the regional (territorial) distribution of FDI, particularly Greek FDI, in the neighboring countries. The data show that while in the case of FYR of Macedonia there is not a clear pattern, which means that the whole territory seems to be of equal importance to Greek entrepreneurs, in the case of Albania and Bulgaria Greek firms are more inclined to follow an already established pattern. This is most obvious in the case of Albania, where the Greek FDI have been concentrated in the southern part of the country, most notably in the regions close to the border with Greece. The same, although in a less strict sense, applies to Bulgaria[3]. The explanation for this pattern, as well as the consequences of territorial distribution of FDI for cross-border cooperation and overcoming isolation in the region starts with geography – FYR of Macedonia is the smallest in the group with Albania and Bulgaria. Also, having in mind traditional linkages between Greece and Serbia in the past, the Greeks have kept their eyes open and pointed to the FYR of Macedonian northern neighbor, in expectation of an end to international isolation of FR Yugoslavia after an eventual democratic change in the country. Our expectations to obtain a clearer answer to this hypothesis were fulfilled by the responses of the interviewed big Greek firms in FYR of Macedonia – all the firms in the sample declared that they had plans to expand to the FR Yugoslavia market once the situation normalized, as it did after the fall of the Milosevic regime late last year[4].

The attitude of the general public in the recipient countries towards Greek FDI has been mostly favorable. This particularly applies to the case of FYR of Macedonia. This was supported by a recent survey among around 100 students studying at various departments at the School of Economics, Sts. Cyril and Methodius University in Skopje, FYR of Macedonia. With permission of the relevant bodies of the University of Thessaly in Volos, upon which initiative this survey was conducted in October 2000, the survey results will be cited in the final version of the paper.

As elaborated in the previous section, Greek investment has been highest in Bulgaria compared to FYR of Macedonia and Albania. Greek investors withheld their activities in FYR of Macedonia until 1995-1996, for political reasons. Political obstacles for investment were lifted after the two countries signed the Interim Agreement for normalization of political relationships in 1995.

In a recent paper, Bitzenis (2001) has distinguished five time periods for the Greek business presence in Bulgaria since 1992. The first period was between 1992-1994 and was characterized by an urge for obtaining quick and easy profit on the part of the Greek businessmen. These "vendor-traders" supplied the Bulgarian market with food products, clothing and footwear, consumer products in short supply in the country at that time. They imported from Bulgaria some industrial products, such as scrap, sheet-iron and building's iron. The second period (1994-1995) was characterized by an entry of significant Greek firms with their own representative offices inside the Bulgarian market. These firms targeted the markets for food products, the durable consumer goods and the services sectors.

The third period covered 1996 and 1997 and was marked by a relative inactivity by the registered Greek firms. This resulted from the unfavorable macroeconomic situation in Bulgaria, caused by the financial crises the country went through, "which led to high inflation rates, instability, corruption and very limited per capita consumption for the Bulgarian citizens". (Bitzenis 2001, p.5)

[3] A significant number of Greek companies became active in the areas of South Bulgaria, near the Greek border, because the low labor and transportation costs, which helped the creation of an export base. Low wages compensate for the inferior skills of Bulgarian textile workers, predominantly women, at least in the early years. (Bitzenis 2001, p.5)

[4] See, for example, Stoyan Totev et al. paper in this volume summarizing the survey results in all countries.

The fourth period is the one immediately after macroeconomic stabilization in Bulgaria. The increased economic policies credibility induced the remaining large Greek companies to slowly and cautiously overcome their doubts and enter the Bulgarian market.

In the fifth period (1998 and onwards) there is an intense interest of all the big Greek banks to participate in the Bulgarian market through acquisitions. (Eurobank, National Bank of Greece and Commercial Bank of Greece have succeeded while at the same time Pireus Bank and Credit Bank of Greece have established local branches in Bulgaria.)

Obtaining correct figures for the Greek investments in the Balkan region is not an easy job. Figures may vary depending on the sources used. Some authors (Dunning 1993) have elaborated on the sources of inaccuracies of the aggregate FDI data. Others report problems of manipulation of data, either because of incompetence or intentionally. Bitzenis (2001, p.13) quotes the case of Rover from the UK and the status of its investment in Bulgaria. Namely, Rover withdrew an investment made at the end of 1994, almost immediately, but it still appears in the official catalogues for FDI.

Again, according to Bitzenis (2001), the Greek investments in Bulgaria are about US$ 670 million, in FR Yugoslavia US$ 450 million, in Romania US$ 950 million and in FYR of Macedonia and Albania not more than US$ 250 million and US$ 170 million respectivly. It is interesting to note that the lion's share of the Greek FDI outflow in the Balkan region (88%) was made by only ten companies. In the case of Bulgaria, only five companies have invested 85% of the total Greek FDI inflows. However, there are about 3000 active Greek companies in the Balkan region.

It seems that Greek entrepreneurs have been predominantly attracted to invest in the Balkan region countries for the following reasons: geographical proximity, low labor costs, the lack of foreign competition, cultural closeness with some of them, and the possibility to use some countries (Bulgaria, FYR of Macedonia) as a bridge for further penetration into other neigboring countries' markets (Bulgaria for CIS markets and FYR of Macedonia for the Yugoslav market).

Conclusions

Balkan countries in transition (Albania, Bulgaria, and FYR of Macedonia) have been by far less successful in attracting FDI compared to more advanced countries in transition from Central Europe (Hungary, Poland, the Czech Republic). Political instability in the region, traditionally low level of intra regional trade (see various papers published by George Petrakos on this), relatively small size of the markets, and high levels of corruption have deterred foreign investors from investing more in the Balkan countries. Bulgaria, compared to Albania and FYR of Macedonia, has attracted by far more FDI, total and per capita. Greek FDI in the selected Balkan countries has played a major role in the economies of these countries. This particularly applies to the FYR of Macedonia, where Greece is the biggest investor, despite some still open issues between the two countries. In the case of FYR of Macedonia, perhaps due to the smaller size of this country in comparison to Albania and Bulgaria, Greek FDI are not concentrated mostly in the border regions. However, this is the case with Albania and Bulgaria. Here, the proximity and low labor costs have played a major role. FYR of Macedonia and Bulgaria are seen by some big Greek firms as a bridge to other markets, such as the FR Yugoslavia and CIS markets, respectively. In general, the attitude towards Greek FDI in the recipient countries has been positive.

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