THAT'S THE WAY IT IS IN GREECE

Greek GDP growth in recent years has regularly outstripped that of its European Union partners, buoyed by €26 bn in structural fund assistance from the third Community Support Framework (2000 – 2006). However, these funds will soon run out and the fourth CSF package (2007 – 2014) will, at best, be worth about two-thirds what's gone before, as the finite EU funding gets redistributed among the poorer east European states that joined in the May 2004 enlargement process. If Greece is to maintain the high rates of growth necessary for its standard of living to catch up to EU norms, new resources must be found. The classic answer is private FDI – foreign direct investment. Till now investors have been put off by high taxes, excessive red tape and planning chaos. The New Democracy government is putting in place legislation and programmes designed to correct the problems of the past. It remains to be seen whether it will succeed.

Greece stands near the bottom of world league tables for foreign direct investments (FDI). According to the latest available figures, it ranked:

-26th out of the 29 member states of the Organisation for Economic Co-operation and Development (OECD);[1]

-127th out of 140 nations surveyed by the United Nations Conference on Trade and Development (UNCTAD)[2], and,

-14th out of 17 regional countries[3] canvassed by the Economist Intelligence Unit (EIU).[4]

In virtually every case, Greece trails well behind its historical European Union partners and, in many instances, behind the 10 enlargement states that acceded in May last year.

Some contributing factors cannot be changed. Greece is a small country on the edge of the European continent with no contiguous border with its EU partners who account for the bulk of its trade.

With just over 11mn inhabitants,[5] it is, of itself, a small market unattractive to multinational companies.[6] Greece's natural hinterland, the Balkans, offers a market of some 50 mn but consists of countries whose economies are poor and disorganised and which, as yet, have only limited consumption capacity.[7]

Moreover, these countries have created a physical barrier for overland exports of goods to the even greater EU market of 380 mn[8] because of their poor infrastructure and the civil unrest of recent years.

The larger problem, however, is Greece's lack of competitiveness. The country ranks:

-38th out of 80 nations according to the *Global Competitiveness Report* of the Davos-based World Economic Forum (WEF); and,

-44th out of 60 according to the *World Competitiveness Yearbook* published by the Lausanne-based International Institute for Management Development (IMD).

According to the IMD, its laggard status is the responsibility of all social partners. It ranks Greece 44th in terms of management practices, 46th in its institutional framework[9] and 53rd for its labour market.

This survey first looks briefly at the contemporary history of the economy to try to put the lack of FDI in context. It then looks in more detail at the benchmarks itemised above to assess whether the situation is really as bad as it first appears.

A section on the policy environment is followed by a collection of profiles that includes the foreign investment promotions agency, the Hellenic Centre for Investment (ELKE) and companies that have come to Greece, grouped broadly by sector. The company list is far from exhaustive partly for reasons of time and space and partly because a number of the companies, frequently the larger ones, have been reluctant to talk. The focus, therefore, has tended to be on those firms that have made recent investments.

[1] *Based on actual dollar inflows for 2003.*

[2] *Based on its FDI Performance Index, which expresses a country's FDI as a ratio of its share in global GDP.*

[3] *The EU-15 (less Luxembourg) plus Switzerland, Norway and Turkey.*

[4] *Based on a Business Rankings Model that incorporates factors relating to the political as well as the macroeconomic environment.*

[5] *11.04 mn according to the annual survey of the National Statistical Service of Greece made in April 2004.*

[6] *Unlike other small EU member or enlargement states with proximity to larger countries such as Portugal to Spain, Ireland to the UK, the Central and Eastern European Countries to Germany and the Baltic states to Scandinavia.*

[7] *Greek firms have developed strong influence in these markets but this will be eroded by the accession of former Soviet bloc satellite countries and further dissipated after Bulgaria and Romania join the EU in 2007.*

[8] *Before enlargement; 455 mn since.*

[9] *55th in term of public finances.*