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Deciphering the Greek Economic Diplomacy towards the Western Balkans: actors, processes, challenges

Ritsa Panagiotou and Nikolaos Tzifakis

LSE THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

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Deciphering the Greek Economic Diplomacy towards the Western Balkans: Actors, Processes, Challenges

Ritsa Panagiotou[1] and Nikolaos Tzifakis[2]

ABSTRACT

From the mid-1990s and for over a decade Greece developed a very important and dynamic trade and investment relationship with most Western Balkan countries. The economic crisis in 2009 broke this momentum and led to massive declines in both trade and FDI. While trade transactions rebounded after 2016 and almost reached pre-crisis levels, the decline of Greek FDI has shown no signs of recovering, its most definitive sign being the departure of many Greek banks from the region.

The objective of this project is to delve into the intricacies of Greek economic diplomacy, focusing on its conduct in the Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) and exploring paths that could improve economic and business practices in the region. It does so by mapping out the multi-layered dimensions of Greek economic relations with the Western Balkans, highlighting problems and challenges that have emerged over the years, identifying key actors and stakeholders in the process, and making policy recommendations based on an evaluation of all the above.

Acknowledgements: We would like to thank the Hellenic Observatory of the London School of Economics and Political Science for its grant and very efficient support at all stages of the implementation of this project. We are also indebted to the many people who agreed to be interviewed and who shared their time, knowledge and on the ground experience to help us understand the difficulties and challenges involved in doing business with the Western Balkan countries. A special thanks also to all the diplomatic officials and officers of the Ministry of Foreign Affairs, members of diplomatic missions in the Western Balkans, and representatives from various Chambers and Associations, who shared their viewpoints and helped us get an understanding of the intricacies of economic diplomacy. This project would not have been possible without their valuable input and insights.

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1. Introduction and Research objectives

The demise of the centrally planned economies in the Balkans, their subsequent transition to open market economies and the end of hostilities in Yugoslavia offered a new prospect for Greek economic relations with the countries in the region. From the mid-1990s and for over a decade Greece developed and cultivated a very important and dynamic trade and investment relationship with most Western Balkan countries. Over the years Greece emerged as a major trade partner in the region and played an important role as a key strategic investor: Greek investment activity was a mutually beneficial driver of growth and one of the most tangible testimonies of Greece's strong presence in the region (Maditinos, Kousenidis and Chatzoudes, 2011: 206). The patterns of economic transactions clearly followed the ebbs and flows of overall economic cycles in the region; they have also been impacted by both domestic and international factors, including ethnic tensions, armed hostilities, banking crises, refugee crises, macroeconomic shocks, diplomatic tensions, etc. Despite these cycles, however, the overall trend has been one of growth and expansion – until 2009.

The implosion of the sovereign debt crisis in Greece shook the foundations of Greece's economic relations with its Western Balkan neighbours, essentially reversing years of consistent growth and breaking the momentum of dynamic economic relations that had been constructed over more than a decade (Bechev 2012). The deterioration of the domestic economic environment had a deep and resonating impact on the Greek economy as well as on practically all dimensions of Greece's relations with the countries of the region (Magoulios and Chouliaras, 2014: 57-58; Panagiotou and Valvis, 2014: 118-122). Trade transactions between Greece and its Western Balkan partners decreased sharply between 2009 and 2015, while total FDI flows to the region also contracted dramatically. These trends left Greece, once a dominant trade and investment partner, greatly weakened in the area. The perception of Greece's role was also diminished by ongoing bilateral tensions, especially between Greece and Albania, and North Macedonia, and the non-recognition of Kosovo (Panagiotou and Tzifakis, 2021: 75-78).

Since 2016, however, one observes a change in direction in both the political and economic fields. For one, Athens was determined to resolve bilateral differences and re-emerge as a responsible regional actor. To this end, it prioritized the resolution of all problems with Skopje and Tirana (Panagiotou and Tzifakis, 2021: 78-84). Trade transactions substantially recovered, with exports and the trade surplus almost reaching the pre-crisis levels. However, the downward trend of Greek investment in the Western Balkans that had started in 2009 has shown no signs of recovering.[1] This was particularly evident in the banking sector, where the collapse of Greek investment led to the closure of many branches and offices in the region after 2017; this culminated in the withdrawal of many Greek banks, leaving the banking sector extremely weakened after over a decade of dominance in the region.[2]

[1] https://www.bankofgreece.gr/en/statistics/external-sector/direct-investment/direct-investment---flows.
[2] https://www.hba.gr/En/Statistics/List?type=AbroadGreekBanksNetwork_EN.

Clearly, Greek businesses that are active in the Western Balkans have been deeply affected by the fallout from the economic crisis and the implications of the departure of Greek banks from the region. However, the ongoing challenges they are facing in their transactions with the region go beyond the impact of the crisis and are far more complex, multi-layered, and far-reaching. A major challenge is finding a way to respond to the new geopolitical balances that have brought non-Western external actors to the region and who have become major competitors (for example Russia, China, and Turkey – see *inter alia* Bieber and Tzifakis, 2020). Another challenge is dealing with the domestic trends in the region that affect the business environment, including democratic backsliding, state capture, deterioration in the rule of law, political instability, corruption, persistence of protectionist practices, and uneven competition in public procurement and imports. Finally, Greek businesses have faced many challenges that are linked to the lack of a coherent state economic diplomacy to support, facilitate, and protect Greek business initiatives in the region. These include an incomplete legal framework for the regulation of relations with all Western Balkan countries, burdensome bureaucracy, unclear legislation, lack of cooperation between Greek actors and their regional counterparts, and more.

Starting in 2019 the Greek state has launched a process aimed at restructuring and reinvigorating economic diplomacy. Important steps have already been taken, including the transfer of full jurisdiction to the Ministry of Foreign Affairs, the adoption by the Ministry of Foreign Affairs of a new Organism that restructured the administrative organisation of diplomacy, the articulation of a national strategic plan for extroversion with key performance indicators, and a revival of the international development cooperation agency. However, as the process has not been completed and tested, the impact of these attempts cannot yet be fully assessed, and more needs to be done. It appears that most public and private actors that are invested in the prospect of Greece's economic involvement in the Western Balkan region manage to cooperate and to a certain degree strive to coordinate their activities to this end. However, their cooperation seems to be on an *ad hoc* basis and is dependent on many variables including the background, field experience and level of commitment to the process and outcome of the very people who are actively involved from each side. Therefore, it is clear that Greek economic diplomacy vis à vis the region will be strengthened if certain aspects (such as procedures and diplomatic work) are reinforced, entrenched, and implemented in a more systematic way.

1.1 Review of the Literature and Methodology

One of the main themes explored in this paper is the notion of economic diplomacy, which is a complex concept. As a state activity, it is commonly perceived as referring either to the employment of economic means (e.g. incentives and sanctions) for the pursuit of political purposes (so-called economic statecraft), or to the use of economic instruments for the attainment of economic goals (Okano-Heijmans, 2011: 16-17; Baldwin, 1985). Arguably, the empirical reality is too complicated and nuanced to make a clear distinction between political from economic interests and the utility of the above

distinction of policy purposes is mainly analytical (Lee and Hocking, 2018: 4). In any case, economic diplomacy comprises a large spectrum of issues pertaining to commerce and trade (e.g. trade, investment and tourism promotion), finance (e.g. monetary and credit policies), development assistance, and sanctions (Okano-Heijmans, 2011: 16-20).

In terms of conduct, economic diplomacy is no longer a task exclusively performed by foreign ministries. A whole array of government agencies from the state to the local level engage regularly in international economic activities (Bayne and Woolcock, 2017: 3-4). To the extent that each government agency has its own priorities, a certain degree of inter-agency adjustment of preferences is necessary to attain policy coordination. Economic diplomacy is not a purely state agency activity either (Guilbaud, 2020). A plethora of private actors such as corporations and NGOs routinely carry out operations in third countries and strive to exert influence on the policies and priorities of their countries of origin. Similarly, in the countries of destination, domestic private actors regularly attempt to shape their government's policies concerning the entry of external economic activities.

Different public and private interests are frequently conterminous (e.g. when a donor-country channels its aid through NGOs) (Green and Charveriat, 2017). On other occasions, public and private approaches are divergent (e.g. when states overlook the human rights practices of third countries). More frequently than not, states should articulate their national preferences under the pressure of competing domestic interests (Woolcock, 2017: 43, Bayne, 2017: 65-66). For instance, the imposition of economic sanctions on a third country may be perceived differently by interest groups advocating a more assertive foreign policy, on the one hand, and actors engaged in economic activity in that country, on the other. Likewise, the entry of a foreign investment in a country may be confronted with mixed reactions by labour unions, environmental NGOs and domestic corporations (Badel, 2020: 221-224). The formulation of a country's national preferences cannot emerge out of a simple aggregation of all stakeholder preferences. Moreover, the prioritization of preferences matters as primary and secondary preferences get different attention. Therefore, *the investigation of the way the Greek state shapes and pursues its economic diplomacy objectives in the Western Balkans is a question worth-exploring.*

Concerning the **methodology**, the project employed an empirical approach to study a problem in depth and from various perspectives, and to offer policy proposals and recommendations based on the research findings. Data collection involved both primary and secondary resources. Our first step was to map out the whole range of economic linkages between Greece and the Western Balkan countries. We sought quantitative data concerning economic transactions in official databases (e.g. Hellenic Statistical Authority, Bank of Greece, Ministry of Foreign Affairs, World Bank, and UN Comtrade Database). We also compiled a list of the main stakeholders and persons in state agencies and private actors to whom we sent interview requests. The project's main data collection tool was a series of semi-structured interviews with the following categories of persons: 1) public officers (e.g., high ranking officials in the Ministry of

Foreign Affairs and members of diplomatic missions in the Western Balkans), 2) high-ranking executive officers in business associations and chambers of commerce, 3) CEOs of large exporters/investors to the region, 4) representatives of think tanks and other interest groups. Interviewees from categories 2-4 were requested to assess the political/economic environment in the region, outline their concerns/problems, and elaborate on whether and how their preferences are communicated to Greek state authorities and to what extent these preferences are considered. The second group of interviews was with public officers who were similarly asked to express their view of the political/economic regional context, explain whether and how state inter-agency coordination takes place, and offer their view of how stakeholder sectoral preferences are processed and considered to form part of national preferences. Interviews took place exclusively via video conference calls, in part due to the pandemic and in part due to the fact that most interviewees reside and work in Western Balkan countries. To mitigate the potential risk concerning the disinclination of key people to be interviewed (due to confidentiality concerns) we submitted a larger number of interview requests than those needed. Ultimately, we sent over 80 requests and carried out 50 hour-length interviews. Although most interviewees were not concerned about the revelation of their identity, we anonymized all references to interviewees to better protect those preferring not to disclose their names. We also attempted to fill any gap of knowledge through the triangulation of data obtained from official documents, news articles, and interviews with stakeholders. We consulted among others a series of reports by international organisations and research institutes about the business environment in Western Balkan countries, and we read a dozen of Greek laws and Presidential Decrees to comprehend the legal framework of the country's economic diplomacy and the nuances of its ongoing multi-staged reform.

It is important to point out that while Greece's economic linkages with the Western Balkans extend across six main axes – trade, investment, development assistance, tourism, implementation of EU-financed cross-border or regional projects, and participation in regional and international institutions – this study will focus only on the first two categories, i.e. trade and Greek investments in the region. Investments from Western Balkan countries to Greece have been so far rather insignificant beyond the real estate sector in Northern Greece. With respect to development cooperation, Greece has not proposed any new assistance program for the region since the outbreak of the economic crisis, while the ESOAV (Hellenic Program for the Economic Reconstruction of the Balkans), that was launched in 2002, has not been properly completed. Linkages in the field of tourism are indeed very strong, marked by the inflow every year of hundreds of thousands of tourists from Serbia, North Macedonia and Albania to Northern Greece.[3] In the case of EU-financed programs, Greece cooperates with its northern neighbours to implement projects within on the one hand the respective Interreg cross-border cooperation programs with Albania and North

[3] According to the Institute of Greek Tourist Enterprises, 944,000 tourists came to Greece from Albania, 1.2 million from Serbia, and 948,000 from North Macedonia in 2019. For the same year, however, there were almost 3 million border crossings from North Macedonia, as Greece is also a favourite destination for day trips and even daily shopping trips (Koutsos and Ikkos, 2020).

Macedonia, and on the other the framework of the EU Strategy for the Adriatic and Ionian region (with all Western Balkan countries but Kosovo). Lastly, Greece's economic linkages with the Western Balkans are also developed within the advancement of EU policies towards the region as well as the collective work of regional and international economic institutions such as the Black Sea Economic Cooperation.

Finally, a note on the selection of the countries under examination: the term 'Western Balkans' was coined at the end of the 1990s to describe the region consisting of Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia. The region has undergone a radical transformation since that period. The Federal Republic of Yugoslavia was renamed in 2003 (to Serbia and Montenegro) and, eventually, dissolved in 2006 into two independent states, i.e., Serbia and Montenegro. Kosovo, which has been part of Yugoslavia under UN administration since 1999 (UN Security Council Resolution 1244/99), unilaterally declared its independence in 2008 and has been recognized by over 100 states. The former Yugoslav Republic of Macedonia changed its name in 2019 to North Macedonia. As for the region's relations with the EU, Croatia became an EU member-state in 2013. Therefore, given our interest in the countries in the region that are candidates (and potential candidates) for EU membership, our study focuses on the following countries: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia.

1.2 Objective and Structure of the Study

The objective of this project is to delve into the intricacies of Greek economic diplomacy, focusing on its conduct in the Western Balkan countries and exploring paths that could potentially improve economic and business practices in the region. It does so by mapping out the multi-layered dimensions of Greek economic relations with the Western Balkans, highlighting problems and challenges that have emerged over the years, identifying key actors and stakeholders in the process, and making policy recommendations based on an evaluation of all the above.

The paper is structured as follows. The first two chapters explore the depth and scope of Greece's economic relations with the Western Balkans from a comparative historical perspective. This is important to provide the context, framework and economic background that will be necessary to interpret the current situation and ongoing challenges. Specifically, chapter two examines the most dynamic and expansionary phase in these relations during the 1995-2008 period, with a special emphasis on trade and investment. It analyses *inter alia* the ebb and flows of these transactions over the years, their scope and character, and the trends in special bilateral relationships. Chapter three explores the powerful impact of the crisis, which essentially halted and reversed the progress achieved over the previous years of consistent growth and broke the positive momentum that had been constructed over more than a decade. It also examines the new synergies that emerged in economic relations due to the crisis, many of which are directly connected to the difficulties and challenges that will be discussed n chapter three. The fourth chapter proceeds with an in-depth discussion of the key challenges and problems that Greek companies (investors, service providers and

exporters) face in their everyday business activities in the region. As evidenced from the interviews conducted with the main stakeholders, these include the weakness of local rule of law institutions, the prevalence of endemic corruption and of a sizeable grey economy, and the persistence of protectionist practices in public procurement and in imports. The processes (coordination/consultation/problem-solving) through which Greek state and non-state actors address these challenges are analysed in the next two chapters. Chapter five examines the state agencies that get involved in economic diplomacy, their roles and the interaction and synergies among themselves as well as with Greek and foreign private actors and their counterparts from third countries. It analyses the distribution of authority and roles between the main stakeholder, the General Secretariat for International Economic Relations and Extroversion of the Ministry of Foreign Affairs, and its core institutions, the Directorate General for International Economic Relations, the Diplomatic missions (Embassies and Offices of Economic and Commercial Affairs), the Directorate General for International Development Cooperation, Enterprise Greece, and the Export Credit Insurance Organisation. This chapter also discusses the process of restructuring and reinvigorating economic diplomacy that has been underway since 2019, including the transfer of full jurisdiction for economic diplomacy to the Ministry of Foreign Affairs, the outline of a national strategic plan for extroversion with key performance indicators, and the revival of international development cooperation agency. Another important dimension of state diplomacy, namely the Chambers of Commerce, are also discussed in this Chapter. The main Greek Chambers are examined, specifically the Union of Hellenic Chambers of Commerce, the Athens Chamber of Commerce and Industry, and the Thessaloniki Chamber of Commerce and Industry. The sixth chapter turns to the most important private actors (business associations) who are engaged in Greek economic diplomacy towards the Western Balkans and examines their individual role and their interaction with other Greek and foreign actors. Specifically, it discusses the role of the Hellenic Business Associations of Albania, Serbia and North Macedonia and their contribution to economic relations; the challenges they face and how they deal with them. Other Associations include the Greek Exporters Association, the Panhellenic Exporters Association, the Federation of Industries of Greece, and the Greek Association of S.A. & Ltd companies. Finally, chapter seven concludes the study with concrete policy proposals and recommendations regarding the improvement of Greek economic diplomacy in the region. The policy proposals emerge from the analysis and synthesis of both the empirical research conducted in this study and the valuable information gathered through the interview process, with the aim of optimizing linkages and synergies in order to advance and improve Greek economic diplomacy.

2. Economic Linkages: A Brief Historical Perspective (1995-2008)

The collapse of the centrally planned economies in the Balkans, their subsequent transition to open market economies and the end of hostilities in Yugoslavia in the mid-1990s offered a new prospect for Greek economic activities in the area. Over the following years, Greece established a strong and dynamic presence in the Balkan region, emerging as a leading trade and investment partner for most Balkan countries, and a host country for thousands of migrant workers (Petrakos, 1997). This dynamic Greek presence was driven by a combination of favourable factors, including geographical proximity, a significant knowledge of regional and country-specific idiosyncrasies, an understanding of historical developments and familiarity with cultural particularities, as well as a greater understanding of the risks involved in investing in the region (Michalopoulos 2002: 103-104). Moreover, despite its European orientation and its membership in the European Union, Greece had to a great degree maintained a solid 'Balkan identity' and a commitment to participating in developments in the region. Thus, over the years, Greece became an important and active partner for the Balkan countries, and a point of reference for the region's economic development. The trends of economic transactions clearly followed the ebbs and flows of overall economic cycles in the region and were often impacted by both domestic and international factors. Despite these cycles, however, the overall trend had been one of growth and expansion – until 2009.

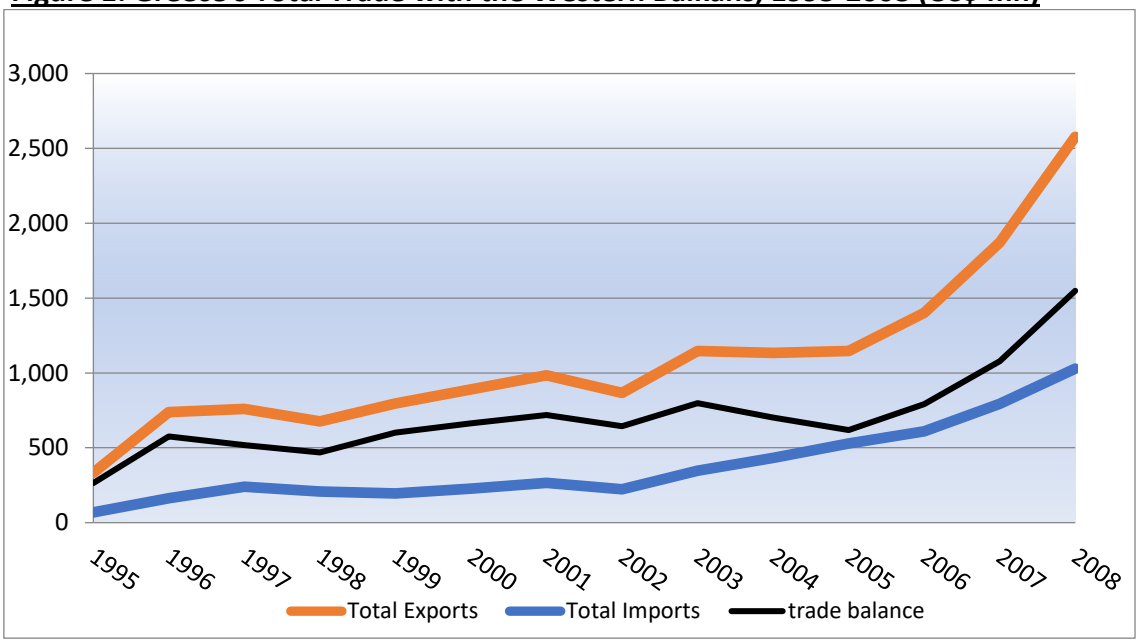
This chapter presents a brief historical overview of this 'first phase' of economic relations between Greece and the Western Balkan countries. It provides the context, perspective, and background necessary for the analysis and discussion that follows in upcoming chapters. As discussed in the introduction, although Greek economic linkages cover a broad scope of activities, this study focuses on two aspects - arguably the most important over time - namely trade and investment. The chapter is divided into two sections: the first discusses the dynamic and expansive phase of Greek trade relations with the Western Balkan countries during the 1995-2008 period. It examines overall trends in these relations, the main sectors involved, and the nature of bilateral relationships. The second section shows that this period was also the 'golden era' of Greek investment in the Western Balkans, during which the country emerged as a top investor in the region. It examines the overall investment trends during this period, the main sectors that attracted investment, and presents a bilateral analysis of Greek investment in the region.

2.1 Trade Relations

One may consider 1995 the true point of departure for trade relations between Greece and its Western Balkan neighbours: the key factors were the overall improvement in relations with Albania, the normalisation of relations with North Macedonia (then, Former Yugoslav Republic of Macedonia) and the end of hostilities in Bosnia and Herzegovina. Over the years, trade relations between Greece and the Western Balkan countries have been impacted and informed by crucial factors including the high volatility in relations throughout the region, tensions in bilateral relations between

Greece and its neighbours (but also between each other), the domestic political environment, the progress of economic transition and reforms in the Western Balkan countries, and the economic situation in Greece. Figure 1 illustrates the steady growth of trade between Greece and the Western Balkan countries after 1995: specifically, between 1995 and 2008, total trade increased nine-fold, growing from US$ 402.2 million to US$ 3,605.9 million.

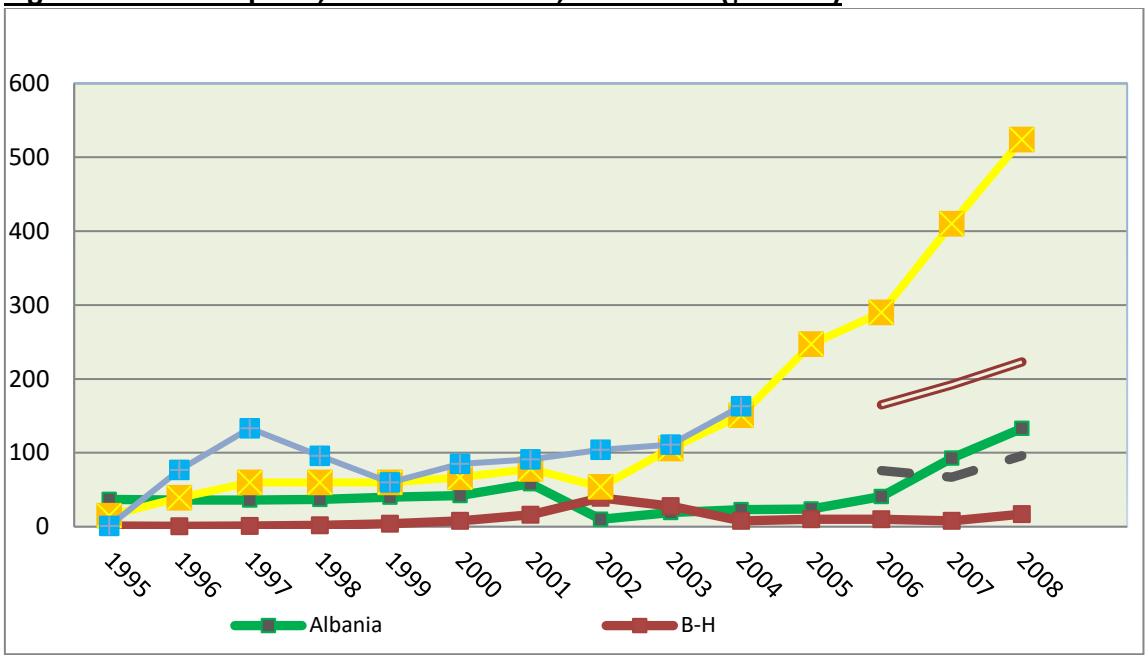
Figure 1: Greece's Total Trade with the Western Balkans, 1995-2008 (US$ mn)



Source: United Nations Comtrade Database

During the period 1995-2008, Greek **imports** from the region experienced an unprecedented surge, marking a 15-fold increase from US$ 68.8 million to US$ 1028.7 million. As can be seen in Figure 2, Greece's most important trading partners (both in terms of absolute figures and rate of growth of imports) were North Macedonia, Albania, and Serbia and Montenegro (and after 2006, Serbia). Specifically, during the period 1995-2008, Greek imports from North Macedonia grew by a factor of 37, from Albania 3.5 times and from Serbia 3 times. By contrast, during the period 1995-2008 imports from Bosnia and Herzegovina were negligible, due largely to the country's weakened economy in the aftermath of the war as well as minimal cultural, historical, and commercial ties between the two countries.

Figure 2: Greek Imports, Western Balkans, 1995-2008 ($US mn)

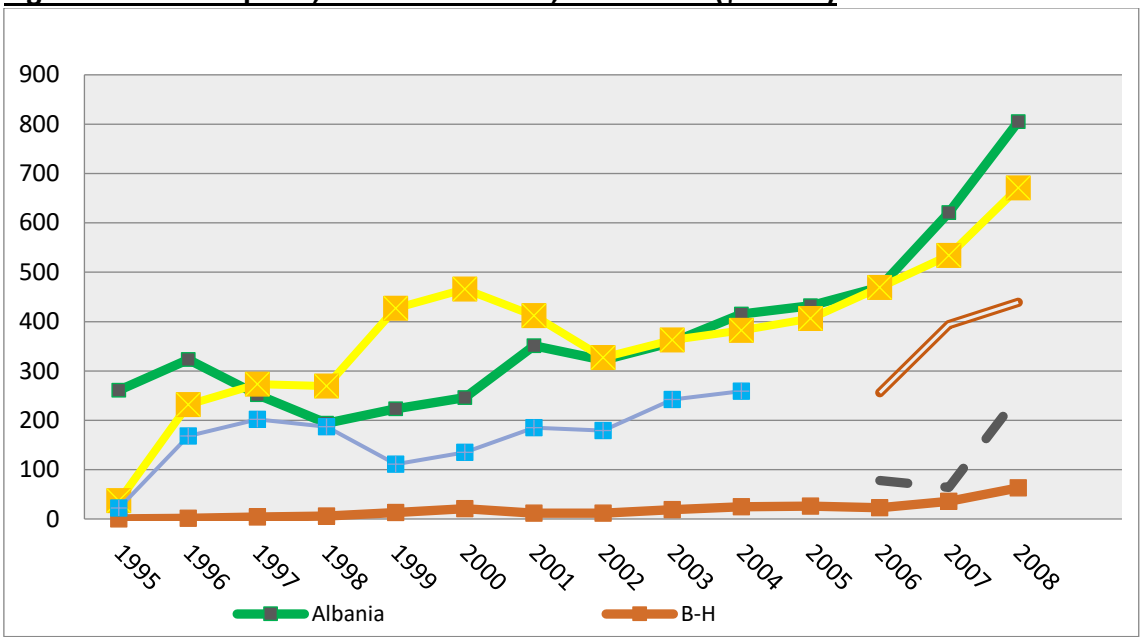


Source: United Nations Comtrade Database

The most important products that comprised Greek imports from the countries of the region were non-ferrous metals, iron and steel, electric current, metalliferous ores and metal scrap, petroleum and petroleum products, transport equipment, organic chemicals, plastics, cork and wood, tobacco, textiles, clothing and clothing accessories, paper products and cereals.

Greek **exports** to the Western Balkan countries also experienced strong and consistent growth since the mid-1990s: between 1995 and 2008 exports increased eight-fold, from US$ 333 to US$ 2577. This surge in Greek exports to the region was driven *inter alia* by the improvement in the domestic economies of these countries as they were progressing in the transitions and their subsequent need to satisfy the pent-up demand for higher quality products. While export flows were affected by the destabilization caused by events such as the collapse of the pyramid schemes in Albania in 1997, the NATO bombing of Serbia in 1999, or the turmoil in North Macedonia in 2001, the overall trend was one of consistent growth. As with imports, Greece's most important and dynamic export partnerships in absolute figures were North Macedonia, Albania, and Serbia and Montenegro, while the most impressive growth rates were recorded with North Macedonia and Serbia, with exports increasing 18-fold and 19-fold respectively between 1995 and 2008. (Figure 3). It is noteworthy that while exports to Bosnia and Herzegovina started at negligible levels in 1995 – as was the case with imports – after 1996 they grew rapidly and consistently: ultimately, Greek exports to Bosnia and Herzegovina experienced a 60-fold increase between 1995-2008.

Figure 3: Greek Exports, Western Balkans, 1995-2008 ($US mn)



Source: United Nations Comtrade Database

The most important sectors represented by Greek exports to the countries of the region over the past decades have been petroleum and petroleum products (a dominant sector for all countries), iron and steel, non-metallic mineral manufactures, metalliferous ores and metal scrap, organic chemicals, non-ferrous metals, plastics in primary form, manufactures of metals, fruits and vegetables, beverages, cereals, tobacco and articles of apparel and clothing accessories.

Turning to the **balance of trade** between Greece and its Western Balkan trade partners, the main observation is that between 1995 and 2008 Greece had a strong – albeit fluctuating according to the circumstances – trade surplus with most of the countries in the region, which grew almost six-fold during this period (Figure 1). Driven by strong export trends, Greece's trade surplus was by far the largest with Albania, followed by North Macedonia and Serbia and Montenegro.

2.2 Investment

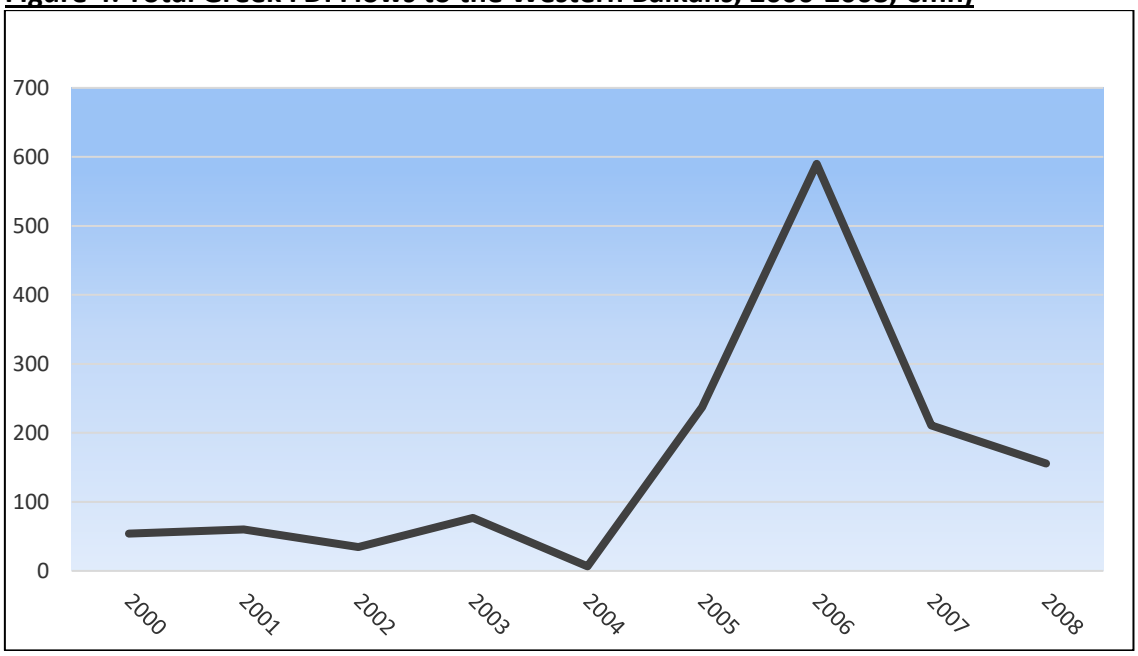
The violent dismemberment of Yugoslavia and the years of warfare and instability created serious impediments to any form of Greek investment interest and opportunities in the early 1990s. From the mid-1990s, however, new, and favourable conditions in the region gave a fresh boost to Greek investment interest in the Western Balkans: the region became more stable as hostilities ended in Bosnia and Herzegovina, relations with Albania improved, and relations between Greece and then-named Former Yugoslav Republic of Macedonia were normalized through the signature of the Interim Agreement. This improved climate gave a dynamic impetus to Greek investment activities, encouraging Greek companies already operating in the greater area to expand their activities and drawing in new players (Maditinos, Kousenidis and Chatzoudes, 2011: 206-208). Thus, Greek banks and shipping, construction, and food processing

companies - that were already well-established in Bulgaria and Romania - started to gain a foothold in other countries in the region (Bitzenis and Vlachos 2011: 2-3).

In these early years, Greek investors had several competitive advantages in their attempts to penetrate the Balkan markets. Clearly, geographic and cultural proximity played a favourable role. Also, during the early transition process, this part of the world was to a certain degree neglected by big multinationals who at this point were concentrating their efforts and interest on the Visegrad countries and the former Soviet states; this left a window of opportunity for Greek investors in the Balkans. The pace of Greek investment picked up sharply in the second part of the decade, as a certain degree of structural reform had been achieved and market economies slowly took root in the region. By the late 1990s, many major Greek companies had expanded their investment activities and portfolios to more than one Balkan market, thus creating networks of establishments operating throughout the region (Bastian 2004).

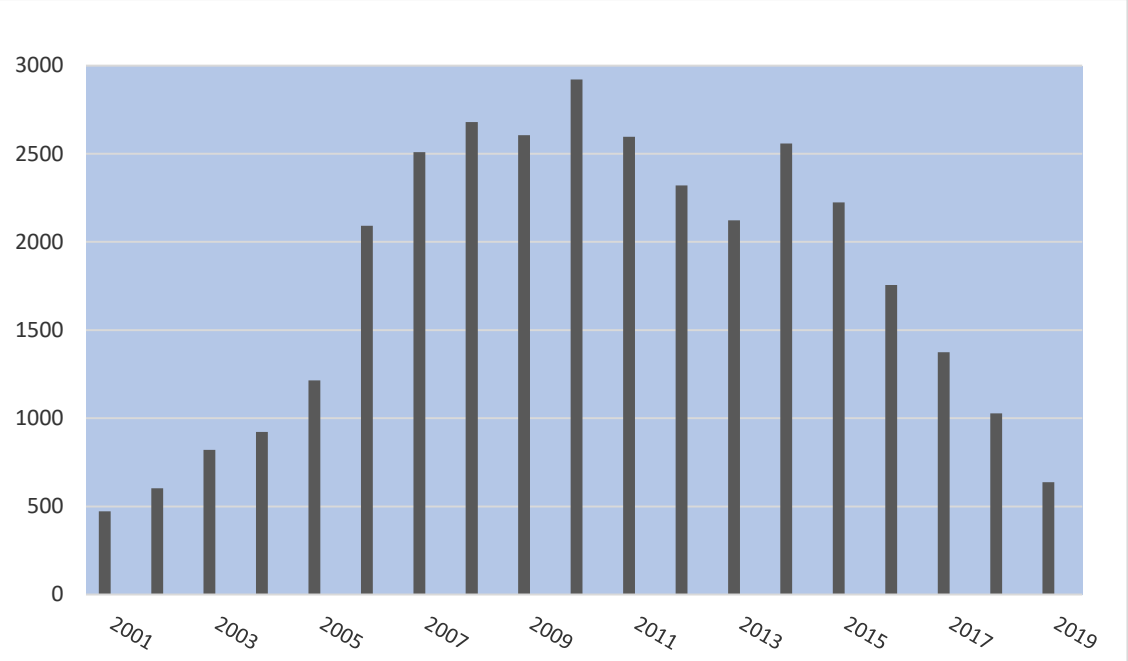
Greek investments in the region have been mutually beneficial over the years: for the Balkan countries they contributed to the transition processes by providing crucial capital and valuable know-how, while for Greece they provided an opportunity to take advantage of regional emerging markets with growing needs, while enhancing the country's presence in the region. As can be seen in Figure 4, the strongest period of growth for Greek FDI flows to the Western Balkans was the two-year period 2005-2006, driven by particularly large investments in Serbia and Albania. After the peak of 2006 investments returned to the levels attained over the previous years. By 2008, investment stock had reached €2,860 million, up from €472 million in 2001 (Figure 5). Over the years, Greek FDI flows experienced cycles of growth and contraction, and generally followed the ebbs and flows of geopolitical and economic developments in the region.

Figure 4: Total Greek FDI Flows to the Western Balkans, 2000-2008, €mn)



Source: Bank of Greece

Figure 5: Total Greek FDI in the Western Balkans (stock, €mn)



Source: Bank of Greece

The sectors drawing the most Greek investment were foods and beverages (Delta dairy, Veropoulos supermarket, Coca Cola/ Hellenic Bottling Company, Atlas, Agrofruit, Athenian Breweries, Hellenic Biscuit Co, Marinopoulos Group), telecommunications (Cosmote, OTE, Vodafone), energy (Hellenic Petroleum, EKO), construction (Titan Cement, Viohalco, Mitilineos, Alumil), tobacco (Kyriakidis SA, Michailidis Tobacco), accounting and advisory services (Marfin Financial Group, Euroconsultants, Dolphin Capital Partners), health care services (Hygeia Hospital), real estate (Lamda Development), shipping (Kiriacoulis Shipping), clothing and textiles, and most important, banking.

Banking was to become one of the most important and visible sectors of Greek investment in the Western Balkans. When Greek companies started investing in the area, this provided an opportunity for Greek banks to start operations in the region as well, in order to provide financial services in these ventures. Greek banking really took off after Greece joined the eurozone, as this gave a major impetus to the country's banking sector's expansionary policies: starting around 2000-2001, Greek banks started investing in the Western Balkans, buying out local banks and credit institutions (Macdonald, Hope and Bryant 2010). Over the years, seven major Greek banks – including the National Bank of Greece, EFG Eurobank, Piraeus Bank and Alpha Bank - established a powerful presence and a strong network of subsidiaries in the region (Bastian 2003; Hellenic Bank Association). As a result of this phase of rapid expansion, by 2009 Greek banks and their local subsidiaries played an important role in the financial

sector in several Balkan countries, accounting for around 22% of total banking assets in North Macedonia, 16% in Albania, and 14% in Serbia (IMF, 2017).

On a country-by-country basis, the analysis shows that Greek FDI was most dynamic in Albania, North Macedonia, and Serbia: in fact, by 2009 Greece had emerged as the top investor in Albania and North Macedonia, and among the first three leading investors in Serbia. By contrast, Bosnia and Herzegovina, Montenegro, and Kosovo attracted a minimal amount of Greek investment, due to weaker economic links and ties between the countries.

Greek FDI flows to Albania peaked at €135 million in 2009, and by 2008 Greek investment stock reached €487.1 million, which represented 24.2 percent of total foreign investment in the country, significantly higher than the second most important investor, Italy. In the period leading to the crisis, Greek companies were especially active in the sectors of telecommunications (Intracom, Cosmote, Vodafone), construction (Titan Cement, Alumil, Sidenor, Aktor), food and beverage industry (Atlas, Gjirofarma, Partner Balkanik, ELKA, AMITA), legal services and consulting (Rokas, Navridis, Drakopoulos, Ernst and Young, Euroconsultants), energy (Hellenic Petroleum), transport (European Seaways, Neoplan), and banking (National Bank of Greece, Alpha Bank, Piraeus Bank). Moreover, many Greek companies worked in Albania through franchising, such as Jumbo, Goody's, Coffee Island, etc.

After the mid-1990s Greece started investing very dynamically in North Macedonia, and by 2007 had become the number one investor in the country, where 17 out of the 20 largest investments in the country were Greek. Greek FDI stock peaked at €431 million in 2008, in sectors such as telecommunications (OTE, Intracom, Intrasoft, Germanos), legal services and consulting (Euroconsultants, Navridis), food and beverage industry (Olympos Food, Athens Breweries, Pivara, ELKA, Veropoulos, Zito Luks), construction (Titan Cement, Mermeren Kombinat, Alumil, Aktor, Sidenor), energy (Hellenic Petroleum / OKTA Refinery, Energy Delivery Solutions), transportation (Eurofast Global, Orbit Beinoglou) and banking (National Bank of Greece /Stopanska and Alpha Bank/ Kreditna).

Greece was consistently within the top three investors in Serbia, with stocks peaking at €2.1 billion in 2010 in sectors that included construction (Titan, Alumil, Viohalcho, Mytilineos, Sidenor, Isomat), telecommunications (OTE, Intracom), food and beverage (Hellenic Sugar Industry, Coca-Cola HBC, Veropoulos, Athenian Brewery, Chipita), energy (Mamidakis, Hellenic Petroleum/ EKO), legal services and consulting (Euroconsultants, Planet Consulting, TGI Group International, Rokas), casino/ hotels (Grand Casino Beograd, Hyatt Regency, Mercure Belgrade Excelsior, Daskalantonaki group), and transportation (Eurofast Global, Laskaridis group). The period 2002-2007 was particularly active for the Greek banking sector in Serbia: the National Bank of Greece acquired Vojvodjanka Banka, Eurobank bought out National Savings Bank, Alpha Bank bought Alpha Bank Serbija, Piraeus Bank bought Atlas Banka and ATE Bank acquired 20 percent of AIK Banka.

The above discussion provided an overview of the first, dynamic phase of Greece's economic relations with the Western Balkan countries. Starting in the mid-1990s Greece developed and cultivated a very important and dynamic trade and investment relationship with most Western Balkan countries. During the period under examination Greece emerged as a major trade partner in the region, with total trade increasing nine-fold in the period 1995 and 2008, from US$ 402.2 million to US$ 3,605.9 million. Greece also became an important strategic investor in the region; during this period Greek investment activity proved to be an important driver of growth and one of the most tangible testimonies of Greece's strong presence in the region. Between 2001 and 2008 Greek FDI stock grew from €472 million to €2,680 million. The patterns of economic transactions clearly followed the ebbs and flows of overall economic cycles in the region and were impacted by both domestic and international factors (including ethnic violence, airstrikes, banking crises, refugee crises, macroeconomic shocks, diplomatic tensions, etc). Despite these cycles, however, the overall trend has been one of growth and expansion – until 2009. The next chapter explores how Greece's trade and investment relations with its Balkan neighbours were impacted by the force of the Greek economic crisis, how the positive economic trends were reversed, and how relations have evolved over the past years.

3. Economic Linkages since the Outbreak of the Economic Crisis (2009-2020)

The implosion of the sovereign debt crisis in Greece shook the foundations of Greece's economic relations with its Western Balkan neighbours, essentially halting and reversing years of consistent growth and breaking the positive momentum that had been constructed over more than a decade (Bechev 2012: 4-5). The deterioration of the domestic economic environment had a deep and resonating impact not only on the Greek economy *per se,* but on practically all dimensions of Greece's relations with the countries of the region (Magoulios and Chouliaras 2014: 57). The repercussions were felt on several interlinked levels and created new dynamics in the relations between Greece and its Balkan neighbours. Although a slow but steady amelioration in trade relations took place after 2016, the same cannot be said of investment, which remains extremely weak.

Following the discussion of the most vigorous and expansionary phase in economic relations between Greece and its Western Balkan partners, this chapter provides an in-depth analysis of the new dynamics of these relations as they evolved after the start of the crisis in 2009. Understanding the new trends and circumstances that have developed due to the crisis provides a vital context and framework to gain insight into the problems and challenges that are presented in the following chapters. This chapter is divided into two sections: the first discusses the impact of the crisis on trade relations, and how these relations evolved in response to the fallout of the crisis. It is categorised into two time periods: the period 2009-2015, which witnessed the first damaging impact of the crisis, and the post-2016 period, which witnessed a slow but consistent recovery in trade flows. Bilateral and sectoral trade will also be examined. The second section examines the impact of the crisis on Greek FDI flows and stocks, including the impact on the bank sector as well as on bilateral relations. As will be discussed, the shock on Greek investment was swift, dramatic, and unlike trade transactions has shown no sign of recovery thus far.

3.1 Trade Relations

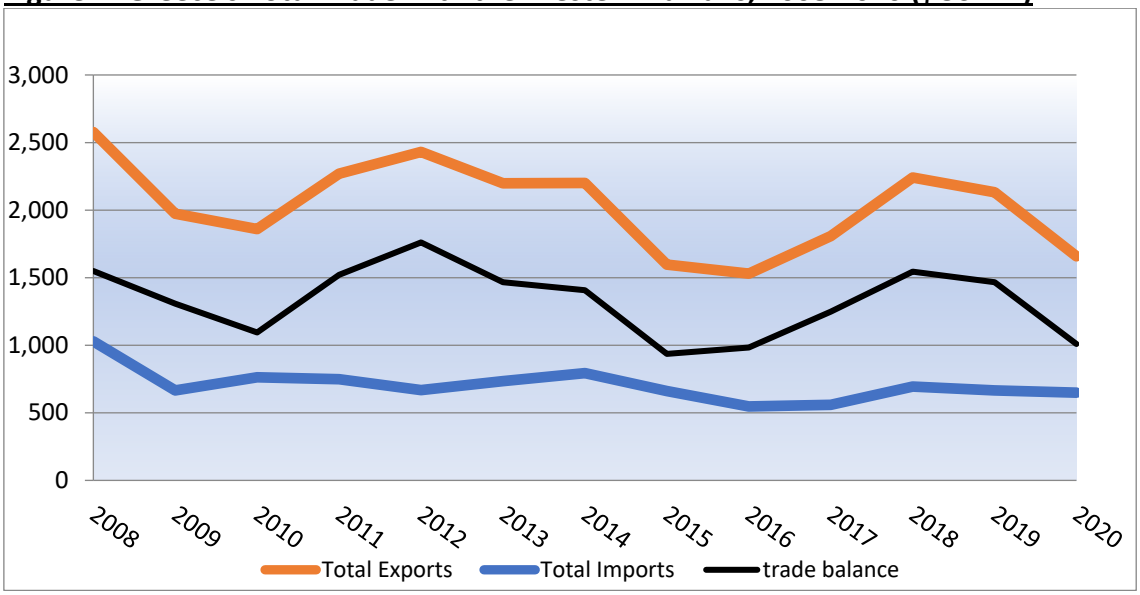
3.1.1 Impact of Crisis: the 2009 Turning Point

The Greek economic crisis had a deep, multi-layered, and far-reaching impact on economic relations between Greece and its Western Balkan partners (Bechev 2012; Magoulios and Chouliaras 2014: 57-59). The repercussions of the debt crisis on Greece's national economy – including an unprecedented collapse of GDP, rapid rise in unemployment, fall in production, breakdown of export capacity, decline in purchasing power and reduction in demand – as well as the insecurity concerning Greece's future in the Eurozone, inevitably impacted Greece's external economic relations and consequently relations with its Western Balkan neighbours, especially in the early years of the crisis (Panagiotou 2010: 190; Nuti 2009).

Total trade between Greece and the Western Balkan countries shrank by 27.2 percent between 2008 and 2010. Although there was a small recovery over the next four years,

this trend was reversed in 2015, and by 2016 total trade had registered a 38.3 percent decline compared to 2008 (Figure 1).

Figure 1: Greece's Total Trade with the Western Balkans, 2008-2020 ($US mn)



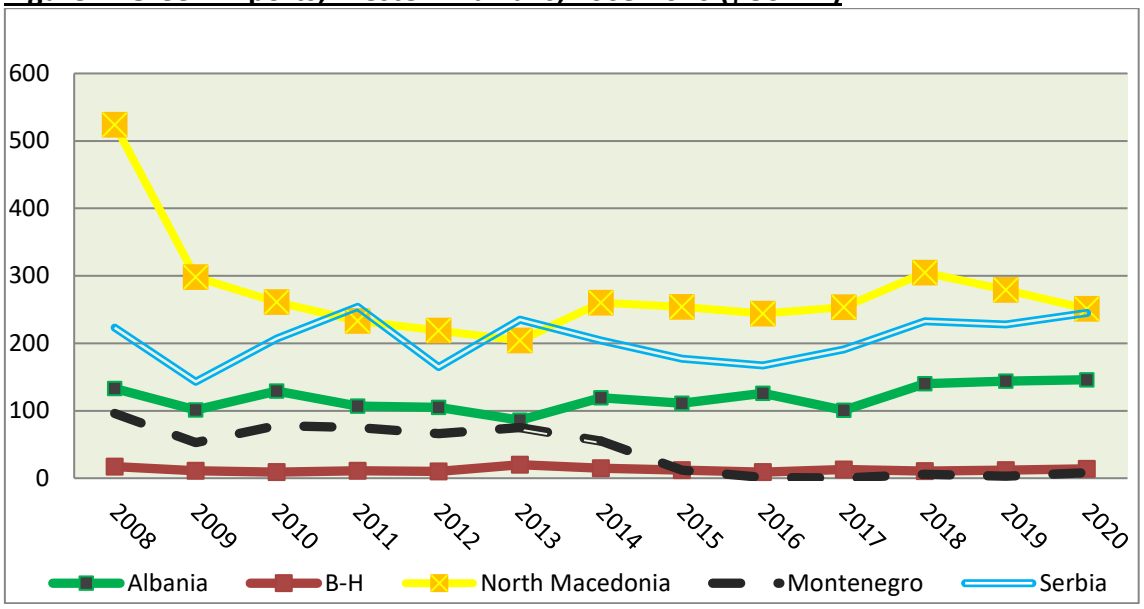
Source: United Nations Comtrade Database

As a result of the significant deterioration in demand in the Greek domestic market, total Greek **imports** from the Western Balkan countries shrank dramatically from the very onset of the crisis, contracting by 35.3 percent between 2008 and 2009. The slight recovery that emerged over the next four years was reversed in 2015, and by 2016 total Greek imports had declined by 41.1 percent compared to 2008. Similarly, Greek **exports** to the Western Balkan countries were also deeply impacted during this period, albeit to a lesser degree than imports: thus, between 2008 and 2010 exports contracted by 27.8 percent. Although there was a revival in exports between 2011 and 2014, this trend – as was the case with imports – was reversed in 2015. The 37.2 percent decrease in Greek exports to the Western Balkans in the period between 2008 and 2016 is directly attributed to the significant contraction in domestic production and in the collapse in the export capacity of Greek firms that were hitherto very active in the Western Balkan region. Greece's **trade surplus** with the countries of the region experienced a 29 percent drop between 2008-2010. The revival in the trade surplus (which was in line with the revival in exports) was also dramatically reversed in 2015. Overall, Greece's trade surplus with its Western Balkan partners decreased by 36 percent between 2008 and 2016.

The economic crisis did not have the same impact on Greece's trade relations with all countries equally, and some bilateral relations were more affected than others. This differentiation can be attributed to a variety of factors, including the robustness of each trade relationship, the crisis impact on different sectors (e.g. construction was particularly affected), the macroeconomic situation of the partner country etc. (Panagiotou and Valvis 2014: 96-97). In fact, during the 2008-2016 period, Greece's

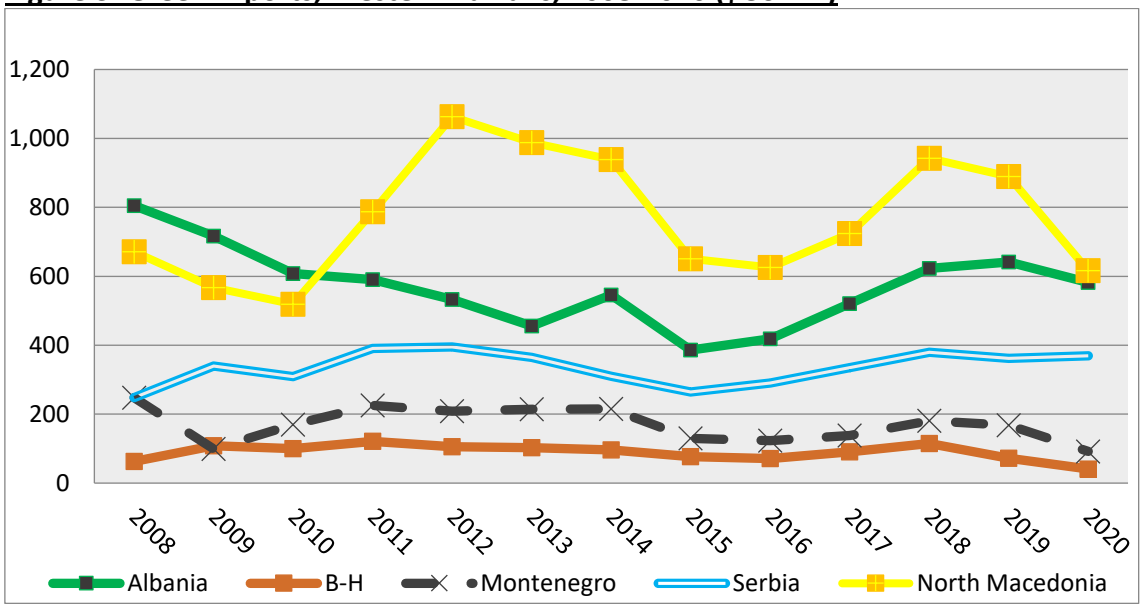
balance of trade deteriorated with Albania, Serbia and Montenegro, while it actually improved with Bosnia and Herzegovina and North Macedonia (Figures 2 and 3).

Figure 2: Greek Imports, Western Balkans, 2008-2020 ($US mn)



Source: United Nations Comtrade Database

Figure 3: Greek Exports, Western Balkans, 2008-2020 ($US mn)



Source: United Nations Comtrade Database

The above analysis indicates that during the crisis the course of trade relations between Greece and most of its Western Balkan partners followed a similar pattern: the negative impact on trade was immediately evident in 2009, then a slight recovery emerged around 2012-13, while in 2015 trade contracted suddenly again. Indeed, 2015 was a crucial year for Greece and its external economic relations: the long and deadlocked negotiations between Greece and its lenders over a bailout, the subsequent uncertainty

concerning Greece's future in the Eurozone, the referendum in the summer of 2015, the run on the banks, the imposition of capital controls, and finally the signature of a third Memorandum all had a profoundly negative impact and dealt a major blow to the fragile recovery in economic relations that had been recorded the previous year. Crucially, the shortage of liquidity and the credit freeze that resulted from the imposition of capital controls impacted imports of goods and domestic production capacities, eventually leading to the shutting down of many small and medium size enterprises that were hitherto active in regional trade. In some cases, the negative impact on economic transactions between Greece and its partners carried into much of 2016.

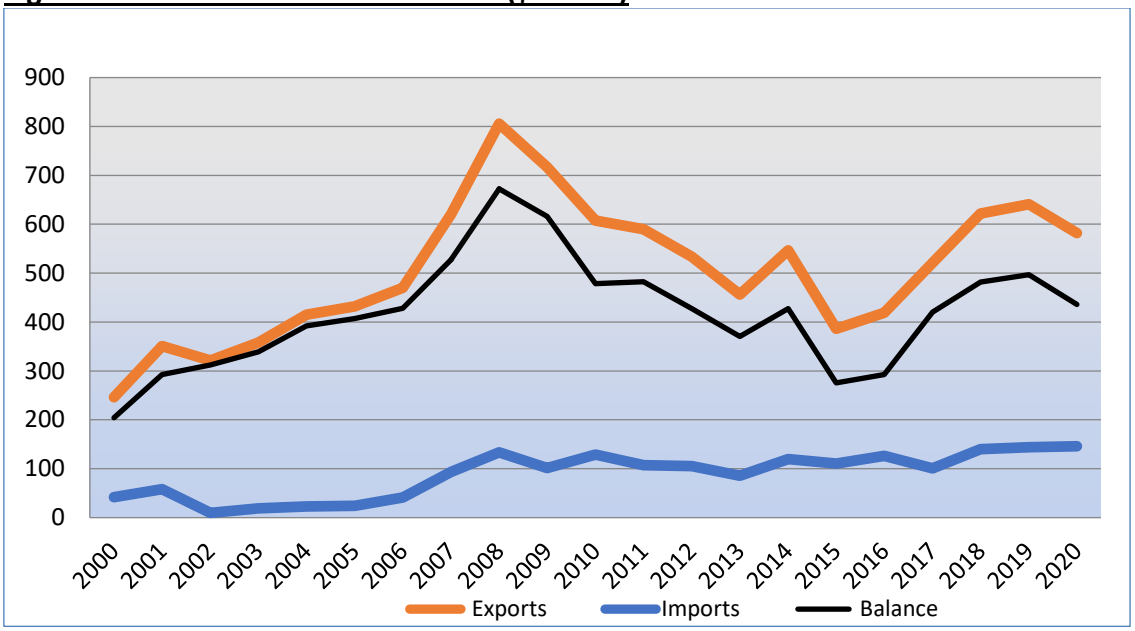
3.1.2 Recent developments, 2016-2020

Greece's trade relations with its Western Balkan partners started recovering again after the country's bankruptcy and crash out of the Eurozone was averted and a certain degree of stability was re-established. By 2019, trade flows had recovered significantly, with exports approaching the pre-crisis levels of 2008. Imports also recovered by 2019, but still did not reach the levels of 2014 and remained far below the pre-crisis levels of 2008. Crucially, as can be seen in Figure 1, with exports recovering far faster than imports, Greece's trade surplus rebounded strongly and by 2019 had almost reached the levels of 2008.

However, just when the post-2015 economic recovery was being consolidated, external circumstances in 2020 dealt another blow to Greece's economic relations with its Western Balkan partners. The COVID-19 pandemic and subsequent unprecedented restrictions on movement and transactions led to yet another contraction in trade flows: the impact was particularly evident in the level of Greek exports, which contracted by 22 percent between 2019 and 2020. Imports, already at a comparatively low level, experienced a smaller decline. This sharp decline in exports led to a 31 percent decrease in the trade surplus between 2019 and 2020.

An analysis of bilateral relations in the post-crisis period shows that Greece's relationship with its main trading partners - Albania, North Macedonia and Serbia - recovered in varying degrees after 2016. Trade with Albania, which had been most severely impacted during the period 2009-2015, started recovering after 2016 (Figure 4). Between 2016 and 2019 total trade grew by 44 percent, imports by 14 percent, and exports by 53 percent. Driven by the strong surge in exports, Greece's trade surplus with Albania grew by 41 percent during this short period. According to the Albanian Statistical Service INSTAT, Greece was the fourth most important exporter to Albania in 2019. This dynamic trend was reversed by the outbreak of the COVID-19 crisis, which severely impacted Greek exports to Albania and led to a contraction of 9.2 percent in 2020. Since imports remained stable, the trade surplus decreased by 12.2 percent that year.

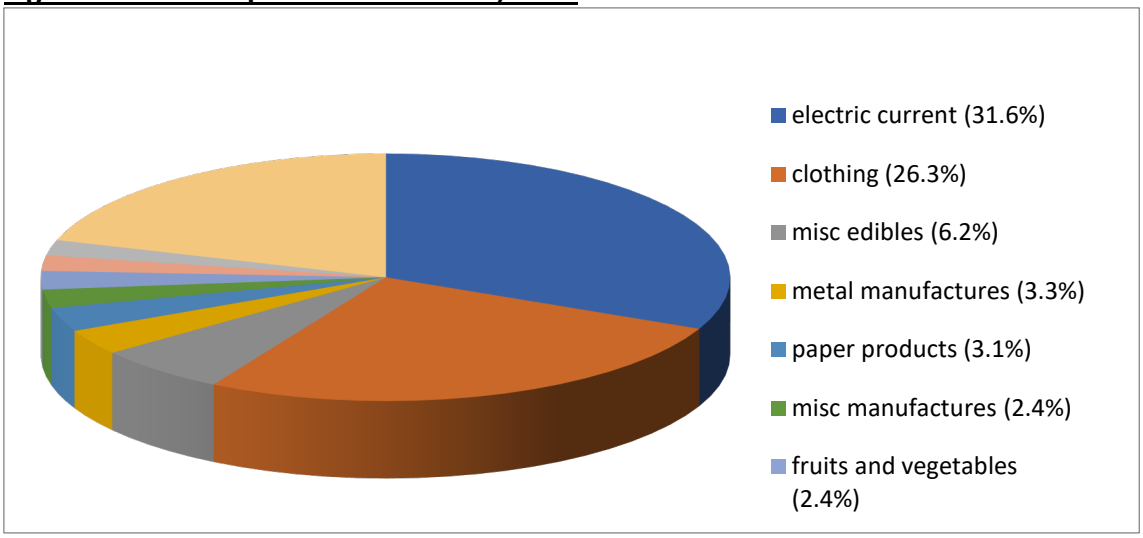
Figure 4: Greece's Trade with Albania ($US mn)



Source: United Nations Comtrade Database

As can be seen in Figure 5, the main products Greece imports from Albania are predominantly electric current and clothing, followed by miscellaneous edibles, metal manufactures, paper products and fruits and vegetables.

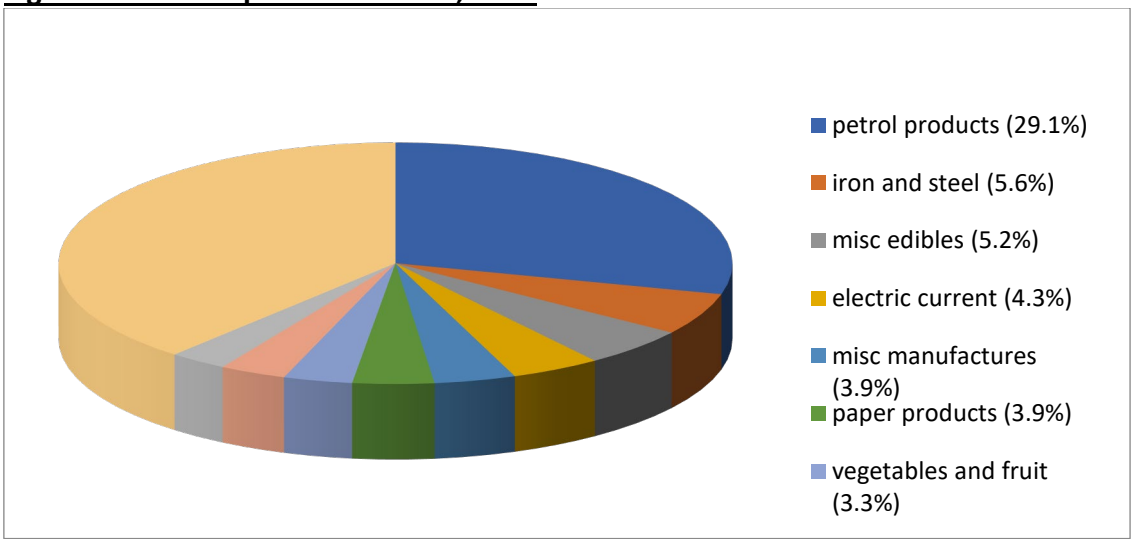
Figure 5: Greek Imports from Albania, 2019



Source: World Bank, World Integrated Trade Solution

Greek exports to Albania are dominated by petroleum products (Greece is Albania's most important provider of petroleum products, accounting for 13.8 percent of total imports from this category), followed by iron and steel (Greece is the second most important provider), miscellaneous edibles, electric current, and miscellaneous manufactures (Figure 6).

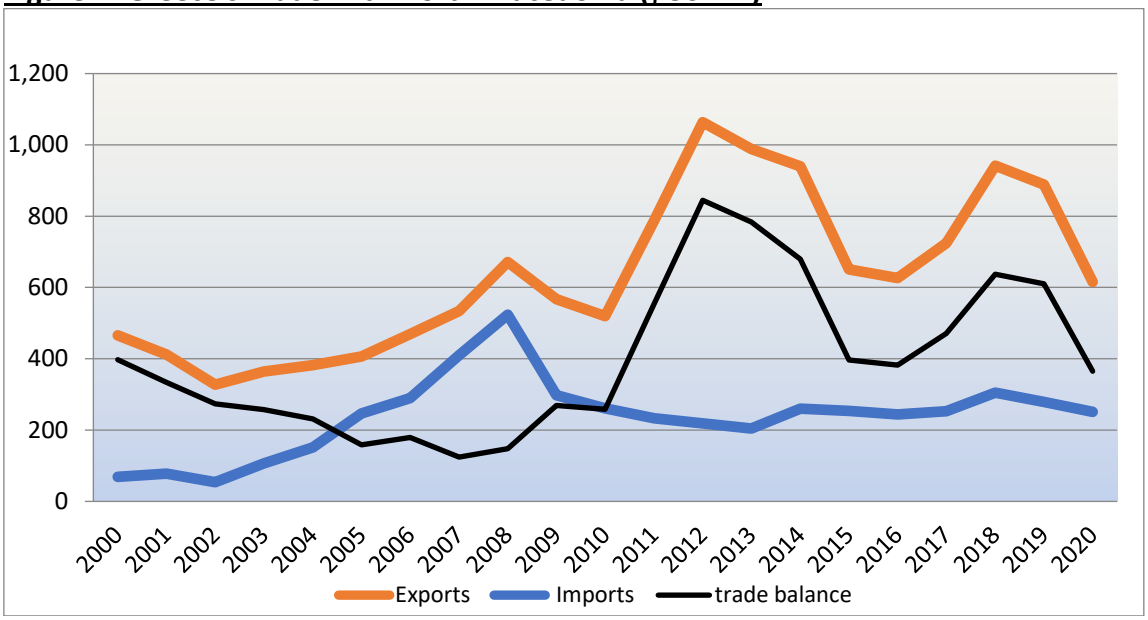
Figure 6: Greek Exports to Albania, 2019



Source: World Bank, World Integrated Trade Solution

After a period of slow decline after 2012, which accelerated sharply in 2015, trade flows with North Macedonia started recovering after 2016 (Figure 7). Between 2016-2019, total trade increased by 31 percent, imports by 14 percent, and exports by 42 percent. As was the case with Albania, spurred by the strong growth of exports vs. the slower growth of imports, the trade surplus with North Macedonia grew by almost 60 percent. Not surprisingly, Greek exports to North Macedonia were heavily impacted by the pandemic, contracting by 31 percent in 2020. As imports decreased by a significantly lower 10 percent, Greece's trade surplus with North Macedonia declined by 40 percent in 2020.

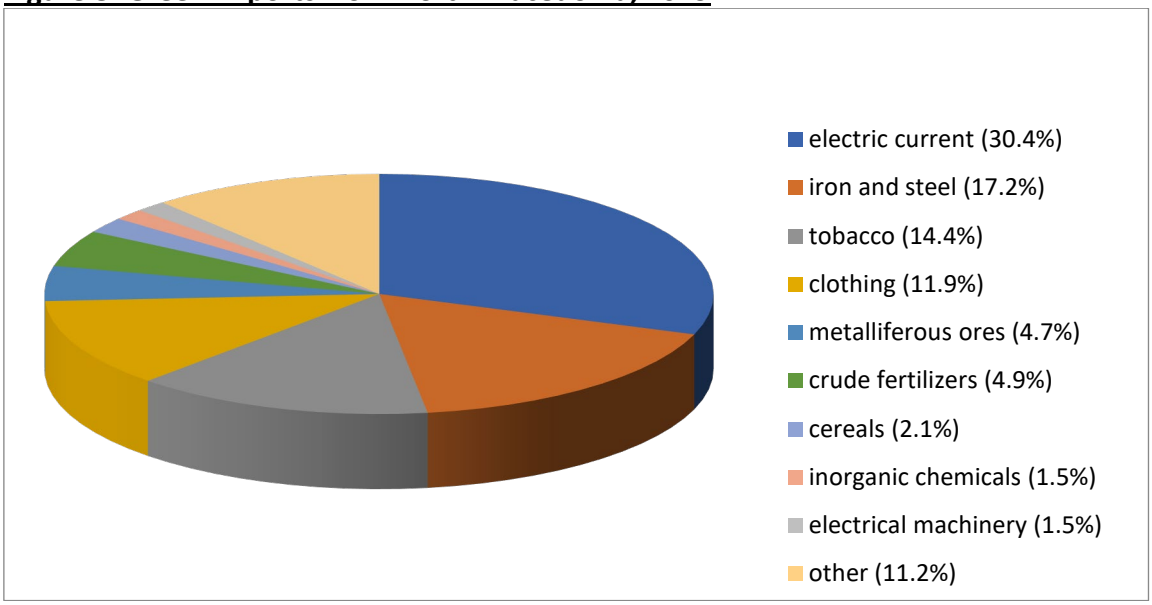
Figure 7: Greece's Trade with North Macedonia ($US mn)



Source: United Nations Comtrade Database

As can be seen in Figure 8, the most important products Greece imports from North Macedonia are electric current, iron and steel, tobacco, and clothing.

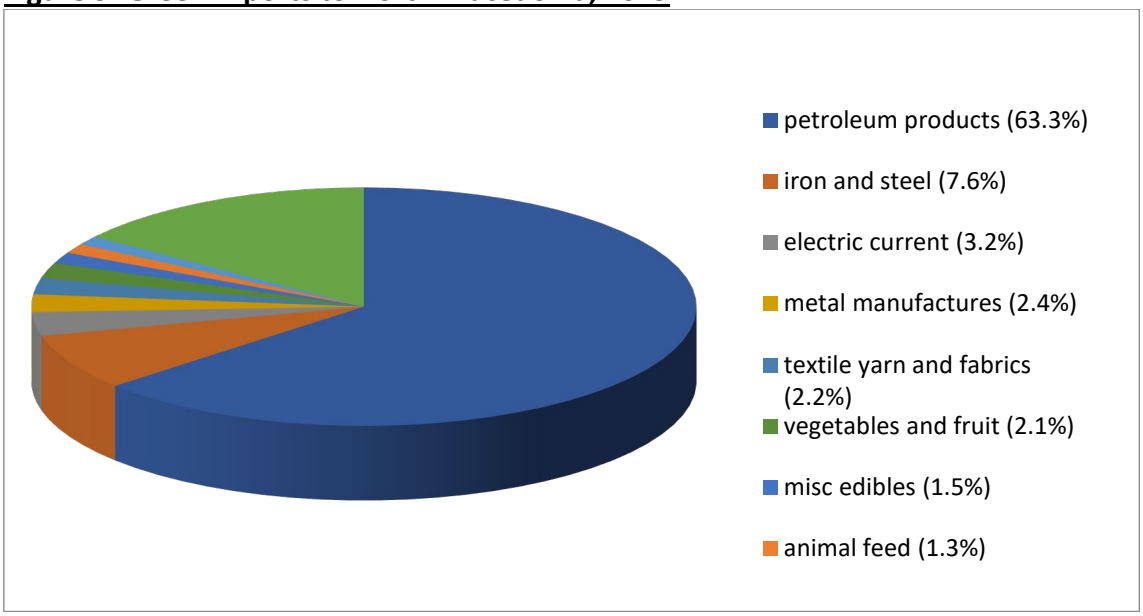
Figure 8: Greek Imports from North Macedonia, 2019



Source: World Bank, World Integrated Trade Solution

Greek exports to North Macedonia consist first and foremost of petroleum products, with iron and steel and electric current a distant second and third respectively (Figure 9).

Figure 9: Greek Exports to North Macedonia, 2019

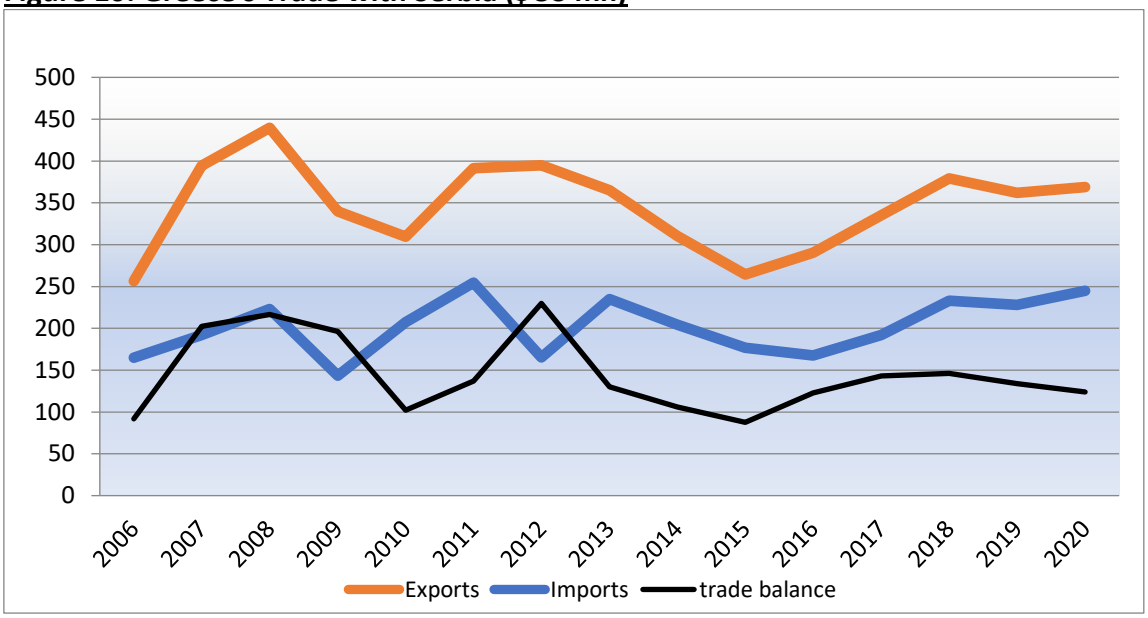


Source: World Bank, World Integrated Trade Solution

After decreasing significantly in the period 2012-2015, all trade indicators between Greece and Serbia returned to growth after 2016 (Figure 10). Thus, between 2016 and

2019 total trade increased by 29 percent, imports by 36 percent, and exports by 25 percent. As imports grew at a faster rate than exports, the trade surplus grew at a smaller rate of 9 percent during this period. Greece's trade relationship with Serbia was comparatively less impacted by the COVID-19 crisis: the dynamic growth of the previous years was stalled, but not reversed. Specifically, in 2020 imports increased by 7 percent and exports by 2 percent; the trade surplus, however, decreased by 7.4 percent.

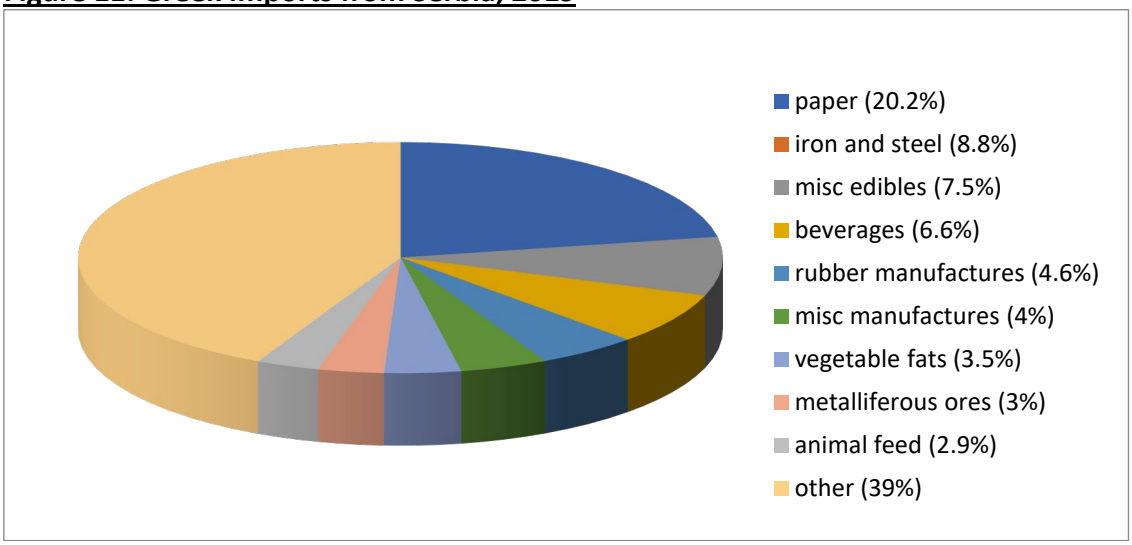
Figure 10: Greece's Trade with Serbia ($US mn)



Source: United Nations Comtrade Database

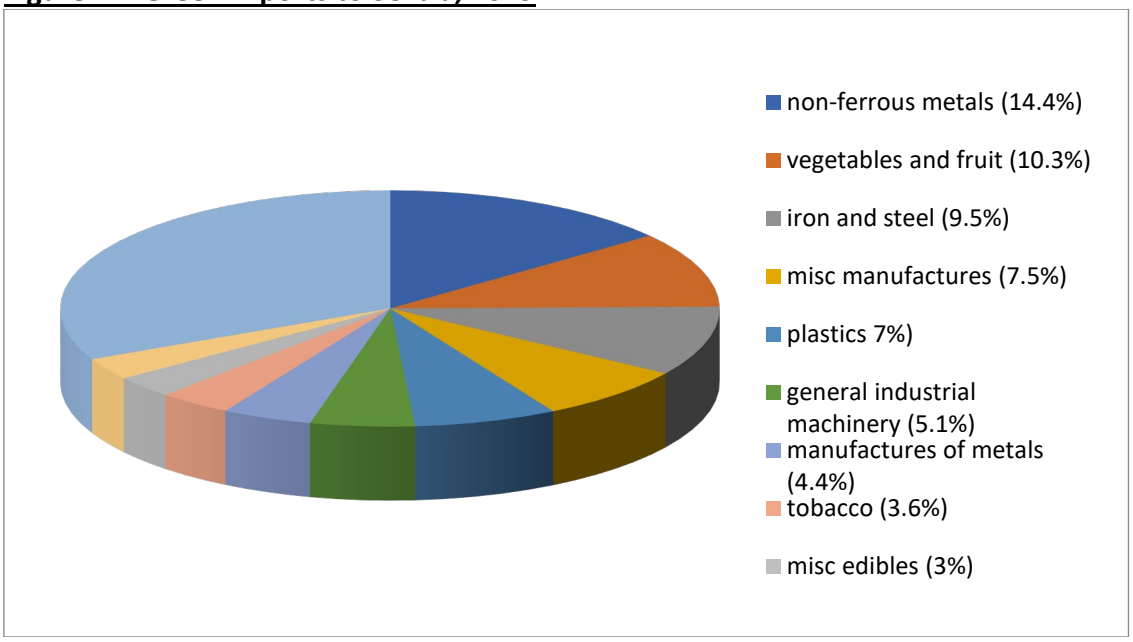
The most important Greek imports from Serbia are paper products, followed by iron and steel, miscellaneous edibles, and beverages, while Greek exports consist mostly of nonferrous metals, vegetables and fruit, iron and steel, and miscellaneous manufactures (Figures 11 and 12).

Figure 11: Greek Imports from Serbia, 2019



Source: World Bank, World Integrated Trade Solution

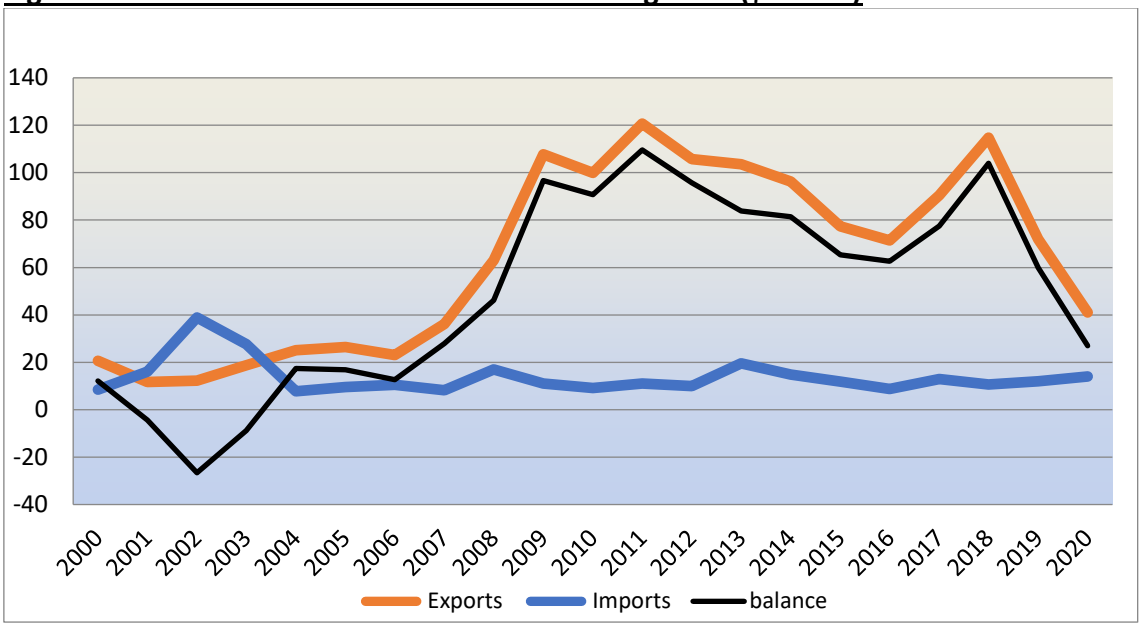
Figure 12: Greek Exports to Serbia, 2019



Source: World Bank, World Integrated Trade Solution

Concerning trade relations with its less important partners, Greek trade with Bosnia and Herzegovina also returned to growth in 2016, after declining consistently the previous five years (Figure 13). Although exports peaked in 2018, they contracted strongly in 2019, while imports continued to grow. Thus, during the 2016-2019 period, with imports growing by 33 percent and exports by a marginal 1.5 percent, Greece's trade surplus with Bosnia decreased by 4.8 percent. The downward trend of exports was compounded by the impact of the COVID-19 crisis: in 2020 exports to Bosnia and Herzegovina declined a further 43 percent, while imports in fact increased by 16 percent, leading to a decline of 55 percent in the trade surplus.

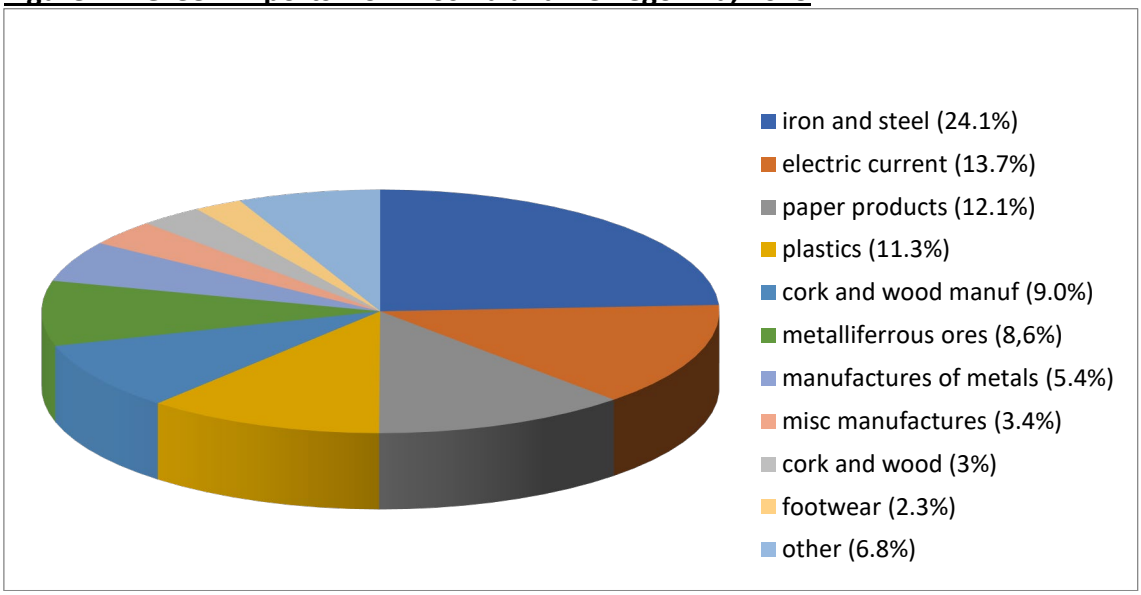
Figure 13: Greece's Trade with Bosnia and Herzegovina ($US mn)



Source: United Nations Comtrade Database

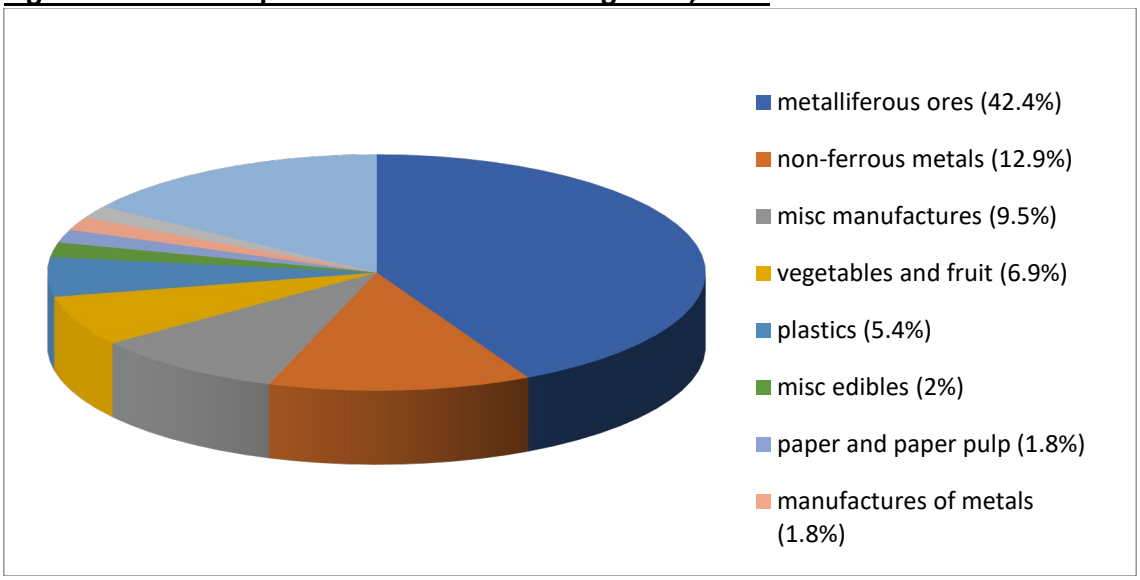
As can be seen in Figures 14 and 15, predominant imports from Bosnia and Herzegovina are iron and steel, electric current, paper products, cork, and metalliferous ores, while Greek exports consist overwhelmingly of metalliferous ores, followed by non-ferrous metals, miscellaneous machinery, and vegetables and fruits.

Figure 14: Greek Imports from Bosnia and Herzegovina, 2019



Source: World Bank, World Integrated Trade Solution

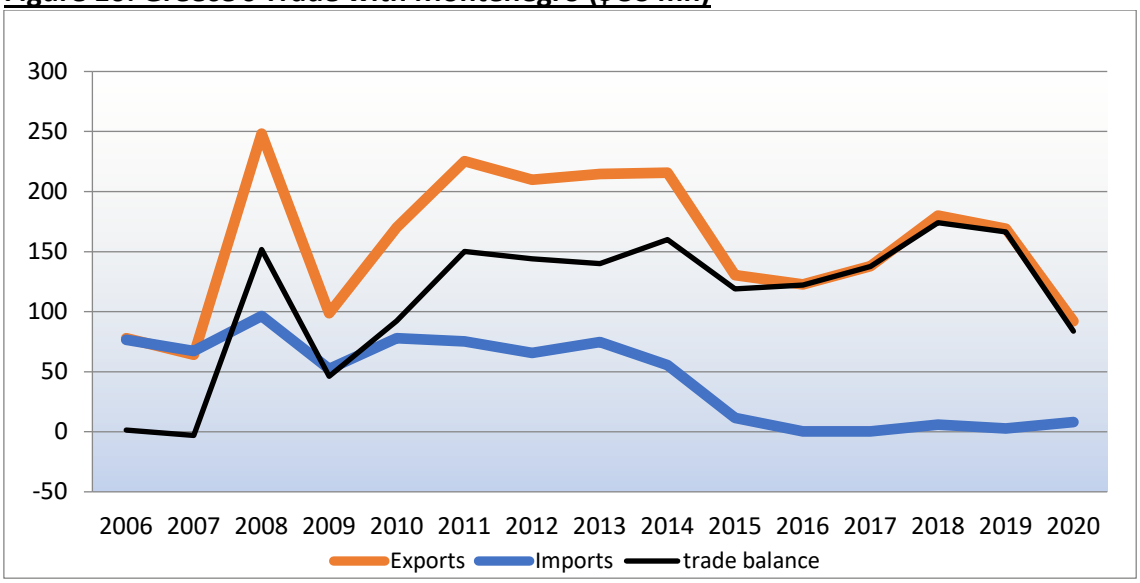
Figure 15: Greek Exports to Bosnia and Herzegovina, 2019



Source: World Bank, World Integrated Trade Solution

All parameters of Greek trade with Montenegro contracted sharply in 2015, compounding their gradual decline since 2013 (Figure 16). However, while Greek exports recovered over the following years and achieved a 37 percent growth between 2016-2019, imports crashed to almost zero in 2016 (from US$11.6 to US$ 0.6 million) and remained very low over the next few years. The combination of collapsed imports and comparatively recovered exports led to a stable growth rate of 36 percent in Greece's trade surplus with Montenegro in the 2016-2019 period. This trend was reversed in 2020, however, when Greek exports to Montenegro were slashed by 45 percent under the impact of the COVID-19 crisis, while imports grew by 204 percent (albeit from a very low base). Greece's trade surplus with Montenegro declined by 49 percent in 2020.

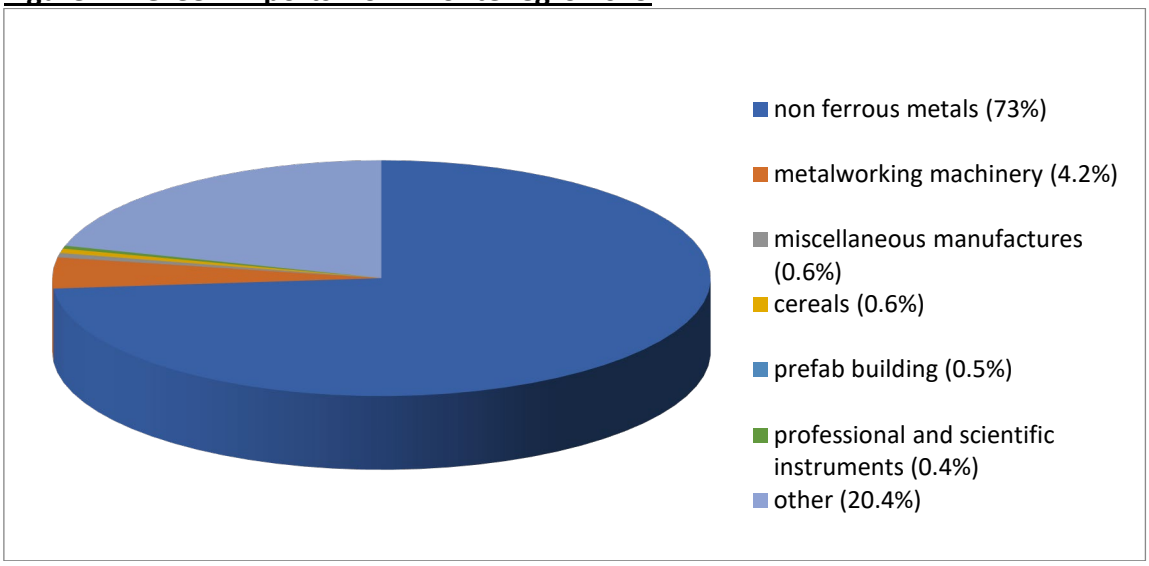
Figure 16: Greece's Trade with Montenegro ($US mn)



Source: United Nations Comtrade Database

Greek imports from Montenegro are overwhelmingly dominated by one product category, non-ferrous metals, with metalworking machinery a distant second (Figure 17).

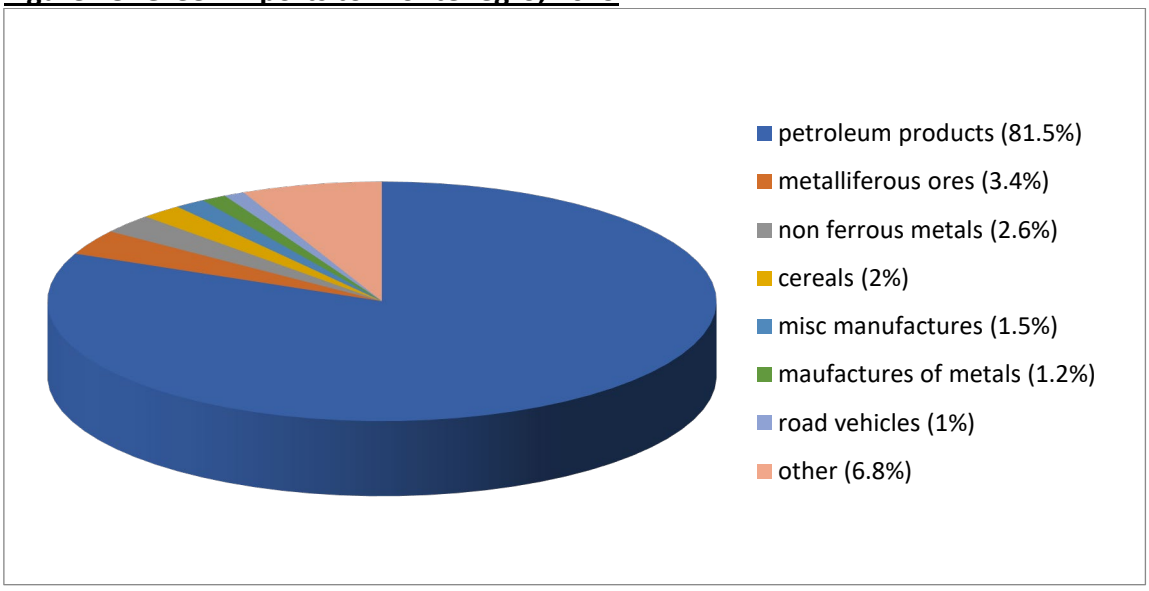
Figure 17: Greek Imports from Montenegro 2019



Source: World Bank, World Integrated Trade Solution

Similarly, Greek exports to Montenegro are overwhelmingly dominated by a single category, in this case petroleum products, with other secondary categories such as metalliferous ores, non-ferrous metals and cereals far behind (Figure 18).

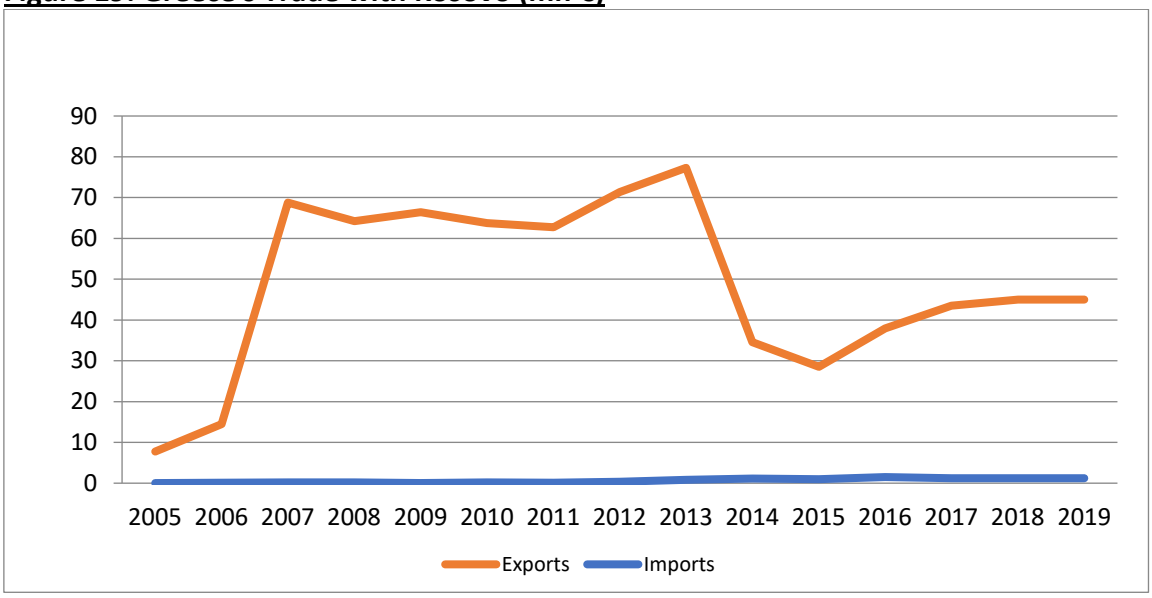
Figure 18: Greek Exports to Montenegro, 2019



Source: World Bank, World Integrated Trade Solution

Greece's trade transactions with Kosovo are overwhelmingly dominated by exports, with minimal imports. Greek exports to Kosovo contracted strongly between 2013 and 2015, but started recovering slowly after 2016 (Figure 19).

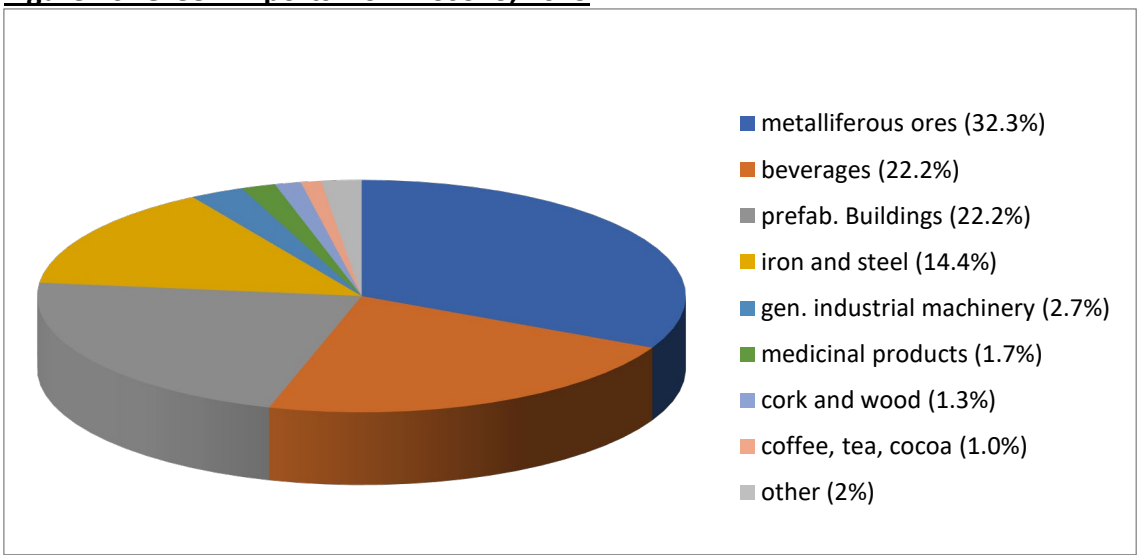
Figure 19: Greece's Trade with Kosovo (mn €)



Source: Hellenic Statistical Authority (ELSTAT)

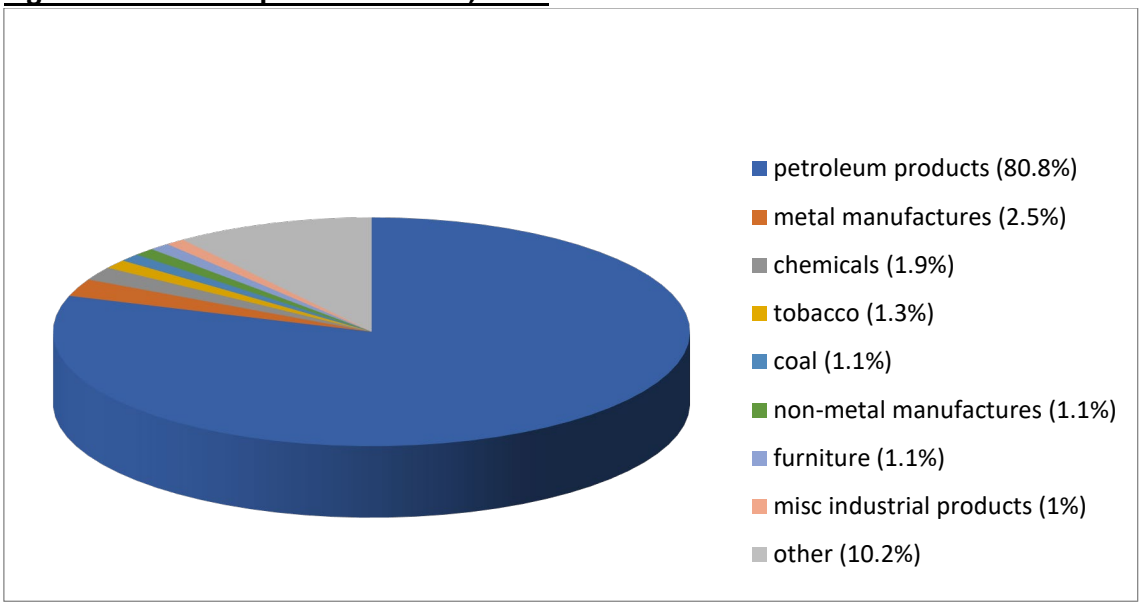
Greek imports from Kosovo, while extremely low, consist predominantly of metalliferous ores, beverages and prefabricated building materials, while Greek exports are overwhelmingly dominated by petroleum products (over 80 percent) (Figures 20 and 21).

Figure 20: Greek Imports from Kosovo, 2019



Source: World Bank, World Integrated Trade Solution

Figure 21: Greek Exports to Kosovo, 2019



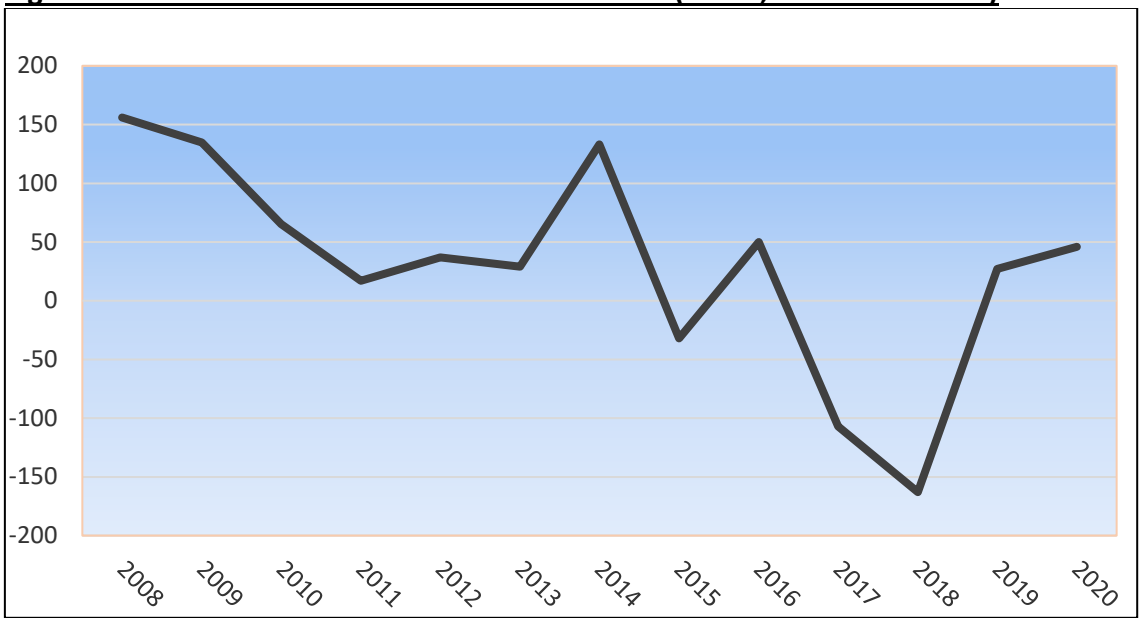
Source: World Bank, World Integrated Trade Solution

In summary, one observes that – with slight variations – Greece's trade with all major partners followed a similar pattern: a major contraction during the 2009-2013 period, a slight recovery in 2014, another major contraction in 2015 due to the disruption of the bank closures and capital controls, followed by a consistent recovery over the period 2016-2019. The recovery was once again disrupted in 2020 due to the impact of the COVID-19 pandemic. As was analysed above, some bilateral trade relationships were more heavily impacted than others.

3.2 Investment

The crisis in the Greek economy had a very profound and negative impact on Greek FDI in the Western Balkan countries and created a ripple effect that had repercussions on all levels of economic activity in the region over the next few years. The difficulties in the domestic economy led to a rapid reversal in the outward-looking trends of the previous years, as less available capital led to a significant reduction in FDI flows and even disinvestment from the region. Consequently, between 2009 and 2010, total Greek FDI flows to the Western Balkan countries contracted from €137.5 million to €65.7mn; FDI flows reached their lowest point of €17.5 million in 2011; and remained very low over the next few years (Figure 22). By 2014, however, investments had rebounded significantly, reaching €133.1 million. The same trend was evident in investment stocks, which started declining after 2010 until a brief recovery was recorded in 2014 (Figure 23).

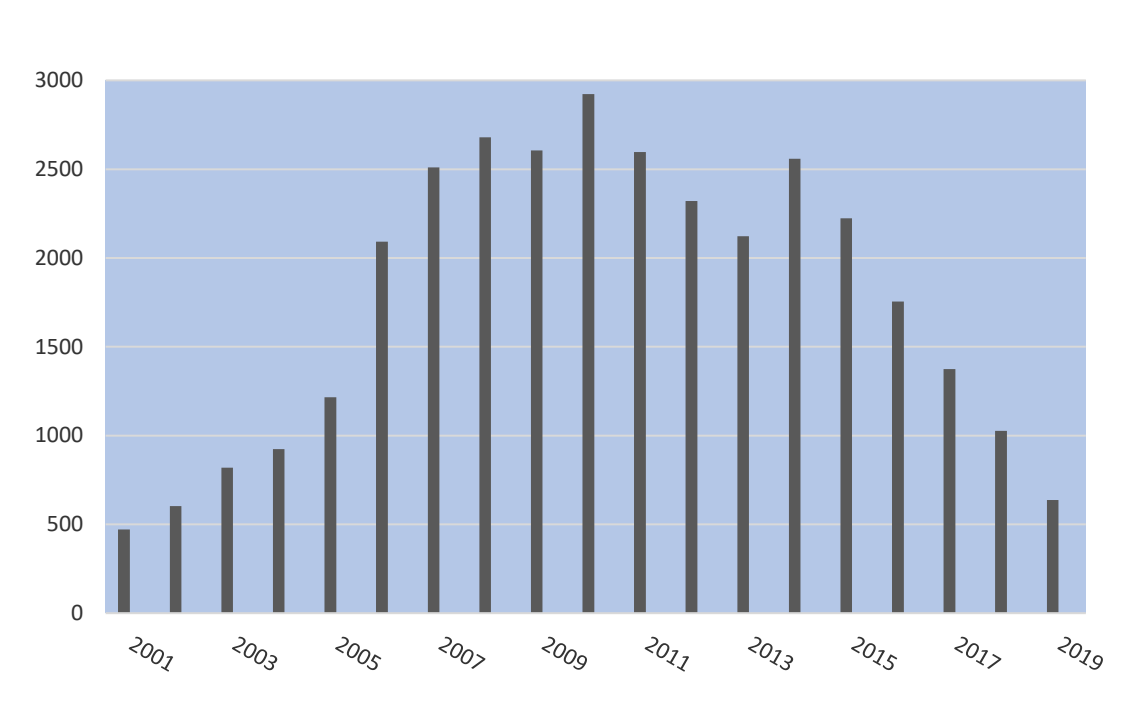
Figure 22: Total Greek FDI to the Western Balkans (Flows, 2008-2020 € mn)



Source: Bank of Greece

Not surprisingly, both investment flows and stocks in the Western Balkans were severely impacted by the economic downturn and instability of 2015. Faced with restrictions on their access to capital and stripped of liquidity, enterprises were not only unable to plan the placement of their investments in the region, but in many cases withdrew capital from their Balkan subsidiaries. Thus, as was the case with trade transactions, the fragile recovery that had been achieved in investment flows by 2014 was reversed in 2015: total flows fell from €133.1 million to €-34 million, and by 2018 FDI flows had fallen to €-163 million. 2019 was the first year where a partial recovery of FDI was recorded, but the numbers remained well below pre-crisis levels. Similarly, FDI stocks declined consistently between 2014-2019, falling from €2,559 million to €638 million (Figure 23).

Figure 23: Total Greek FDI in the Western Balkans (stock, €mn)



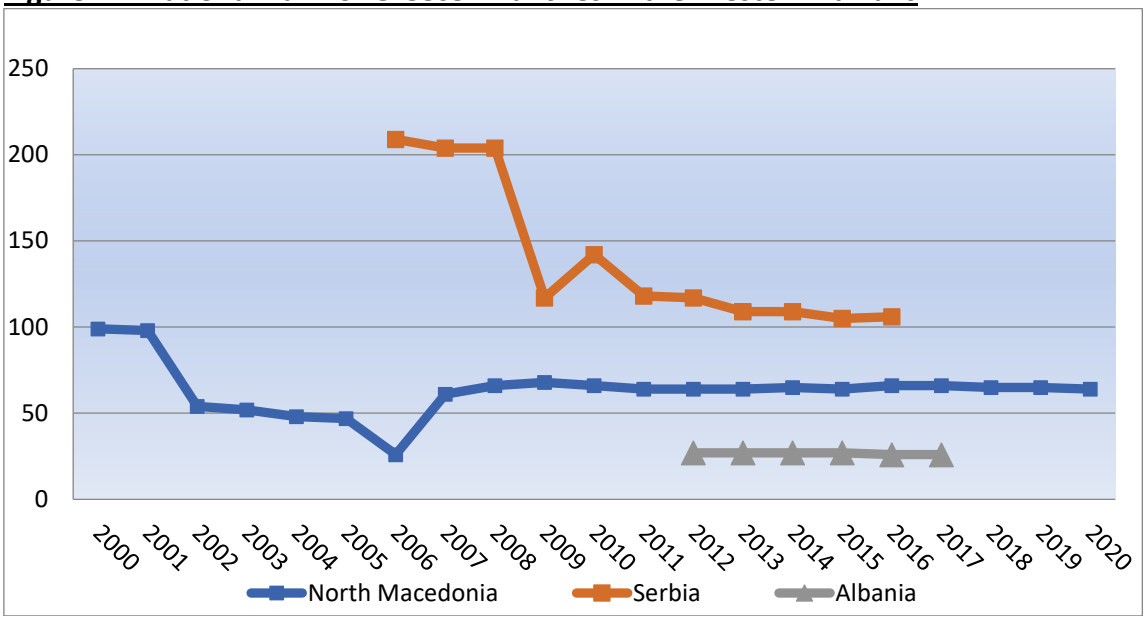
Source: Bank of Greece

The dramatic decline in Greek investment stock during the period 2014-2019 can largely be attributed to the gradual withdrawal of Greek banks from the region, which culminated in a final exodus in the period 2017-18. Over the years, the debt crisis had significantly affected Greek banks, which needed to restructure their portfolio holdings and increase their liquidity to avoid a potential bankruptcy and collapse. Although the banks managed to keep a significant part of their investments abroad after the recapitalizations of 2013–2014, everything changed the next year: the failure of the government in negotiations with creditors and the announcement of a referendum inevitably led to the imposition of capital controls and a third recapitalization. The restructuring plans submitted by Greek banks as part of the EU-led bailout envisaged a significant scaling back of their activities in the Western Balkans, and some Greek banks started to sell their subsidiaries in the region. Moreover, having identified the fallout from Greek crisis as one of the main reasons for the continuing banking crisis in the region, a November 2017 IMF Report recommended that Greek banks downscale their operations in the Western Balkans even further. The goal was to facilitate the rehabilitation of Greek bank subsidiaries that were still suffering the repercussions of 'liquidity starved parents' (IMF 2017).

The downscaling trend can be seen in Figures 24-28, which illustrate the evolution of the number of branches of the main banks in the countries of the region over the past twenty years. As can be seen in Figure 24, National Bank of Greece had a particularly robust presence in Serbia, with 209 branches throughout the country in 2006. By 2016, the last year of the Bank's presence in Serbia, the number had declined to 106. National Bank of Greece departed from Serbia in 2017, when it sold its subsidiaries to the

Hungarian group OTP. In the period 2012-2017, National Bank of Greece had about 26 branches in Albania. In 2018 it sold its subsidiary Banka NBG Albania Sh.A to American Bank of Investments SA. Through its subsidiary Stopanska Banka, National Bank of Greece's longest and most consistent presence in the region has been in North Macedonia: after a period of contraction in 2001-2005, the number of branches has remained stable for over a decade. As of 2021, National Bank of Greece is operating only in North Macedonia and is the only Greek bank in the country.

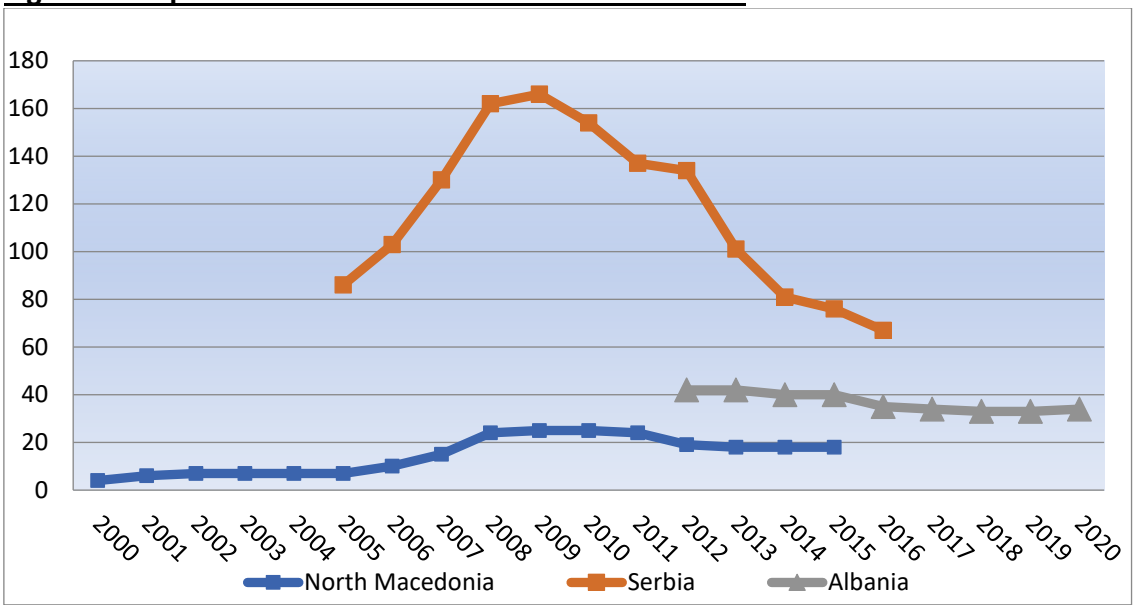
Figure 24: National Bank of Greece: Branches in the Western Balkans



Source: Hellenic Bank Association

Figure 25 shows the evolution of Alpha Bank branches in the region. In Serbia, during the period 2005-2009, the number of branches grew from 86 to 166. After 2009 the number of branches declined steadily and consistently, reaching 67 in 2016. In 2017 Alpha Bank Srbija was sold to Serbian MK Group. In North Macedonia, Alpha Bank had a more limited but consistent presence, rising from 4 branches in 2000 to 25 in 2009. 2015 was the last year of Alpha Bank's operation in North Macedonia. Alpha Bank's activities in Albania were built upon the absorption of Emporiki in 2013, which at the time had 22 branches in the country. After 2018, Alpha was the only Greek bank in Albania, with 34 branches. In June 2021, Alpha Bank announced its intention to sell its shares and cease operations in Albania.

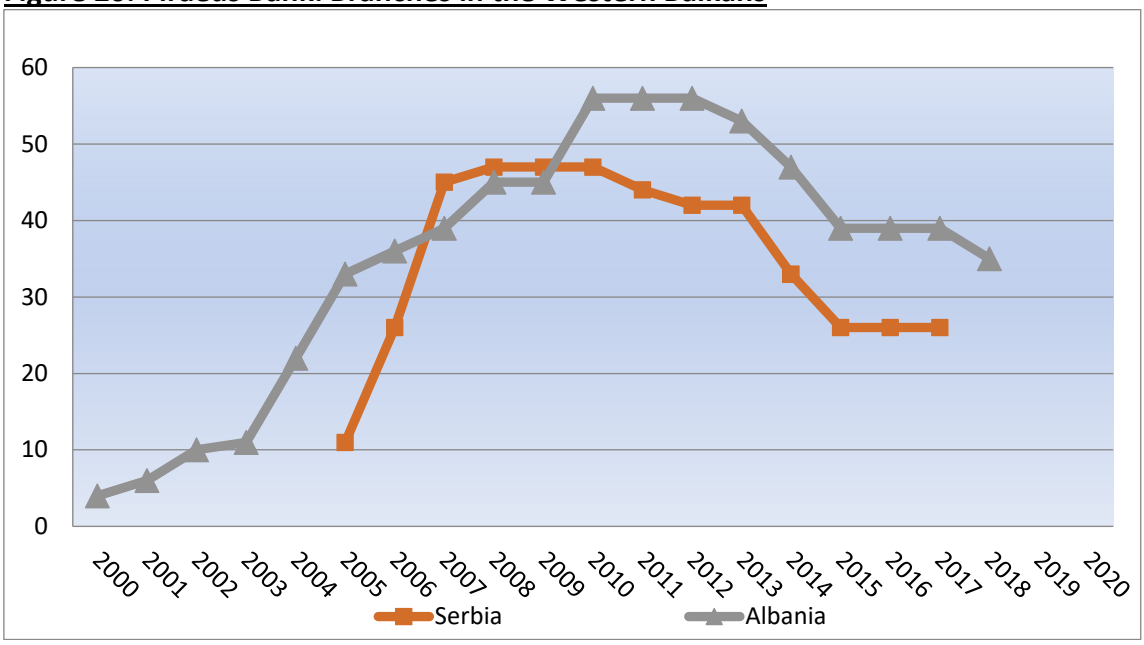
Figure 25: Alpha Bank: Branches in the Western Balkans



Source: Hellenic Bank Association

For many years Piraeus Bank had significant activity in Albania and Serbia (Figure 26). The number of branches in Albania grew from to 4 to 56 in the period 2000-2012, but decreased after 2013, eventually reaching 35 in 2018. After increasing its presence in Serbia during the period 2005-2010, Piraeus Bank's branches started declining – especially rapidly after 2013. Piraeus Bank ceased operations in Serbia in 2017 and is no longer active in any country in the region.

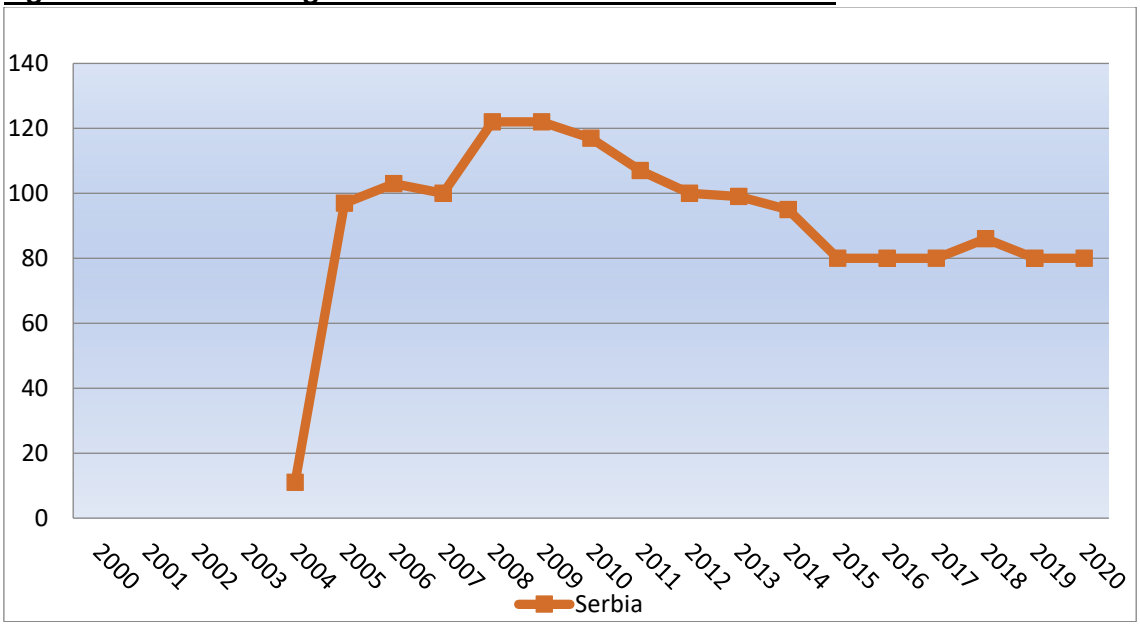
Figure 26: Piraeus Bank: Branches in the Western Balkans



Source: Hellenic Bank Association

Eurobank was the only Greek Bank that chose to focus solely on operations in one country, namely Serbia (Figure 27). Growth was rapid and consistent, growing from 11 branches in 2004 to 122 in 2008. After 2009 the number of branches declined consistently, reaching 80 branches in 2015 where it has stabilised. As of 2021, Eurobank is the only Greek bank operating in Serbia. However, despite the grim trends for the banking sector over the past years, latest developments have brought a touch of optimism and hope for the prospect of a reversal of the negative investment trends: in July 2021 Eurobank bought Direktna Bank, to be merged with Eurobank Serbia. The Greek group will own 70 percent.[1] This move marked the first acquisition of a foreign bank in the Balkan market by a Greek group after ten years of systematic divestment from the countries of Southeast Europe.

Figure 27: Eurobank Ergasias: Branches in the Western Balkans

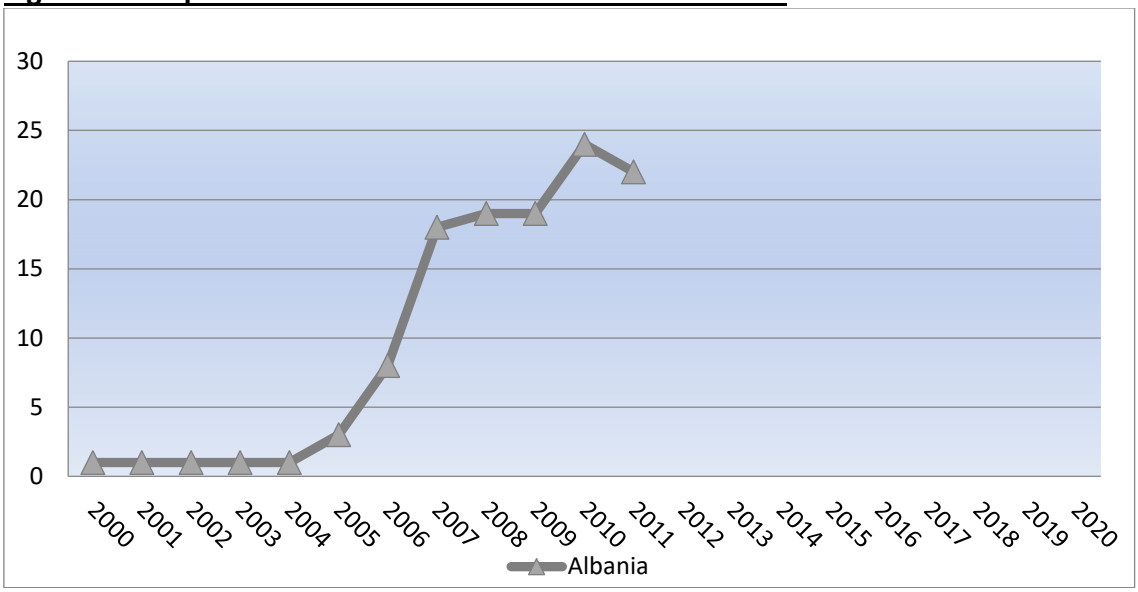


Source: Hellenic Bank Association

Emporiki Bank started in activities in Albania in 2000, with a conservative presence of one branch (Figure 28). After 2004 activities started growing steadily, and the number of branches in Albania peaked at 24 in 2010. Emporiki's, assets and operations in Albania were transferred to Alpha Bank after its takeover in 2013.

[1] https://www.nasdaq.com/articles/eurobank-agrees-to-merge-serbian-unit-with-direktna-banka-2021-07-01.

Figure 28: Emporiki Bank: Branches in the Western Balkans



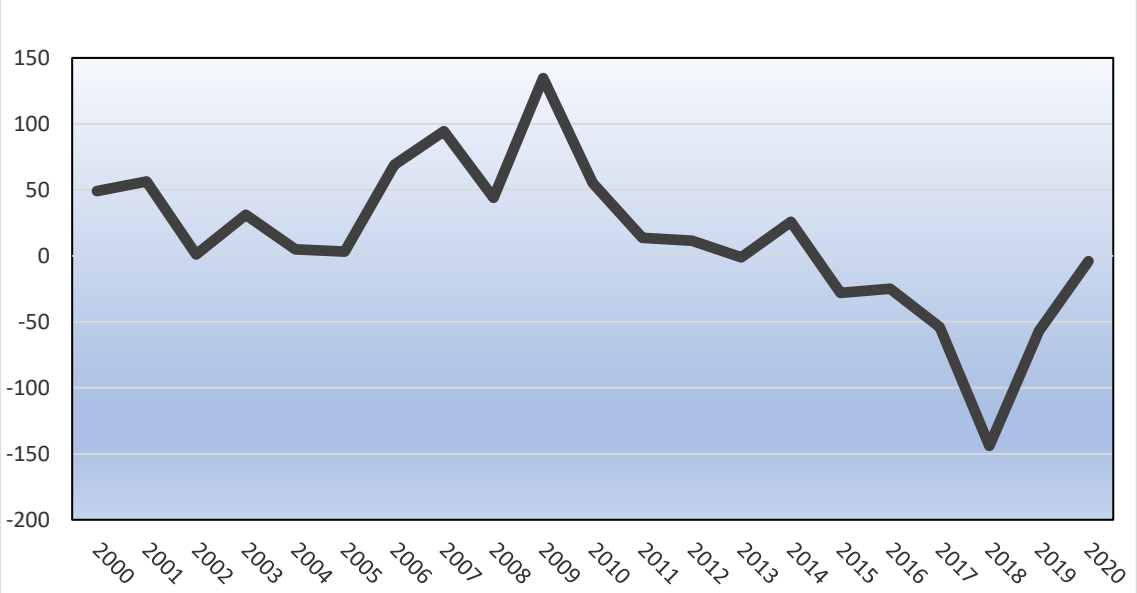
Source: Hellenic Bank Association

On a **bilateral basis**, the countries where investment was most negatively impacted by the Greek crisis were Albania and Serbia. Specifically, Greek investment flows to Albania contracted by 59 percent between 2009 and 2010 (from €135 million to €55 million) and continued to shrink over the following years, reaching €-1 million in 2013 (Figure 29). After four consecutive years of decline, FDI flows rebounded slightly in 2014, but contracted dramatically after 2015, reaching their lowest point of €-144 million in 2018. While the downward trend of FDI flows was reversed in 2019, investment flows remained far below earlier levels. Five major departures took place in 2018, including two banks (National Bank of Greece and Piraeus Bank) as well as Hygeia Hospital, New York College and OTE/ Telekom Albania. This massive wave of disinvestment exacerbated the already-existing trend of decline: Greek investment stock in Albania decreased by 76 percent between 2015 and 2019, falling from €931.7 million to €221 million (Figure 30). As a result of the trend of major disinvestment over the years, Greece's importance as an investor in Albania fell to eighth position by 2019, behind Switzerland, the Netherlands, Canada, Italy, Turkey, Austria, and Bulgaria.[2] According to the Albanian Institute of Statistics (INSTAT), the number of companies with Greek capital participation fell from 675 in 2015 to 453 in 2018.[3] The latest chapter of major disinvestment in Albania was written in the summer of 2021, with the announcement of the decision of Alpha Bank to sell its shares and stop operations in Albania.

[2] https://www.bankofalbania.org/Statistics/External_sector_statistics/Foreign_Direct_Investments/Foreign_direct_investments_position.html.

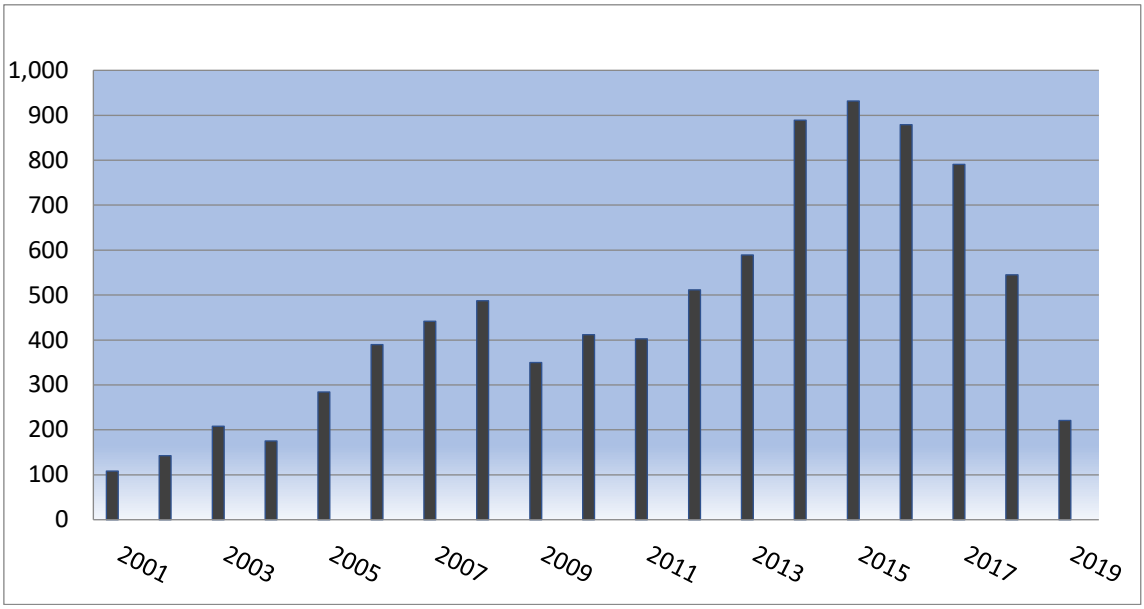
[3] http://www.instat.gov.al/en/themes/industry-trade-and-services/structural-business-statistics/.

Figure 29: Greek FDI flows to Albania (€ mn)



Source: Bank of Greece

Figure 30: Greek FDI stock in Albania (€mn)

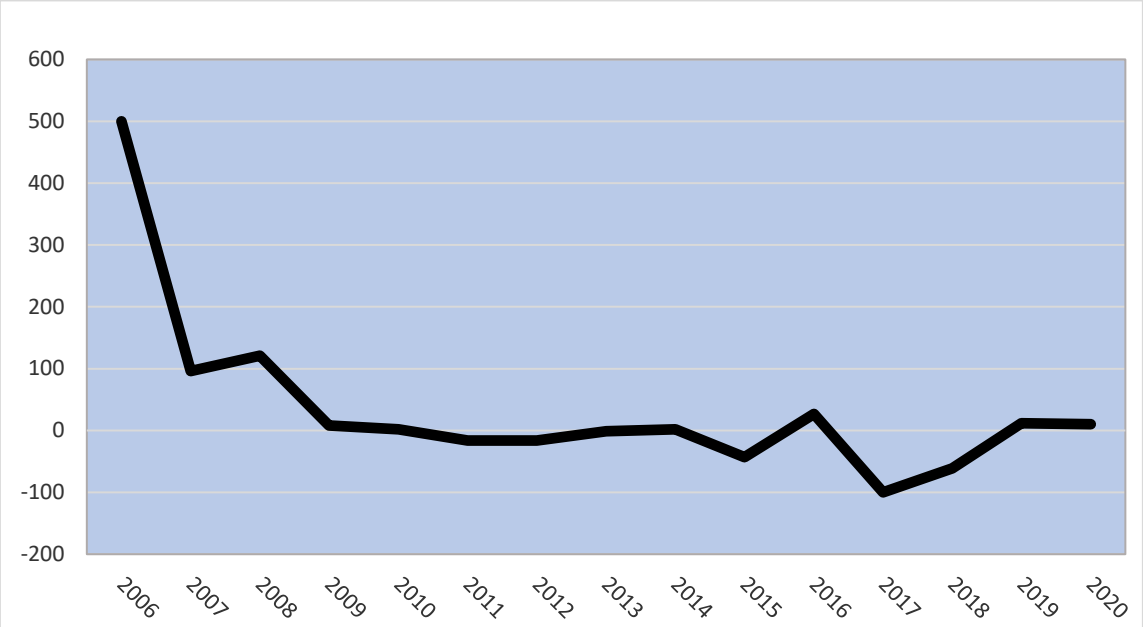


Source: Bank of Greece

Similarly, Greek FDI flows to Serbia declined sharply between 2008 and 2009, falling from €121 million to €8 million (Figure 31). Investment flows continued to fall over the next few years, reaching their lowest point of € -16 million in 2012. 2014 brought a marginal return to growth of FDI flows, but it was short-lived as investments started declining again after 2015, reaching € -100 million in 2017. 2019 brought a first return to growth. Similarly, investment stocks contracted significantly after 2010, declining by 41 percent between 2010 and 2013 (from €2,126.4 million to €1,246). After a brief upsurge in 2014, investment stocks have been in consistent decline: FDI stock registered

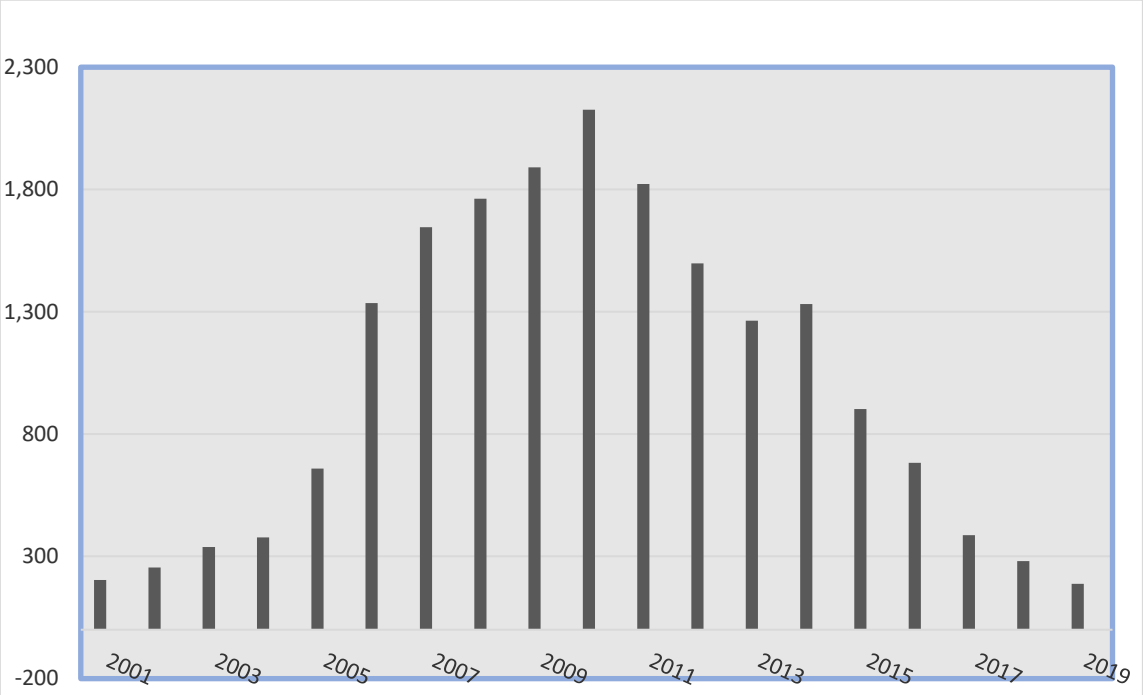
a 79 percent decline between 2015 and 2019, falling from €902 million to €188 million, its lowest level ever (Figure 32). The dramatic decline in investment stock in Serbia during this period was largely due to the departure of three major Greek banks, National Bank of Greece and Alpha Bank in 2017, and Piraeus Bank in 2018. This left Eurobank Ergasias as the only Greek bank with operations in Serbia.

Figure 31: Greek FDI Flows to Serbia (€ mn)



Source: Bank of Greece

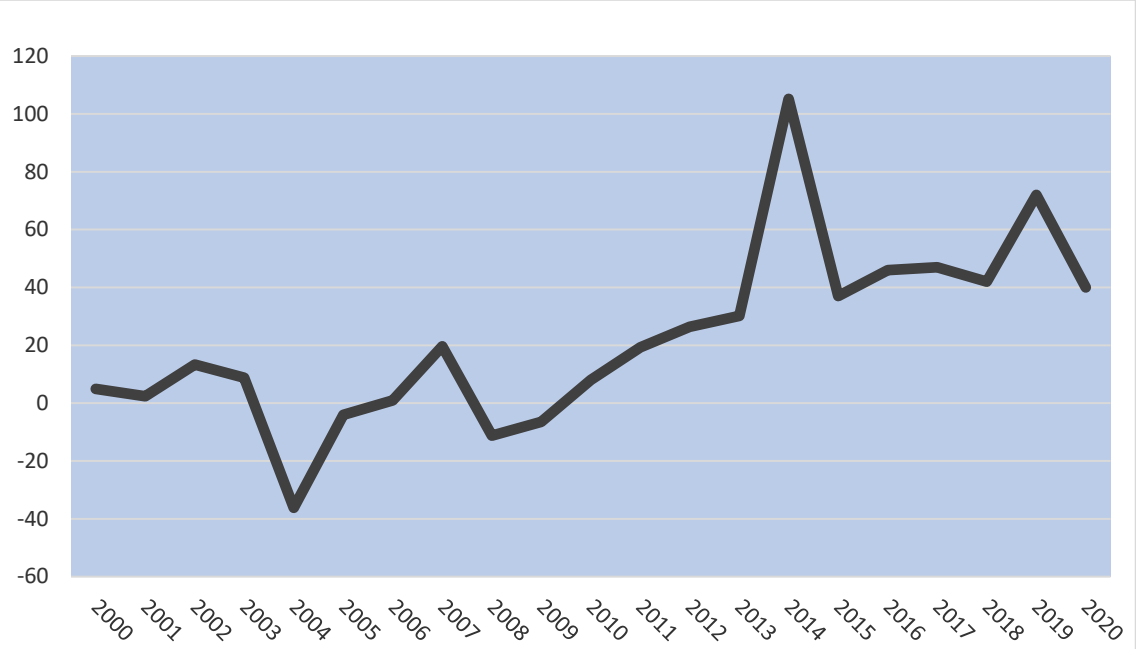
Figure 32: Greek FDI stock in Serbia (€ mn)



Source: Bank of Greece

Interestingly, while Greek investment flows to North Macedonia had been in severe decline between 2007 and 2009, (falling from €19.6 million to €-7 million), FDI flows experienced an upward swing over the next few years, reaching a peak of €105.2 million in 2014 (Figure 33). Although FDI decreased in 2015, it remained at comparatively high levels, and reached yet another peak of €72 million in 2019. However, as can be seen in Figure 34, FDI stocks fell sharply in 2016, largely due to the withdrawal of two major investors, Alpha Bank and Stumica Tabak (Michailidis). Between 2015 and 2019, Greek FDI stock in North Macedonia fell by 40 percent. According to the Central Bank of North Macedonia, in 2019 Greece ranked third in FDI stock and eighth in FDI flows.[4]

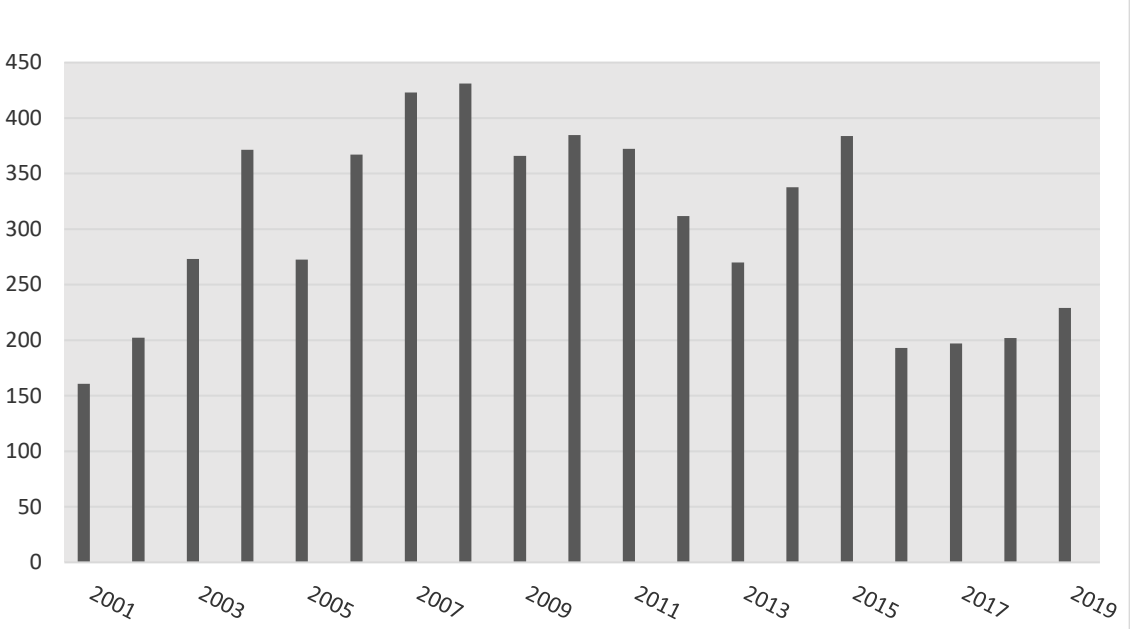
Figure 33: Greek FDI flows to North Macedonia (€ mn)



Source: Bank of Greece

[4] https://www.nbrm.mk/megunarodna_investiciska_pozicija-en.nspx.

Figure 34: Greek FDI stock in North Macedonia (€mn)



Source: Bank of Greece

Concerning Greek investment activities in other countries, as discussed above, FDI in Bosnia and Herzegovina, Montenegro and Kosovo has been quite limited. Approximately 15 Greek companies are active in Bosnia and Herzegovina, most important of which are Coca Cola Hellenic Beverages Bosnia and Herzegovina d.o.o Sarajevo, and Alumil. FDI figures are not available from the Bank of Greece; however, according to the Foreign Investment Promotion Agency (FIPA) of Bosnia Herzegovina, total Greek FDI in Bosnia and Herzegovina between 1995-2020 was €2.2 million. Greek investment in Kosovo is also very limited. According to the statistical service of Kosovo, Greek FDI is about €9 million. The most important active companies are Sharcem-Titan, Mamidoil Kosovo, Cemkometal, Spanos Kosova, and Alumil Kosovo.

Based on the above analysis one may conclude that - as was the case with trade transactions - Greek FDI followed a specific pattern: it declined sharply in most countries during the first years of the crisis, experienced a slight recovery in 2014, and then underwent a dramatic contraction in 2015 due to the disruption of the bank closures and capital controls. However, unlike trade transactions, FDI did not fully recover after 2016.

…

Greece's trade and investment relations with its Balkan neighbours were deeply and negatively impacted with the onset of the crisis. This was evidenced by the sharp contraction in all trade transactions between 2008 and 2016, as imports, exports and the trade surplus declined by 41.1 percent, 37.2 percent, and 36 percent respectively. Similarly, after over a decade of strong growth and a dynamic presence of Greek investors throughout the Balkan region, Greek FDI flows and stocks contracted sharply

due to prolonged economic difficulties in the domestic economy and the deterioration of the investment climate. Greek FDI stocks contracted from €2,922 million in 2010 to €638 million in 2019. This dramatic decline in trade and investment activities had a serious impact on the Greek presence in the Balkan countries: Greece's importance both as a trading and as an investment partner to these countries decreased dramatically during this period, as it was overtaken by other EU and non-EU countries that stepped in the fill the void left by Greece's decline.

However, as discussed above, the data shows that the last few years (post-2016) have encouraged a sense of cautious optimism, as trade has largely rebounded, and Greece is slowly reclaiming an important role as a trade partner in the region. It is fair to assume that the negative repercussions of the pandemic (felt globally) in 2020 will be temporary and that pre- COVID-19 trends will return. The outlook for investment, however, remains particularly grim and with no visible prospect for a change of fortune. The departure of so many Greek banks from the region - especially after 2017 - has dealt a serious blow to the economic reach and prestige of the country, and in the short to medium term appears very hard to reverse. In any case, since the future of Greek economic activity in the Western Balkans is closely linked to the course of the Greek domestic economy, the return to growth registered in 2021 (estimated at 6.5 percent, following the -8.3 percent for 2020) is a necessary – but not sufficient – first step.[5]

Having analysed the negative impact of the crisis and the subsequent downward trend of Greek economic relations with the region, the next chapter turns to the main challenges and problems that Greek companies face in the region.

[5] https://www.imf.org/en/Publications/WEO/weo-database/2021/October/select-countries?grp=995&sg=All-countries/Advanced-economies/Euro-area

4. Problems and Challenges

Greek companies with economic activities in the Western Balkans face a series of challenges. At the risk of oversimplifying a very complex picture, we conclude that their concerns range across at least three different variables: a) country of business activity, b) type of economic activity (trade, services, or investment), and c) sector of economic activity (e.g., construction, banking, hospitality industry etc.). Out of space and clarity considerations, in this study we are presenting the main challenges of Greek corporations in the region across the first two axes, while we take note of the third axis as a limitation to generalizations in our analysis.

4.1 Albania

It is conventional wisdom among foreign investors that Albania is a 'difficult place to do business' (United States Department of State, 2020a). The greatest problem in the country is endemic corruption that reaches far into the justice system, compromising the rule of law. On the condition of anonymity, several Greek investors told us stories about different cases in which Albanian judges demonstrated partiality, issuing verdicts that were scandalously in favour of domestic litigants.[1] These rulings were not determined by a sense of nationalism or bias against foreigners (or Greeks in particular) of Albanian judges.[2] Whenever justice partiality was manifested, it was in favour of litigants who had very probably given bribes.[3] As a former President of the American Chamber of Commerce in Albania put it: 'In practice the judicial system has been weaponized by individuals trying to distract or cover up their own corruption' (Crawford, 2020). To comprehend the extent of corruption in the Albanian justice system, it suffices to mention that until October 2020, the ongoing vetting of judges and prosecutors within the EU-prescribed justice reform has resulted in the resignation or dismissal of 62% of officers due to their unjustified wealth (European Commission, 2020a: 19). Notably, the resigned/dismissed magistrates included eight out of nine Constitutional Court judges and 15 out of 18 High Court Judges (European Commission, 2020a: 24).

Inefficient judicial procedures and multiyear delays in court decisions (owing to a large backlog of cases) have led many Greek investors to the pessimistic conclusion that justice is not working at all in the country.[4] Crucially, the Albanian government has not demonstrated any eagerness to contribute to the resolution of differences with foreign investors before the latter take recourse to justice. In this context, it is worth remarking that the United States Department of State has strongly advised American companies to include binding international arbitration clauses whenever they signed business agreements with Albanian partners (United States Department of State, 2020a). Indeed, foreign corporations have usually won international arbitration cases against the Albanian state. A case in point was the International Chamber of Commerce's injunction

[1] Interviews 4, 5 & 23.
[2] Interview 26.
[3] Interviews 5, 7 & 23.
[4] Interview 7.

of September 1, 2020, previewing that the Albanian state should pay 44 million USD as compensation to the joint venture of two construction companies from Kuwait and Greece, namely, Copri and Aktor (Erebara, 2020). However, small companies cannot afford the cost of international arbitration proceedings, while large foreign companies think twice before bringing their case in front of an international arbitration court as they may run the risk of becoming subsequently target of reprisals by the Albanian judicial system (Crawford, 2020). Very importantly, although Albania is part to the New York Arbitration Convention, it has a track record of having refused to recognize an international arbitration court's ruling in 2016 (United States Department of State, 2020a).

Another domain of economic activity where corruption is prevalent is public procurement. The Albanian state follows non-transparent procedures and relies heavily on public-private partnerships that do not allow much room for competition (United States Department of State, 2020a). Moreover, the Albanian contracting authorities lack the capacity to effectively manage public procurement processes and adequately monitor the compliance of contractors (European Commission, 2020a: 69). Indeed, Greek companies in Albania believe that they have been excluded from local public competitions, which have been exploited by the governing regime to privilege its own supporters.[5] As a result, Greek corporations either do not participate in public competitions at all, or they strive to bid indirectly, i.e., in partnership with local companies.[6] For instance, a major Greek corporation producing high quality building materials has only had a small contribution to the post-earthquake reconstruction effort through supplies of materials to construction companies that have taken rehabilitation projects.[7] Other companies seeking a fair competition environment have been carefully choosing to bid for projects in Albania with foreign assessment such as those financed by the European Investment Bank, the European Bank for Reconstruction and Development and the KFW Development Bank.[8]

Greek companies in Albania also cite the cumbersome bureaucratic procedures and the large size of the informal economy as causes of concern.[9] According to different estimations, the latter may account for up to 40% of the entire economy, with the informal employment being even higher in some sectors such as trade activities (European Commission, 2020a: 89). For foreign corporations playing by the rules, the extensive grey economy practices of some of their local competitors in Albania (e.g., evading to pay taxes and social charges) causes a serious comparative disadvantage.[10]

A major issue in the country, one which affects individuals and businesses alike, is the questionable legality of property titles and the corresponding lack of clarity of property

[5] Interviews 4 & 15.
[6] Interview 21.
[7] Interview 14.
[8] Interview 30.
[9] Interview 7.
[10] Interviews 7, 14 & 45.

rights. The Albanian authorities have launched a process for the initial registration of all real estate property that is still at an early stage of completion. Considering the corruption in the judiciary, real estate owners have been justifiably feeling insecure when disputes about property ownership arose. The decision of the Albanian authorities to appropriate properties in Himara belonging to members of the Greek minority within the advancement of the country's plan for tourism development (without fairly compensating the owners) has obviously made Greek businessmen feel insecure about the governing regime's respect of property rights.[11] Furthermore, intellectual property rights are frequently violated in Albania due to the local authorities' lack of commitment to their enforcement. Greek companies have reported to the country's Embassy in Tirana their frustration with the inability of the Albanian authorities to investigate cases of trademark infringements and industrial plan thefts (Greek Embassy in Tirana, 2020: 32, 34). As a representative of a Greek business told us, their local competitors have routinely copied their patented products and released much cheaper replicas with the use of lower quality materials within a month.[12] Considering that some of these local companies have also adopted informal economy practices, the Greek business in question has struggled with much difficultly to make its products appear competitive and fairly priced in the market.[13]

Some Greek corporation also raise issues that relate to their particular sector of economic activity. These, among others, include the following: delays in tax returns for exported products;[14] the imposition of an excise tax on solid fuels (in sharp contrast to EU and neighbouring countries) that steeply increases the production cost of companies consuming these fuels;[15] and the prohibition of imports of recycled materials (waste streams) and of refuse-derived fuel, whose coprocessing is considered by the EU as a sustainable practice contributing to the attainment of environmental targets.[16]

Last, but not least, Greek exporters to Albania are mainly confronted with a twin challenge. The Albanian authorities do not recognize the Greek products' certificates and some products are also subject to the imposition of duties. As a result, while delays in the customs diminish substantially the 'shelf life' of fresh products (such as milk and yogurt), the application of duties (e.g. 10% to the 'extended shelf life' milk and 15% on feta cheese) render certain products too expensive for the average Albanian consumer.[17]

4.2 Serbia

Greek investors in Serbia cite the cumbersome bureaucracy as a major problem. This problem is accentuated by the administration's low efficiency and alleged lack of

[11] Interview 45.
[12] Interview 14.
[13] Ibid.
[14] Interview 26.
[15] Interviews 4, 23 & 27.
[16] Interviews 23 & 27.
[17] Interviews 17 & 26.

cooperativeness, the country's complex legal environment (e.g., complicated labour law), and the administration's inconsistent application of legislation.[18] Red tape creates incentives for the growth of corruption, which is neglected (if not encouraged) by the governing regime.[19] Foreign investors also complain about the weak justice sector that is prone to political interference.[20] As the European Commission's 2020 country progress report remarked, the judiciary in Serbia is under high pressure from members of the government, legislators, and the media that frequently do not hesitate to openly discredit its work (European Commission 2020c: 20-21). Indeed, some judges have even felt compelled to request their exemption from trials that involved local politicians so that they could avoid the pressure exercised on themselves and their families (European Commission 2020c: 20). In this context, the judiciary and the prosecutors lack the necessary space to carry out their work independently and impartially and appear vulnerable to external influence by the party in power. In addition, judicial procedures take too long, with civil cases having been reportedly settled after 5-6 years due to a great backlog of cases.[21] As a result, not only do Greek corporations believe that it is pointless to take a recourse to justice against the Serbian state, but some of them also fear that they may in the meantime become the object of multiple checks and controls (e.g. in terms of compliance with tax, labour and environmental rules etc.) by the country's authorities.[22] In that case, foreign companies not trusting the local rule of law institutions deem that it is preferable not to escalate their struggle against the Serbian authorities in order to stay below the radar.[23]

Corruption and lack of transparency are also evident in public procurement, where EU-prescribed reforms have been legislated but remain poorly implemented (European Commission, 2020c: 58). Greek corporations have occasionally bided in public tenders without success. Public procurement either does not follow competitive procedures, or it is tailor-made to award contracts to local companies.[24] For instance, interested companies in public competitions are required to obtain licenses that are exclusively issued by the Serbian authorities (Greek Embassy in Belgrade, 2020: 44). A representative of a Greek corporation disclosed that in some cases, public competitions have been cancelled because they were coincidentally not won by a local bidder.[25] Although Greek companies have repeatedly reported cases of competitions in which bidders gave 'unusually low prices', the relevant Serbian authorities have dismissed all allegations (Greek Embassy in Belgrade, 2020: 74). Unsurprisingly, in 2019 only 2% of public procurement contracts were won by foreign corporations (European Commission, 2020c: 74).

[18] Interviews 6, 8, 11, 31 & 33.
[19] Interviews 16 & 18.
[20] Interviews 6 & 33.
[21] Interviews 8 & 20.
[22] Interviews 18 & 20.
[23] Interview 20.
[24] Interviews 8, 12, 20 & 26.
[25] Interview 8.

As has been the case in Albania, some Greek corporations have attempted to participate indirectly in public competitions in Serbia by forming partnerships with local companies.[26] Some companies have clearly decided to bid only for international projects (e.g., financed by the European Investment Bank and the European Bank for Reconstruction and Development) striving to operate in a fair environment with clear rules.[27] Overall, Greek companies complain about the uneven competition playfield, in which some of them believe that they are discriminated not only against local companies but also against competitors from more influential countries.[28] At this point, it is worth mentioning that fair competition is also hampered by other factors, such as the large size of informal economy and the inadequate protection of intellectual property rights. For instance, a Greek company observes that replicas of its products have been imported from Turkey and are openly traded in the Serbian market.[29]

Some Greek investors have reported problems that concern their own companies or specific sectors of economic activity. These challenges include the following: extremely short duration of renewed licenses of operation;[30] double standards in policy measures that evidently give an advantage to local corporations;[31] and a complex licensing system for the transport of scrap products (i.e., recyclable materials), in contrast to EU environmental norms, that facilitates corruption.[32]

Greek exporters to Serbia have been facing several difficulties due to the determination of the Serbian state to protect local producers. First, the Serbian customs service does not recognize the Greek (EU standards compliant) certificates. As a result, it requires that imported products pass through tests in its own laboratories.[33] These are chemical tests of product samples and, until recently, they have concerned every single truck entering the country. Not only was the volume of tests overwhelming for the Serbian customs offices, it was also causing huge delays in borders that steeply increased the final cost of products and diminished their life cycle.[34] Following much pressure from the Greek diplomatic mission in the country, the Hellenic Business Association, and some directly affected companies themselves, Serbia has been revising (at least temporarily) its policy to just testing samples of lots of production (each of them, corresponding to tons of products).[35] In addition, it has agreed that trucks should not wait for the laboratory results before resuming the trip to their final destination.[36] However, these problems have recurrently reappeared every now and then in different border crossings. Moreover, each Serbian custom office interprets and applies the

[26] Interviews 20 & 21.
[27] Interview 30.
[28] Interview 6.
[29] Interview 16.
[30] Interview 8.
[31] Ibid.
[32] Interview 20.
[33] Interviews 8, 12, 20 & 31.
[34] Interviews 6, 8, 20 & 31.
[35] Interview 20.
[36] Ibid.

relevant legislation on border controls differently.[37] For instance, Serbian customs officers do not have the same expectations about the proper specifications (e.g. stamps) of transport documents accompanying cargos that enter the country (Greek Embassy in Belgrade, 2020: 74). Indeed, a Greek business managed to overcome many problems in border crossings (and reduce the relevant cost substantially) by changing its partnering customs broker and transport company that has most probably used a different border crossing of the country.[38] What is more, Serbia creates an uneven playfield in the market by applying duties and quotas on certain categories of imported commodities (e.g. duties on dairy products and quotas on wine).[39] It also issues only a limited number of transport permits for trucks transferring products from/to the country, which do not suffice to cover the needs of all businesses during an entire calendar year. As a result, when the year's end approaches and the number of available permits is almost exhausted, transport companies continue to work with those bidding higher for the delivery of their goods. Therefore, those trading companies' transport cost is substantially increased.[40] At this point, we should underscore the lack of alternatives to road transport due to the poor state of the Serbian railway network.[41] Finally, the Serbian authorities have applied duties on Greek transporters crossing the country (transit) in trips to/from destinations in other EU countries, in direct violation of the EU-Serbia Stabilization and Association Agreement (Greek Embassy in Belgrade, 2020: 76).

4.3 North Macedonia

Foreign investors in North Macedonia face the same type of problems and challenges that are observed throughout the Western Balkans, albeit with a lower intensity when compared to their occurrence in Albania and Serbia. North Macedonia has made much effort to attract foreign investments. It is no coincidence that it has been featuring in the highest positions in the World Bank's Ease of Doing Business Ranking (it was ranked 10th in 2019 and 17th in 2020 among 190 countries, see World Bank, 2019: 4; 2020: 4).

A major challenge for Greek investors is the large share of the shadow economy.[42] While the country's National Statistical Office claimed in 2016 that it stood at 17.4% of the economy (and has not released any newer statistics since then), the IMF assessed in 2019 that informal economy corresponded to 38% of the GDP (European Commission, 2020b: 52). The pervasiveness of grey economy practices creates an environment of uneven competition. For instance, a representative of a Greek construction company told us that products of its local competitor have been circulating around the country without any accompanying invoices.[43]

[37] Interview 31.
[38] Ibid.
[39] Interview 6.
[40] Interviews 8 & 16.
[41] Interview 8.
[42] Interview 28.
[43] Ibid.

Foreign investors have been also complaining about the excessive bureaucracy.[44] As an officer from the Economic Chamber of North Macedonia aptly put it: '*Most of the investors are rather lucky if they're dealing with only one institution, which is the Directorate, but often, often the case is that they have to deal with the Ministry of Interior or the Ministry of Labor for working permits or, the Ministry of Foreign Affairs for visas... And again, it's a very small country [...] at the end of the day, in practice, companies are basically faced with the bureaucratic procedures that very few of them actually understand*' (quoted by Jovanović et al. 2021: 102). The problem of red tape is aggravated by the complexity and the frequent amendment of legislation, which is additionally interpreted inconsistently by the country's administration (Larda and Xydia, 2020: 25; United States Department of State, 2020d; Foreign Investors Council, 2018: 45). The combination of bureaucracy with a volatile regulatory framework increases the unpredictability of the business environment (Jovanović et al. 2021: 62; Foreign Investors Council, 2018: 45) and create incentives for corruption, which is prevalent in the country (European Commission, 2020b: 5; United States Department of State, 2020d).[45]

Some Greek businesses have also raised questions about the work of justice institutions.[46] They mentioned the occurrence of delays in issuing decisions (Larda and Xydia, 2020: 25) and expressed doubts about the justice's impartiality and independence, having in mind court rulings that looked odd to them.[47] The 'wiretapping scandal' that was revealed in 2015 and the 'extortion scandal' with the participation of the head of the Special Prosecutor's Office that came out in 2019 have demonstrated the widespread state capture and the collusion between judicial officials and private interests in the country. While North Macedonia has enacted several EU-prescribed pieces of legislation during the last couple of years within its justice reform effort, it is still early to assess the implementation of these measures and their sufficiency for the eradication of state capture (Popovikj, 2021).

Public procurement in North Macedonia features important deficiencies that have prompted some Greek corporations to bid in partnership with local companies.[48] Indeed, the European Commission mentioned in its 2020 country report certain weaknesses such as the practice of blacklisting companies (on account of previous misconduct) and the low transparency of procedures followed by municipalities and small contracting authorities (European Commission, 2020b: 64). Having mentioned these procedural flaws (which are correlated with the persistence of corruption and the politicization of the administration), we ought to acknowledge that North Macedonia is the only Western Balkan country whose Public Procurement Bureau has organized an 'open door day'. On that occasion, private corporations were given the opportunity to share their impressions about public competitions in the country (OECD, 2020: 108). Yet,

[44] Interview 10.
[45] Interview 24.
[46] Interview 10.
[47] Interview 24.
[48] Interview 32.

several Greek companies have been clearly oriented towards bidding for projects financed by international institutions in order to maintain a certitude that they have a fair chance of getting them and clear implementation rules.[49]

While the name dispute has not deterred the Greek business community from expanding its activities in North Macedonia, it has generated problems to the everyday work of investors and traders alike. In this respect, the Greek companies with economic activities in North Macedonia have been directing their demands towards the governments of both countries. For instance, there is an urge to decision-makers in Athens and Skopje to move on and conclude a series of agreements that would facilitate the growth of economic relations, the most important being an agreement for the avoidance of double taxation.[50] In addition, the Greek business community is concerned about the slow progress in the dialogue for the use of commercial names, trademarks, and brand names by companies from Greece and North Macedonia. Representatives from the Chambers of the two countries have not met yet, owing to the emergence of a dispute about the very appellation of the 'Economic Chamber of North Macedonia' (until recently it was called 'Economic Chamber of Macedonia'). Still, the Prespa Agreement postulated that the experts from the two countries would reach a deal within three years. According to a High Ranking Executive Officer of a Greek Chamber of Commerce, the resolution of the difference may take several years and entail substantial economic expenses for the parties involved if it is eventually referred to an international commercial court that requires soliciting independent expertise on the matter.[51] In the meantime, the first dispute about the use of brand names has already erupted – namely, between Makedonsko, a beer company in North Macedonia, and, the Greek Exporters Association (SEVE), launcher of the brand name 'Macedonia the GReat' – that has reached the European Union Intellectual Property Office (Fakalis, 2021).

Last, but not least, Greek investors with permanent residence in North Macedonia, Serbia and Kosovo have been invariably complaining about the inconsistent checks at the Idomeni Greek border crossing. Although these businesspersons have carried on them all documents prescribed by law, the Greek authorities have literally denied them entry into the country, due to the fact that their cars had foreign license plates.[52] Crucially, the Greek state authorities do not follow the same approach in the border crossings with Albania.[53] The communications of the Hellenic Business Associations in North Macedonia and Serbia and of the Greek Ministry of Foreign Affairs with the Greek Ministry of Economics (i.e., the authority with the jurisdiction to resolve the problem) have not produced any results.[54]

[49] Interview 30.
[50] Interview 28.
[51] Interview 39.
[52] Interviews 1, 3, 8, 12 & 14.
[53] Interviews 6, 12 & 14.
[54] Interviews 8 & 12.

4.4 Kosovo

As with all other Western Balkan countries, Kosovo presents many challenges to foreign investors such as widespread corruption, a sizeable grey economy sector, and weak justice that is subject to political interference (United States Department of State, 2020c). Nevertheless, the greatest problems for Greek companies stem from Kosovo's internationally contested statehood. For instance, considering that Kosovo is not a member of the Green Card System, vehicles with Kosovo-issued plates exiting its territory and vehicles with foreign car plates entering its territory need to procure an additional car insurance. This expense causes a 30% increase in transport cost, which is not justified by the geographical distance between the two countries. To illustrate, while the transport of a square meter of goods from Thessaloniki to Skopje (235km distance) costs 15 euro, the transport of the same volume of products from Thessaloniki to Pristina (323km distance) costs 26 euro.[55] Trade between the two countries is also complicated by the fact that the EU has not approved the signing of a visa liberalization agreement with Kosovo. In particular, the transport of products from/to Kosovo also presupposes that Greek companies have sent invitation letters for all truck drivers a few days earlier and have justified the purpose of their trip to Greece. This arduous process of issuing travel visas complicates not only the trips of truck drivers, but also all visits of Kosovo citizens to EU countries.[56] As a result, the growth of people-to-people links between the business communities of Kosovo and EU member-states, such as Greece, is impeded.

The problems of Greek companies in Kosovo are aggravated by Greece's own decision not to recognize Kosovo's independence. Athens has striven to develop economic relations with Pristina and has tangibly supported the latter's membership in international economic organisations such as the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development (Armakolas 2020). Yet, to the extent that the two countries cannot sign any bilateral agreement (as it presupposes diplomatic recognition), they are not able to take crucial steps that would contribute to the growth of economic relations such as signing an agreement for the avoidance of double taxation.[57] Overall, the everyday tasks of a Greek businessperson in Kosovo are complicated, even concerning such trivial matters as opening a bank account.[58] Lastly, the competitiveness of Greek products in the Kosovo market is reduced by the imposition of duties.[59]

4.5 Bosnia and Herzegovina and Montenegro

Very few Greek companies have put Bosnia and Herzegovina and Montenegro on the radar of their business activities. In this respect, we cannot really argue about the existence of a Greek business community with interest in these countries. However, the problems of Greek corporations with economic activities in these countries are not

[55] Interview 26.
[56] Ibid.
[57] Interview 14.
[58] Interview 21.
[59] Interview 17.

unique or idiosyncratic. Greek companies have been confronted in Montenegro and Bosnia and Herzegovina with the same type of challenges as most other foreign companies.

In Montenegro, Greek investors remarked the inconsistencies of the domestic legal order that contains contradictory provisions on some matters, while the regulatory framework is incomplete on others.[60] Legal uncertainty is aggravated by the weakness of justice, which is subject to political interference.[61] In this context, the lack of clarity of property rights has invited corruption (and demands for bribes, according to a representative of a Greek company) from the national to the local level.[62] Moreover, Greek businesses cite the lack of a local trained labour force, the high price of real estate, and the country's poor infrastructure (e.g. inefficient sewage disposal) as major challenges as well.[63]

With respect to Bosnia and Herzegovina, foreign investors must navigate in a very complex legal environment that is constituted by political decisions and legal acts at several layers of government: state-level, entity-level, cantonal level (in the Federation), and level of municipality. The country's complex division of authority across different levels of governance generates red tape, lacks transparency, and facilitates the growth of corruption (United States Department of State, 2020b). Furthermore, the dissimilar legal provisions enacted by each entity (e.g. on registration of companies) render the business environment too confusing for foreign corporations that have not sought to solicit local expertise (United States Department of State, 2020b). Greek companies with economic activities in Bosnia and Herzegovina and Montenegro also refer to the lack of fair competition in public procurement that prompts them to avoid bidding for contracts, unless they join forces with local companies.[64] As in all other Western Balkan countries, bidding for externally financed projects is the safest way for getting a contract and executing it without problems.[65] Finally, the connectivity between Greece and these countries is very poor, being deprived of the services even of a direct flight connection. Yet, in the summer of 2019, when two airlines scheduled direct flights between Greece and Bosnia and Herzegovina, tourist arrivals from Sarajevo and Banja Luka to Athens increased remarkably (Papakonstantinidis, 2021: 8).

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The above analysis briefly presented the main problems that Greek businesses face in the Western Balkans. The next two chapters map out the public and private actors who are involved in the conduct of Greek economic diplomacy and explore their individual

[60] Interview 13.
[61] Interview 22.
[62] Ibid.
[63] Interview 13.
[64] Interview 26.
[65] Interview 32.

role and their interaction, paying particular attention to their contribution to problem solving.

5. Actors and Processes I: The State Agencies and Chambers of Commerce

The conduct of Greek economic diplomacy is widely remarked in the meetings, statements and actions of the Prime Minister, the President of the Republic, and the leadership of the Ministry of Foreign Affairs. However, beyond the country's political leadership, which is the 'tip of the iceberg', there is a bureaucracy lying beneath the 'surface of the ocean' that plays a decisive role in the planning and everyday performance of economic diplomacy (Breuning, 2007: 88). It concerns a configuration of state agencies with distinct and largely complementary roles that are in constant interaction among themselves but also with Greek and foreign private actors and their counterparts from third countries. This chapter presents the bureaucratic organisation of Greek economic diplomacy and explicates its operation, focusing on its materialization in the Western Balkans during the last couple of years.

5.1 The State Agencies of Economic Diplomacy

In early 2021, the Greek Ministry of Foreign Affairs adopted a new Organism that restructured the administrative organisation of Greek diplomacy (Law 4781/2021, Official Gazette, A' 31/28-2-2021). The task of making recommendations for the conduct of the entirety of the country's diplomacy, of which economic diplomacy forms an integral part, has been assigned to the Directorate of Strategic and Operational Planning (article 29, Law 4781/2021). The latter's mission includes the drafting and submission to the Minister of Foreign Affairs of an Annual Strategic and Operational Plan (article 35). The Directorate is designed to cooperate for the articulation of its proposals with a newly established Center for Foreign Policy Planning, which would work as the Ministry's think-tank, bringing aboard external researchers and academics (articles 37-43). However, at the time of writing (October 2021) neither the Directorate of Strategic and Operational Planning, nor the Center for Foreign Policy Planning have become fully operational. The Directorate of Strategic and Operational Planning, which is currently receiving technical assistance by the Netherlands Enterprise Agency (RVO) to increase its capabilities, is expected to draft its first Strategic and Operational Plan in 2022.[1]

5.1.1 The General Secretariat for International Economic Relations and Extroversion

The designation, coordination, and implementation of economic diplomacy has already been fully assigned to the General Secretariat for International Economic Relations and Extroversion of the Ministry of Foreign Affairs since 2019 (Presidential Decree 81/2019, Official Gazette A' 119/8-07-2019; Presidential Decree 84/2019, Official Gazette A' 123/17-07-2019). In previous years, economic diplomacy fell under the jurisdiction of two different agencies and corresponding ministries: i) the General Secretariat for International Economic Relations and Development Cooperation of the Ministry of Foreign Affairs, and ii) the General Directorate of International Economic and Commercial Policy of the Ministry of Economy and Development. The latter was tasked

[1] Interview 50.

with the articulation of the Greek positions and the representation of the country in international negotiations within the framework of the EU common trade policy as well as in other international economic organizations (e.g. WTO and OECD) and development banks (e.g. IBRD, IDA) (articles 25-29, Presidential Decree 147/217, Official Gazette, A' 192/13-12-2017). This was not actually the first transfer of authority for economic diplomacy between different ministries. The agency in charge of international economic relations had been transferred in 2002 in the Ministry of Foreign Affairs from the Ministry of Economy.

The General Secretariat designs economic diplomacy within the framework set by the Ministry's A' Directorate General for Political Affairs. The latter highlights countries of particular interest and sets any necessary limitations, for instance, with respect to countries with which relations are tense. Once the General Secretariat drafts its economic diplomacy objectives and its corresponding schedule of activities, it seeks for the final approval by the A' Directorate before moving on with policy implementation.[2] Therefore, economic diplomacy is clearly designed to serve the political diplomacy goals and purposes.

With the Ministry's new Organism, the General Secretariat is tasked with the coordination of all Greek extroversion activities and the promotion of the country's 'national brand'. To perform its role, the General Secretariat is assigned with the elaboration of an annual National Strategic Plan for Extroversion (article 159, Law 4781/2021). The first annual plan was released in September 2021 and highlighted four objectives: a) increase exports of goods and services up to 48% of GDP by 2023; b) increase FDI inflows to 4% of GDP by 2023; c) allocate 0.3% of GDP to international development assistance, and d) bring Greece among the 20 best brand names globally (Hellenic Ministry of Foreign Affairs, 2021: 1).

Reportedly, this is the first time that the Ministry of Foreign Affairs proceeded with such a planning exercise for its economic diplomacy with the active involvement of the private sector as well. The plan contains the aggregate sum of all activities that both public and private actors will implement (in partnership or individually) to advance economic diplomacy objectives. In particular, the plan's drafting involved a multi-staged process of consultations. Once the General Secretariat finalized its own action plan, it requested from other Ministries (e.g. the Ministry of Development and Investments) to add their own international activities to it. The General Secretariat shared its plan with the main Chambers (i.e. Athens Chamber of Commerce and Industry, and Thessaloniki Chamber of Commerce and Industry) and the most extrovert business associations in the country (i.e., Panhellenic Exporters Association, Federation of Industries of Greece, Greek Exporters Association, Hellenic Federation of Enterprises, and Exporters' Association of Crete) and requested them to take co-ownership and propose revisions within a month. These could concern the addition of new activities, the change of activities (e.g. enlarge their scope), the transfer of responsibility for the execution of activities (e.g. from a Ministry to a business association), or their own contribution with

[2] Ibid.

resources to the (co-)organisation of activities. Following these consultations, the 2021 National Strategic Plan of Extroversion ended up comprising 458 activities instead of 250 originally planned state-sponsored actions.[3] In terms of financing, all participating actors have assumed the cost of some of these activities. Mr. Ioannis Smyrlis, the General Secretary for International Economic Relations and Extroversion, told us that this was the first 'pilot' plan whose delayed release was largely due to the pandemic. Preparations for the 2022 plan have already commenced.[4]

Greek economic diplomacy in the Western Balkans has traditionally pursued a series of aims, which include: the strengthening of interstate (economic) relations; the promotion of Greek exports; the stimulation of foreign investor interest about Greece; the protection and advancement of Greek business interests (e.g. foreign investments and implementation of projects); the facilitation of the transit of Greek products to third countries; and the increase of tourist visits to Greece.[5] However, the enhancement of interstate economic relations has been complicated by unsettled political issues such as the name dispute (until recently), the non-recognition of Kosovo, and occasional tensions in the Greek-Albanian relations with respect to the Greek minority's rights. Moreover, the interest of the Western Balkan business communities in investing in Greece has been meagre (beyond the real estate sector in Northern Greece) due to the lack from these countries of a strong and extroverted entrepreneurship with economic activities that correspond to the needs of the Greek market.[6]

The Western Balkans feature prominently in the activities laid out in the 2021 National Strategic Plan for Extroversion. The region is presented as a major destination for the increase of exports, the execution of infrastructure and environmental projects, the development of energy networks and transport infrastructure, and the delivery of development assistance (Hellenic Ministry of Foreign Affairs, 2021: 2). Not surprisingly, 54 out of 458 actions planned for 2021 are focused on five Western Balkan countries: Albania (17 actions), Bosnia and Herzegovina (1 action), Kosovo (4 actions), North Macedonia (19 actions), and Serbia (13 actions). These actions, among others, aim at promoting exports (e.g. food and beverage products and Greek gastronomy), transferring know-how (e.g. twinning projects), and improving transport and energy connectivity (Hellenic Ministry of Foreign Affairs, 2021: 13-14, 19-21, 47, 58-59).

To carry out its work, the General Secretariat for International Economic Relations and Extroversion relies on the following five instruments: a) the Directorate General for International Economic Relations, b) the External Service of the Ministry of Foreign Affairs, consisting of the diplomatic missions dispatched abroad (Embassies and Offices of Economic and Commercial Affairs), c) the General Directorate for International Development Cooperation, d) Enterprise Greece and e) Export Credit Insurance Organisation (Figure 1).

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[3] Ibid.
[4] Ibid.
[5] Interviews 42, 43, 44, 45, 46, 47 & 49.
[6] Interview 42.

5.1.2 Directorate General for International Economic Relations

The Directorate General for International Economic Relations is the General Secretariat's bureaucracy inside the Ministry of Foreign Affairs. It is tasked with the general coordination and monitoring of the country's international economic relations and its external economic and commercial policy. Following the adoption of the new Organism, the Directorate General for International Economic Relations is structured into seven Directorates (article 163, Law 4781/2021). The economic diplomacy towards the Western Balkans is assigned to the fourth Directorate (B4) that focuses on bilateral economic relations with Southeast European countries, Russia, Belarus, and the countries in Caucasus and the Black Sea (articles 179-181, Law 4781/2021).

5.1.3 Diplomatic Missions in the Western Balkans

Greece has deployed diplomatic missions to all six Western Balkan countries. Still, in the case of Kosovo, Greece has not opened an Embassy but a Liaison Office due to its policy of non-recognition. All missions are headed by diplomats, at the rank of ambassador. The diplomatic missions of Albania, Bosnia and Herzegovina, North Macedonia and Serbia incorporate distinct economic/commercial sections, so-called Offices of Economic and Commercial Affairs, headed by economic counsellors. Although the Liaison Office in Kosovo does not include an economic section, the Greek Ministry of Foreign Affairs dispatched an economic counsellor in Pristina, in September 2021.[7] Wherever Greek diplomatic missions have been deprived of the services of economic counsellors (i.e., in Montenegro and in Kosovo until recently), economic diplomacy has fully fallen on the shoulders of ambassadors.

To attain the objectives of Greek economic diplomacy, the Offices of Economic and Commercial Affairs are routinely called to perform several tasks. First, they engage in information gathering, reporting, and consulting about the country of their deployment. They publish monthly newsletters and annual reports with information about the macroeconomic outlook, the regulatory framework, bilateral economic relations, investment and trade opportunities, and public procurement competitions.[8] They also report to the Greek Ministry of Foreign Affairs their suggestions about priority areas and sectors of the economy, which appear to present opportunities for business activity and recommend activities for the National Strategic Plan for Extroversion.[9] For instance, while the diplomatic mission in Kosovo identifies energy as a sector of particular interest,[10] the Office of Economic and Commercial Affairs of the Greek Embassy in Albania considers that the health sector provides opportunities for outward-looking Greek companies.[11] Greek diplomatic missions also respond to requests for information by Chambers, business associations, regional and local self-government authorities, and

[7] Interviews 47 & 48.
[8] Interviews 1, 39, 43 & 44.
[9] Interviews 42, 43,46 & 50.
[10] Interview 47.
[11] Interview 46.

interested companies.[12] These requests frequently concern bureaucratic procedures (e.g. product certificates, or registration of a company), prevailing conditions in the Western Balkan markets, and potential business partners and contact-persons in these countries.[13] Moreover, they support the efforts of Greek corporations to bid for EU-financed projects.[14]

Economic counsellors are expected to actively contribute to the international networking of Greek businesses. This may take place on a variety of occasions ranging from the periodic occurrence of international expos (e.g., every February in Serbia, on tourism)[15] to sporadic business delegation visits (that may be organized by Chambers, business associations or regional self-government authorities), and ad hoc visits by representatives of individual companies.[16] Some networking events are also planned by the diplomatic missions in these countries themselves. For instance, the Office of Economic and Commercial Affairs in Belgrade has undertaken initiatives to connect the ecosystems of start-up and technological companies of Greece and Serbia.[17] On all networking events, the Offices of Economic and Commercial Affairs engage in matchmaking, scheduling B2B or B2G meetings.[18] To illustrate, when Greek exporters visit these countries, they are usually provided with a program of arranged appointments with representatives of local distribution companies and importers. Moreover, the diplomatic missions organize events for the promotion of exports of specific categories of Greek products.[19] For instance, the Office of Economic and Commercial Affairs in North Macedonia has carried out a series of activities to advertise Greek agri-food products from a tasting event with the participation of a renown Greek chef to the release of a calendar featuring Greek cooking recipes, based on the use of Greek food products.[20]

The Offices of Economic and Commercial Affairs routinely interact with a plurality of actors. They are in contact with Chambers, business associations and individual companies in both countries (e.g., Greece and the country of their deployment) to provide information, network actors, and contribute to the organisation of activities.[21] Likewise, they regularly communicate with agencies and ministries in the public administration of the two countries to receive information and manage emerging issues.[22] They also try to link the Greek state with the expatriate business community

[12] Interviews 29, 39 & 43.
[13] Interviews 7 & 43.
[14] Interview 43.
[15] Interview 42.
[16] Interviews 29, 42 & 43.
[17] Interview 42.
[18] Interviews 29, 42, 43 & 44.
[19] Interviews 2 & 44.
[20] Interview 44.
[21] Interview 43.
[22] Interview 44.

through the organisation of meetings between government officials on official visits and Greek investors in the region.[23]

Very importantly, diplomatic missions engage in problem-solving in defence of Greek corporate interests. The outcome of their interventions depends on the context and the issue at hand. If a difference emerges between private companies, they play a mediating role. Whenever an issue is too complicated, they advise Greek companies to seek legal support. If a problem involves a public agency in the country of their deployment, they frequently communicate directly with the agency in question to try to sort things out.[24] The diplomatic mission may also schedule a meeting between the state authorities and representatives of the affected Greek company in order to give the opportunity to the latter to present its case.[25] Furthermore, the diplomatic mission could send a note verbale to the authorities of the Western Balkan country in question and, depending on the problem's gravity, it may decide to elevate it from the administrative to the political level and request the involvement of Greek government officials.[26]

Greek diplomatic officers also inform their counterparts from EU member-states.[27] They participate in regular meetings of diplomatic officers from EU countries (at the level of ambassadors or economic diplomats), which are organized very frequently by the EU delegation in the Western Balkan country in question.[28] If the problem concerns other EU members as well, these countries join forces and coordinate their activities to augment the exercise of pressure on the local authorities. For instance, when a single European company exhausted Serbia's annual import quota of wine with its imports, the diplomatic missions of Greece, Italy, Spain, and France synchronized their actions and managed to convince the Serbian authorities to increase the relevant quota for that specific year.[29] On questions pertaining to Western Balkan countries' commitments deriving from their Stabilization and Association Agreements with the EU (e.g. rules of free competition), the Greek diplomatic missions can take advantage of the European Commission's assistance as well. If a Western Balkan country breaches the terms of its contractual relations with the EU, the Commission may threaten to take countermeasures. The Commission may also register the matter in its annual progress report for the country in question, which largely determines the advancement of that country's EU accession process.[30] When a problem is taken to Court, the Greek diplomatic missions have no role to play.[31] However, if the judicial institutions of a Western Balkan country repeatedly demonstrate serious inefficiency that result in odd

[23] Interviews 8 & 14.
[24] Interview 44.
[25] Interview 26.
[26] Interview 44.
[27] Interview 27.
[28] Interviews 42 & 43.
[29] Interviews 19 & 42.
[30] Interview 20.
[31] Interview 10.

verdicts, the Greek diplomatic missions may raise the matter at the EU level, where the function of rule of law institutions have been regularly monitored and assessed.[32]

There is a general consensus among high-ranking executive officers of private companies and business associations that the members of the Greek diplomatic missions have always been eager to respond to calls for assistance.[33] However, the performance of Greek diplomatic missions in the Western Balkans has varied and fluctuated over time, being largely dependent on the personalities of the people dispatched to these posts. While many officers have done an outstanding job, others have demonstrated a lack of motivation or particular interest for economic issues.[34] As a CEO of a Greek company in Montenegro told us, he has experienced two diametrically opposite treatments: on the one hand, one ambassador who scheduled meetings with the country's political leadership and advised him how to present his company's problems, and on the other hand another ambassador who maintained a distance and told him 'leave me out of it'.[35] To some extent, certain Greek diplomats may have feared being accused of having been captured by corporate interests. To illustrate, a CEO of a Greek company remarked that Greek ambassadors have avoided attending the inaugurations of his company's business units in Serbia and North Macedonia, probably out of concern of being considered linked to the company's operations.[36] In addition, some Greek diplomats have exhibited an inclination to focus their entire energy on the political agenda, treating economic issues as matters of secondary importance.[37] Although such a thinking indicates adherence to a dated and obsolete approach to diplomacy, it has been a cause of lack of coordination and even frictions inside diplomatic missions between ambassadors and economic counsellors.[38] According to one of our interviewees, an ambassador and an economic counsellor, members of the same diplomatic mission in the Balkans, have in the past reached the extremely negative level of non-functional relations of not informing each other about their meetings and contacts in the same country.[39]

Many of our interlocutors have reported a positive change of attitude during the last couple of years that rests on the assumption that the aims of economic diplomacy should get some eminence.[40] The tone of this change has been given by the ministry's leadership and elaborated in meetings between government officials and representatives of Hellenic Business Associations.[41] Crucially, the importance of economic diplomacy was institutionally inscribed in the administrative reform of 2019 that brought about a transfer of jurisdiction for multilateral economic diplomacy from

[32] Interview 44.
[33] Interviews 7, 9, 12, 20, 21 & 31.
[34] Interviews 2, 6, 8, 9, 15, 20 & 22.
[35] Interview 22.
[36] Interview 31.
[37] Interviews 33 & 44.
[38] Interviews 19, 20, 24 & 29.
[39] Interview 20.
[40] Interviews 18 & 20.
[41] Interview 16.

the Ministry of Economy and Development to the Ministry of Foreign Affairs, resulting in the concentration of responsibility for all aspects of international economic and commercial policy under one authority. This reform is also expected to increase the cohesion between the work of political diplomats and economic counsellors.

Economic counsellors are widely esteemed as highly skilled officers.[42] However, there are mixed feelings about their performance in the region.[43] This is in part explicated by reference to the way their role in advancing the country's economic interests is perceived. For instance, while some of our interviewees assessed that the newsletters and reports of economic counsellors are very informative,[44] others claimed that these publications are mainly useful for freshly arrived businesses to these countries.[45] In addition, some representatives of Greek companies would prefer economic counsellors to act less as 'experts' authoring reports, and more as diplomats who engage in lobbying to open doors for the Greek business community.[46] Having said that, the Offices of Economic and Commercial Affairs have not been given the necessary resources to carry out essential aspects of their work.[47] In this context, some very dynamic economic counsellors have sought to carry out multiple activities and organize events with the assistance of sponsors and donors. Although there is nothing wrong in principle with that practice, it admittedly requires some extra effort and may entail some sort of balancing between competing corporations. Moreover, it appears that economic counsellors have not been given sufficient guidance to carry out their work, and therefore much has depended on their own personal motivation and commitment. For instance, their preparation before assuming duties in a new post has mainly consisted of (at least until 2016) the briefing by their predecessor in that post.[48] What is more, the Offices of Economic and Commercial Affairs have not been given action plans, containing measurable targets and, as a result, economic counsellors have relied on their own professional experience to determine the scope of their activities.[49]

Overall, several of our interviewees would have liked to see the diplomatic missions in the Western Balkans assume a more proactive role, reach out to Greek companies to learn about their challenges, and coordinate somehow the activities of the Greek business communities. For instance, if large corporations knew the problems of smaller companies, a few of them would have very likely helped the latter with contacts in those countries' governments. At the same moment, our interviewees acknowledged that large Greek companies try to sort their problems on their own and contact the diplomatic missions only if it is absolutely necessary.[50] Indeed, the Greek business community does not share a culture of contacting the Greek Embassy before investing

[42] Interview 10.
[43] Interview 15.
[44] Interviews 14, 26 & 39.
[45] Interview 20.
[46] Interviews 1 & 16.
[47] Interviews 8 & 19.
[48] Interviews 42 & 44.
[49] Interview 46.
[50] Interview 47.

in a country or when there is no problem at all. While several representatives of Greek corporations depicted very positively the diplomatic missions as their 'partners',[51] or as 'part of [their] operations',[52] others remarked that they do not perceive the Greek state as a potential source of support to their international activities.[53] In many respects, the relations between the Greek state and private businesses have not been fully emancipated by negative stereotypes and a mutual lack of trust despite the efforts of reinvigorating economic diplomacy during the last couple of years.[54]

5.1.4 Directorate General for International Development Cooperation

The Directorate General for International Development Cooperation (formerly known as International Development Cooperation Agency) has been relatively inactive since the outbreak of the economic crisis. It has indeed been confined to the delivery of humanitarian assistance. The current Greek government has expressed its intention to reactivate its international development assistance program to which it would strive to allocate 0.3% of the country's GDP according to the National Strategic Plan for Extroversion. In terms of geographical focus, the Greek aid will be channelled to countries of 'geopolitical interest' in the Western Balkans and the Middle East (Hellenic Ministry of Foreign Affairs, 2021: 2). The 2021 National Strategic Plan for Extroversion includes the first two small projects that Greece finances in the Western Balkans. These are the construction of a technical high school in Tirana (cost 2.5 million euro), and the disposal of solid waste from the transfer station of Gevgelija, in North Macedonia (Hellenic Ministry of Foreign Affairs, 2021: 14, 21). Greece has also recently participated in the so-called vaccine diplomacy. It has so far donated more than 1.3 million shots against COVID-19, of which 360,000 doses were directed to the Western Balkans, equally distributed between Albania, North Macedonia, and Bosnia and Herzegovina (Efstathiou, 2021).

5.1.5 Enterprise Greece

Enterprise Greece was established in 2014 through the merger of two state agencies, 'Invest in Greece', whose task was to help attract FDI to Greece, and 'Hellenic Foreign Trade Organisation' which was assigned the promotion of Greek exports abroad. In 2019, Enterprise Greece came under the supervision of the Ministry of Foreign Affairs (Presidential Decree 81/2019). Its mission is two-fold: to provide foreign investors with a one-stop shop for information, consulting, and assistance through every phase of their investment project in Greece, and to promote Greek products and services in international markets. To maximize cohesion in economic diplomacy, the General Secretary of International Economic Relations and Extroversion is double-hatted as President of Enterprise Greece and its Administrative Board as well (article 9, par. 1, Law 4635/2019, Official Gazette A', 167-30-10-2019). The agency's Administrative Board should consult for its work (that aims at boosting exports and attracting more investment) a so-called Council for Extroversion. It is a 9-member organ that, apart from

[51] Interviews 11 & 38.
[52] Interviews 29 & 31.
[53] Interview 3.
[54] Interview 31.

officers from state agencies, includes representatives from the Union of Hellenic Chambers of Commerce and the following business associations: Panhellenic Exporters Association, Greek Exporters Association, Hellenic Federation of Enterprises, and exporters' Association of Crete (article 9, par. 2). To be sure, there are many more business associations who could express their views on exports and investment. As a matter of fact, the President of Enterprise Greece may at his/her discretion also invite in a meeting with the Council for Extroversion additional business association representatives and experts (article 9, par. 2).

The Council of Extroversion will convene for the first time in October 2021 and the President of Enterprise Greece plans to organize sessions four times per year.[55] Overall, it is going to be the main organ where public and private sectors consult each other and coordinate their activities to increase exports and investment.

With respect to prospective investors, the organisation provides information on a variety of issues such as tax and labour regulations, land use, licensing, and relevant financial tools and incentives. It can also assist foreign companies in their search for site location, personnel sourcing, and networking with Greek businesses.[56] Enterprise Greece also supports Greek companies in their effort to export their products in international markets. Its services, among others, include mentoring, promotion of products, and B2B networking. The agency organises business delegation visits abroad, as well as a range of activities to promote internationally Greek products to potential buyers, distributors, and wholesalers. It also delivers analysis of markets and it facilitates business networking in Greece and abroad between Greek producers and potential foreign buyers.[57] In recent years Enterprise Greece has partnered with the Athens Chamber of Commerce and Industry, the Thessaloniki Chamber of Commerce and Industry, and other business associations to organize trade missions and business delegation visits in the Western Balkans in order to increase economic and business interactions between Greece and its northern neighbours.

With respect to the Western Balkans, examples of recent events organized by Enterprise Greece include a conference in February 2019 on 'Development of Greek Exports to the Balkans' (with the support of the Ministry of Foreign Affairs), where speakers included economic counsellors from the Greek Embassies in the region.[58] In addition, two business delegations visits were organized in May and in September 2019 to promote respectively Greek construction products in Serbia and ecclesiastical products in different countries in the region (Enterprise Greece, 2019: 4). Enterprise Greece cooperates with several international organisations such as the International Network for Small and Medium Enterprises (INSME), the European Association of Development Agencies (EURADA), the European Trade Promotion Organisations' Association (ETPOA),

[55] Interview 50.
[56] https://www.enterprisegreece.gov.gr/en/about-us/profile.
[57] Ibid.
[58] https://www.enterprisegreece.gov.gr/en/news/press-releases/exporting-greek-products-and-services-to-the-balkans-enterprise-greece-workshop.

the Startup Europe Region's Network (SERN), and the Working Group of Information Professionals (WGIP).[59]

Enterprise Greece has three sources of finance. First, it receives funds through the state budget (in 2021 it received 16 million euro).[60] Its second source is through strategic investments: when a company submits a strategic investment plan to Enterprise Greece, it pays a fee between 70,000 – 300,000 euro. Last year Enterprise Greece earned about 3 million euro this way. The third source is through the Golden Visa processing fees. [61]

The organisational structure of Enterprise Greece is currently being reviewed, with a view to enhancing and expanding its role greatly.[62] The new plan envisages the creation of two Directorates General for investments and two for trade, as well as the setting up of new divisions including broader internet services to clients, public relations, marketing, and economic and legal services. The number of employees – currently 43 – will subsequently also be expanded and will include experts from a variety of fields and areas of expertise, including economists, lawyers, civil engineers, environmental experts, in order to be better equipped to deal with the broad range of investments as well as export promotions. Finally, Enterprise Greece would try to have a stronger cooperation with the Economic Counsellors abroad, to truly take advantage of their knowledge of the local markets, and their 'on the ground' expertise and connections. Therefore, building strong synergies between Economic Counsellors and Enterprise Greece is a top priority. Ultimately, the goal is for Enterprise Greece to have a large international network.

5.1.6 Export Credit Insurance Organisation

The Export Credit Insurance Organisation is a non-profit private law legal entity organisation that was established in 1988 and came under the supervision of the Ministry of Foreign Affairs in 2019 (Presidential Decree 81/2019). The organisation mainly provides insurance to Greek companies against the commercial and political risk of doing business – trade or services – in foreign markets.[63] The Export Credit Insurance Organisation has a budget of approximately €180 million; it is not financed through the state budget but is self-financing through fees for services rendered.[64]

The organisation is currently in the process of being restructured; it is still operating under the 1988 statute and insures a very low percentage of Greek exports (only about 2 percent).[65] The ongoing organisational restructuring is being pursued in accordance with the SACE prototype, an Italian equivalent institution that provides very low interest credit insurance. Currently, Greek companies have to go to banks for this service, at much higher interest rates. The key objective therefore is to offer security and coverage

[59] https://www.enterprisegreece.gov.gr/en/about-us/stakeholder-network/international.
[60] Interview 50.
[61] Ibid.
[62] Ibid.
[63] https://old.oaep.gr/index.php/en/organization/company-profile.
[64] Interview 50
[65] Ibid.

to the small and medium size exporters who are at a higher risk, as well as to provide guarantees for the larger companies that are dealing with much larger sums/risks. As things stand, many Greek companies do not take risks, do not go after public projects, and are therefore less competitive on international markets. According to Mr. Smyrlis, this new organisation – which should be ready to take on full duties within the next 12 months – is potentially one of the most important institutions in the new plan for extroversion.[66]

5.2 Chambers of Commerce

5.2.1 The Union of Hellenic Chambers of Commerce

The Union of Hellenic Chambers of Commerce (UHCC) was established in 1992. The UHCC and all the member-Chambers operate under the legal form of a Public Law Legal Entity and are under the supervision of the General Secretariat for Commerce of the Ministry of Development and Competitiveness.[67] Today, its membership is comprised of 59 Chambers from the entire country. Greece's three largest cities - Athens, Thessaloniki, and Piraeus - each have three independent Chambers (Commerce and Industry, Handicrafts, and Professionals); throughout the rest of the country, each prefecture has a mixed Chamber that includes all three categories. Membership of all professional traders in a Chamber is mandatory and, thus, the UHCC represents through its network the country's entire business community, consisting of almost 900,000 enterprises.

The UHCC essentially has a dual role: to advise the government on issues of economy and growth, and to promote the interests of its members. Specifically, the UHCC is the main advisor to the government and state authorities on matters of commerce, industry, and development policy. At the same time, the UHCC provides a broad scope of services to its members, including representing them in Greece and abroad, and advising them on matters of strategy and development. Very importantly, Chambers are the exclusive authorities issuing certificates of origin to exporting countries.

The UHCC maintains links with national Chamber Unions in countries with important international economic relations and it is member of international organisations such as the International Chamber of Commerce and Eurochambres. A key priority of the UHCC involves fostering cooperation with the Chamber Associations in the Balkans. The UHCC is a founding member of the Association of Balkan Chambers (ABC), which comprises the national Chamber Associations and Unions of Albania, Bulgaria, Cyprus, North Macedonia, Greece, Romania, and Turkey. Greece indeed held the rotating Presidency of the ABC in 2014.[68] The UHCC aspires to promote economic cooperation in the Balkans and contribute to the EU accession of all countries in the region. Its activities, among others, include assisting Greek businesses develop partnerships in the Balkans, and supporting the efforts of the countries in the region to implement free market reforms.

[66] Ibid.
[67] https://www.uhc.gr.
[68] https://www.uhc.gr/en/leading-role-southeast-europe.

The largest and most important members of the UHCC in terms of impact, reach and influence are the Athens Chamber of Commerce and Industry (ACCI) and the Thessaloniki Chamber of Commerce and Industry (TCCI).

5.2.2 The Athens Chamber of Commerce and Industry

The Athens Chamber of Commerce and Industry was founded in 1919. With 100,000 members, it is the largest Chamber in the country. It is an essential advisor and consultant to the government on issues of trade, industry, and general national economic policy issues. It regularly presents its positions on issues such as economic development, entrepreneurship, vocational training and lifelong learning, and labour market and employment issues in support of corporations.[69]

The ACCI provides services to its members that cover every type of business activity: these include a one-stop shop for entrepreneurs, certificates of origin (which are mandatory for exports), support on financing and exports, links with foreign diplomatic missions in Greece and Greek embassies abroad, legal and consulting services, and access to information and databases. The ACCI also keeps registers on commercial, industrial, and export enterprises, maintains the General Electronic Commercial Register (GEMI), carries out and receives trade missions and organises events and business meetings, keeps its members informed about business news, organises training activities, and provides its members with free electronic services.[70]

According to a Head of Department in the ACCI we spoke to, the organisation cooperates regularly with other Associations and Chambers (such as the Hellenic Federation of Enterprises, the Greek Exporters Association, Federation of Industries of Greece, Enterprise Greece) through bi-monthly meetings under the auspices of the Ministry of Economy and Development in order to assist their efforts for more extroversion and openness.[71]

With respect to the Western Balkans, the ACCI has been very dynamically involved with a variety of activities over the last two years (a period largely marked by the pandemic). For instance, in March 2020, the ACCI organised a business delegation visit in Serbia in partnership with the Greek Exporters Association (SEVE) and Enterprise Greece. The business mission (that was accompanied by the then General Secretary for International Economic Relations and Extroversion, Mr. Grigorios Dimitriadis) included 14 Greek companies and it was carried out with the local support of the Office of Economic and Commercial Affairs of the Greek Embassy in Belgrade, and the Serbian Chamber of Commerce and Industry.[72]

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[69] https://www.acci.gr/acci/articles/article.jsp?categoryid=104&context=103&globalid=18433&articleid=30.

[70] https://www.acci.gr/acci/articles/category.jsp?categoryid=602&context=102.

[71] Interview 32.

[72] https://www.acci.gr/acci/articles/article-views.jsp?context=103&categoryid=203&articleid=22530.

In July 2019 the ACCI, in cooperation with the Office of Economic and Commercial Affairs of the Greek Embassy and the Foreign Trade Chamber of Bosnia and Herzegovina, organized a business delegation visit to Sarajevo, where trade and investment opportunities between the two countries were discussed (*Capital*, 2019). Greek companies representing various sectors (particularly pharmaceuticals, telecoms, manufactures, cosmetics) took part in the mission and met with equivalent Bosnian companies. On that occasion, the ACCI and the Chamber of Economy of Sarajevo Canton signed a Memorandum of Understanding.

The ACCI also played a very important role during the negotiation, signature and ratification process of the Prespa Agreement between Greece and North Macedonia. Specifically, the late Constandinos Michalos - President of the ACCI, President of the Union of Hellenic Chambers of Commerce, and Vice President of Eurochambres - had taken a firm stand in favour of the agreement on many occasions (*iEidiseis*, 2019). Michalos considered the Prespa Agreement a vital step in normalising relations and entrepreneurship between Greece and North Macedonia, one which would have mutual benefits and positive repercussions on the economies of both countries. At an event held at the ACCI in Athens in April 2019, Michalos stressed that the Agreement was also an opportunity for Greece to play a positive and constructive role and to be a force of stability in the region. The same month, Michalos, together with 143 Greek businessmen, accompanied the Greek Prime Minister Alexis Tsipras on his visit to Skopje (Michalopoulos 2019). At the same time, Michalos emphasised that while the ACCI would continue its mission of helping Greek companies explore business and cooperation opportunities in North Macedonia, it was committed to protecting the interests of Greek enterprises in the process. In the early months of 2019, the leadership of the ACCI held discussions with representatives from North Macedonian Chambers, Associations, and other institutions, as well as an unofficial meeting with the Minister of Development of North Macedonia to discuss the smooth implementation of the Agreement, especially the key issue regarding commercial names, trademarks, and brand names. In September 2020, Mr. Michalos directly addressed Prime Minister Zaev and urged him to make sure that the Chamber of North Macedonia changed its name to comply with the spirit of the Prespa Agreement (*Capital*, 2020).

Last, but not least, in July 2021 the ACCI welcomed a delegation from the Kosovo Chamber of Commerce. The networking event between businessmen from Greece and Kosovo was part of an effort to find business opportunities, especially in the sectors of food and beverage, construction, energy, manufacturing, and plastics. Once again, the President of the Athens Chamber emphasised the importance of stability and cooperation for good economic and business relations, as well as the constructive role the Chambers of the region can play (*Reporter*, 2021).

5.2.3 The Thessaloniki Chamber of Commerce and Industry

The Thessaloniki Chamber of Commerce and Industry also plays a very important role in the economic activity of the country, providing its members a wide range of consulting

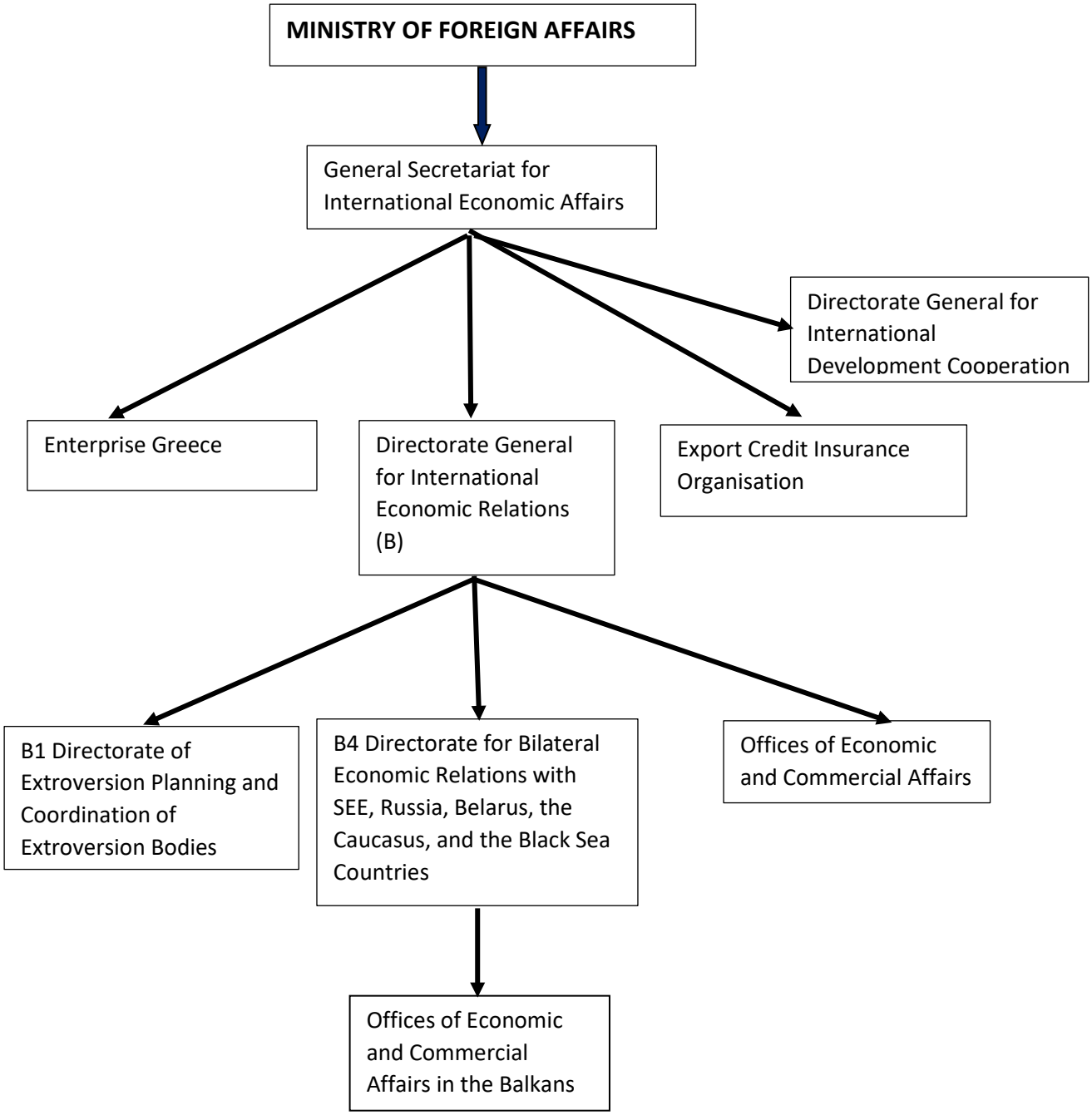
and information services on subjects of interest.[73] It is in regular contact with economic counsellors in Greek diplomatic missions abroad and the corresponding foreign economic diplomats dispatched in Greece, to gather information concerning possible business projects. Moreover, it monitors international economic developments (especially in proximate regions such as the Balkans) and it helps Greek companies find international partners through the organisation of business delegation visits in third counties, in cooperation with the Greek diplomatic missions in these places. It also provides information on emerging business opportunities (e.g. demand of products in third countries) and the organisation of international expos. In addition, it supports the efforts of its members to export their products (e.g., procedures, export documents, certificates of origin, ATA carnets – known as passports for goods) and it organizes training seminars in partnership with the University of Macedonia and Enterprise Greece. What is more, it informs the UHCC about the problems of its members.

According to a Head of Department in the TCCI, in recent years the Chamber has been increasingly called upon to help in dealing with administrative difficulties relating to exchanges with the Western Balkans. These problems usually involve the border crossing points, and they include long processes without transparency in customs, lack of consistency in documentation/ certification requirements (this is particularly the case with Albania), ATA passports as proof of entry/exit of a product.[74] According to the same employee, most of these problems are usually due to the fact that intergovernmental agreements and regulations have loopholes or are open to misinterpretations; therefore, clarification of the legal status quo is mandatory in order for cross border transactions to be facilitated. The TCCI has also been called upon to intervene and deal with problems relating to the use of product brand names 'Macedonia' and 'Macedonian', which continues to be problematic occasionally, due to the fact that the statutes of the Prespa Agreement are not always fulfilled and implemented correctly.

Having briefly mapped out the role of Greek public actors in economic diplomacy towards the Western Balkans, the next chapter turns to the private sector and examines the contribution of business associations to the designation and the performance of the country's international economic relations with the region.

[73] https://www.ebeth.gr/en/pages/categorydescription/cid/10167.
[74] Interview 31.

Figure 1: The State Agencies of Economic Diplomacy towards the Western Balkans



6. Actors and Processes II: Business Associations

The everyday conduct of Greek economic diplomacy is carried out by a plurality of actors, which apart from state agencies and government officials, includes private companies (exporters, investors, and service providers) and their business associations. Out of space consideration, we are just presenting here a few major business associations whose members are engaged in economic activities in the Western Balkans. We examine their operation and how they interact among themselves as well as with private and public actors from Greece and abroad.

6.1 Hellenic Business Associations (Abroad)

Hellenic Business Associations (HBAs) are private non-profit associations of Greek corporations that share the exercise of economic activity as investors in the same (third) country. HBAs invariably strive to protect and advance the economic interests of their members as well as contribute to the growth of economic relations between Greece and the country in which they operate.[1] There are currently three HBAs in the Western Balkans, namely in Albania, Serbia, and North Macedonia.

The ***HBA of Albania*** was established on 1 October 2003.[2] It presently has 25 members out of approximately 675 Greek businesses operating in Albania. Member-companies pay annual fees, which range from 400 to 1,000 euro, depending on their size and turnover.[3] The level of annual fees may deter small businesses from becoming members of the association. To some extent, this has not been a cause of concern for the HBA. As a former President of the Association explained to us, the HBA has been very careful to avoid running the reputation risk of accepting within its ranks members with questionable business practices. As a result, it has been doing some screening of interested corporations and has sought to approve the membership of large trustworthy companies.[4] However, the Association's activities have not attracted the vivid interest of all major Greek corporations in Albania. A few large companies have avoided any involvement with the HBA beyond barely paying their subscription fees.[5] The Association has been organizing very influential annual economic events with the participation of members of the Albanian government. These have included the Greek-Albanian Economic Forums (from 2007 to 2013), the Roundtable of Greek investments in Albania (in 2014) and the three Tirana Economic Forums that have been organized since 2018.[6]

The ***HBA of Serbia*** was established on 3 December 2003,[7] at a time when Greece featured among the two largest investors in the country. While it once had around 100

[1] Interview 1.
[2] https://hbaa.com.al/about-us/.
[3] Interviews 2 & 4.
[4] Interview 5.
[5] Ibid.
[6] https://hbaa.com.al/event/ .
[7] https://gr.hba.rs/about.

members, it currently represents the interests of 70 corporations, which pay an annual subscription between 200 and 1,000 euro.[8] Its budget suffices for the full-time employment of one person and the organisation of a few events, frequently in partnership with other associations.[9] The HBA of Serbia has developed synergies with all major business associations and chambers formed by investors from third countries, such as France, Germany, Italy, Slovenia, and Switzerland.[10] Every few months or so, it organizes B2B meetings and cocktail networking events in partnership with one or more of these associations, in which its members present their activities, explore cooperation opportunities, and seek out project partners.[11] Other activities of the Association have aimed at informing its members about new legislation (e.g. on customs), in partnership with law firms.[12] Three years ago, the HBA explored the prospect of being transformed into a Chamber. Nevertheless, it soon abandoned the idea, as it lacked the adequate resources to move on and found the process too complicated.[13] As a result, like its sister organisations in Albania and North Macedonia, it relies on the personal (volunteer) work of its members, in sharp contrast with its counterparts from European countries, which are established as Chambers, functioning as adequately staffed public institutions aligned to the strategic priorities and the preferences of their countries.[14]

The ***HBA of North Macedonia*** was founded on 26 June 2020 among 16 large Greek corporations.[15] Its belated establishment was mainly due to the name dispute between the two countries.[16] Mirroring the practices of business associations established elsewhere, the HBA of North Macedonia has been raising a 1,000-euro subscription fee from its members.[17]

HBAs are unions of members seeking to find solutions to common challenges. The larger and more numerous an association's members are, the greater its influence is.[18] This is because the constituent members of HBAs are foreign companies that have usually invested substantial amounts of money and offer employment to hundreds of people in the countries of their operation. They also pay taxes and charges locally and their economic activities occasionally require that they interact directly with the political authorities of those countries. In that sense, the HBAs in Albania and Serbia reached the peak of their influence a decade ago, when Greece featured among the two largest investors of those Western Balkan countries and when the Greek banks held large shares of those countries' banking market assets and deposits. It is telling that, at that time, the HBA of Albania had even requested from the Albanian government to nominate a

[8] Interviews 6 & 9.
[9] Interview 9.
[10] Interviews 6, 7, 9 & 11.
[11] Interviews 6, 7 & 11.
[12] Interviews 11 & 12.
[13] Interviews 7 & 12.
[14] Interview 9.
[15] https://hba.mk/about-us/.
[16] Interview 10.
[17] Interview 1.
[18] Interview 3.

minister as a contact person with whom the Association would directly communicate for any pertaining matter.[19] As far as the HBA of Serbia is concerned, some businessmen believe that it had at that period more influence than the Greek Diplomatic Mission in the country.[20]

Membership in an HBA is meant to give corporations a sense of security. HBAs represent a 'first stop' or a 'point of reference' for incoming companies in a country, helping them install and develop activities.[21] Business associations provide information on procedures and legislation (e.g. licenses), and may bring their new members in contact with people and companies who operate in the same field of the economy, from whom they can learn more about obstacles and opportunities.[22] Whenever a company faces a problem with the local authorities, the Association in that country notifies its members to explore whether there are other companies affected as well. The HBA also seeks to ascertain whether any of its members has any knowledge or information to share, coming from similar past experiences.[23] The Association subsequently informs the Greek Embassy about the problem at hand.[24] However, HBAs do not have the resources to offer legal advice. Although HBAs frequently address the local political authorities as well, they are reportedly very weak in terms of networking, lobbying and advocacy.[25] Different CEOs from Greek corporations in Albania and Serbia[26] depicted very pessimistically the influence of HBAs in these countries as 'nominal',[27] 'from marginal to none',[28] and 'below expectations',[29] while the very existence of the HBA has been accounted with the observation that 'it seems to operate because we should have one [association]'.[30] Having said that, we ought to clarify that none of our interviewees criticized the leaderships of these associations or their activities. Indeed, HBA Board Members have frequently not hesitated to use their own personal acquaintances in the countries in question whenever they deemed that a legitimate and reasonable request of a member-company could be satisfied. As already mentioned, the low leverage of HBAs has been explicated by reference to the departure from these countries of many large companies and, notably, most banks.[31] In this regard, to increase their chances of successfully defending their interests, the largest Greek corporations have also become members of other business associations which either represent sectoral interests (e.g. Association of Banks), or have much wider membership such as the Foreign Investors Councils/Associations and the American Chambers of Commerce.[32]

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[19] Interview 5.
[20] Interview 3.
[21] Interviews 1 & 11.
[22] Interview 20.
[23] Interviews 4 & 7.
[24] Interview 4.
[25] Interviews 11, 17 & 20.
[26] In North Macedonia, it is too early to assess the role of the HBA.
[27] Interview 16.
[28] Interview 18.
[29] Interview 17.
[30] Interview 23.
[31] Interviews 18 & 20.
[32] Interviews 5, 11, 14 & 18.

HBAs have developed very close relations with the Greek diplomatic missions in these countries. In Albania, the HBA partnered with the Office of Economic and Commercial Affairs of the Greek Embassy in Tirana for the organisation of seven annual Greek-Albanian Economic Forums (2007-2013), a Roundtable of Greek investments in Albania (in 2014) and a Greek Food Festival (in 2016).[33] In the past, an Economic Counsellor from the Office of Economic and Commercial Affairs of the Greek Embassy in Tirana was commonly invited to attend as observer the HBA Board meetings. The HBA has discontinued that practice to safeguard its independence and its ability to deal with issues that should not concern the Greek diplomatic mission.[34] The HBAs of Albania and Serbia have also supported the organisation of receptions on the 25 March Greek national holiday by the Greek diplomatic missions in these countries.[35] In addition, the HBA of Serbia cooperates with the Greek Embassy for the filling of internship vacancies in its member-corporations.[36] Crucially, the Greek Diplomatic Missions have usually organized meetings of Greek government officials visiting these countries with representatives of HBAs to discuss matters of mutual concern. Still, a representative of a Greek construction company in Albania told us that these sporadic meetings could be more strategically oriented towards the question of fostering the Greek economic presence in the region instead of discussing everyday issues such as the facilitation of the trip to Greece of people during the pandemic.[37]

The Greek state's interest in the work of these associations was best manifested in the establishment itself of the HBA of North Macedonia. It appears that it all started with the initiative of the Greek Diplomatic Mission in Skopje to organize a series of informal meetings with the participation of the largest Greek corporations in the country, so-called Greek Business Roundtables, in which the expediency of creating such an association was discussed. This was indeed not the first time that Greek companies in North Macedonia explored that possibility. A similar attempt had been undertaken a few years ago but did not bring about the expected results due to the emergence of disagreements between the participating companies. Moreover, the name dispute between the two countries had been an insurmountable obstacle on the way to taking such a step. Following the Prespa Agreement and the organisation of Business Roundtables, the Greek Embassy exploited the opportunity of the visit of Mr. Nikos Dendias, Foreign Minister, and Mr. Kostas Fragogiannis, Deputy Foreign Minister for Economic Diplomacy, to Skopje and organized a meeting of them with the representatives of the largest Greek companies in North Macedonia, in which the former prompted the latter to waste no more time in establishing an HBA.[38]

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[33] https://hbaa.com.al/event/.
[34] Interviews 1 & 4.
[35] Interview 7; https://hbaa.com.al/event/.
[36] Ibid.
[37] Interview 16.
[38] Interview 44.

HBAs do not have any formal channel of communication with the Greek state beyond the Diplomatic Missions in these countries. Whenever they need to communicate with the Greek administration, they routinely forward their issues via the Greek Embassies.[39] While HBAs have tried at times to contact Greek state agencies directly, their efforts have not been that successful. For instance, the HBA of Albania had not received any response (at least until the beginning of 2021) to repeated requests addressed to various Greek state agencies for guidance about the pandemic (to issues ranging from quarantine rules to a protocol of managing severe COVID-19 infection cases).[40] To some extent, the Greek public administration might appear too distant and too complex to businesspeople working abroad. To illustrate, a former President of an HBA in the Western Balkans told us that he once had the idea of organizing a training program of local officers in the country of his employment but did not know where to direct himself in the Greek state for assistance.[41] Very importantly, HBAs do not have any links with EU institutions either.[42] As a result, they do not communicate their problems directly to the European Commission and the European Parliament, many of which are about the state of the rule of law and the application of the *acquis Communautaire* in countries with EU accession prospects. Therefore, the level of support HBAs get from the Greek state and the EU institutions largely depends on the efficiency of the diplomatic officers serving in the Greek Embassies in these countries.

HBAs, which were established in different countries, do not usually cooperate or coordinate their activities.[43] Indeed, the Presidents of different Greek business associations/chambers in Southeastern Europe[44] met twice in Thessaloniki, in 2015, upon the initiative of Mr. Athanasios Savvakis, President of the Federation of Industries of Greece (SVE).[45] These meetings resulted in the signing (in the presence of the Mr. Petros Triarchis, then Deputy Secretary General of International Economic Relations of the Ministry of Foreign Affairs) of a Memorandum of Understanding (MoU) for the formation of a 'Network of Hellenic Business Association in Southeastern Europe'. The Network would foster ties among its constituent member-associations and would support the efforts of Greek corporations to launch and expand their business activities in the region.[46] The signatory parties also agreed on several activities such as the creation of a website, the preparation of a registry with all Greek businesses with economic activities in the region, and the organisation of joint events (Arvanitis, 2015).

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[39] Interview 5.
[40] Interviews & 7.
[41] Interview 5.
[42] Interview 14.
[43] Interviews 1, 2 & 6.
[44] These were the following: the Hellenic Business Association of Albania, the Hellenic Business Association of Serbia, the International Council of Investors of the former Yugoslav Republic of Macedonia (representing mainly Greek corporations), the Hellenic Business Council in Bulgaria, the Hellenic-Romanian Chamber of Commerce and Industry, and the Federation of Industries of Northern Greece.
[45] It was then called Federation of Industries of Northern Greece (SVVE).
[46] See Μνημόνιο Συνεργασίας [Memorandum of Cooperation], Thessaloniki, 22 June 2015, p. 2 https://sbe.org.gr/wp-content/uploads/2015/06/0623_%CE%9CoU-%CF%86%CE%BF%CF%81%CE%AD%CF%89%CE%BD-%CF%87%CF%89%CF%81%CF%8E%CE%BD-%CE%9D%CE%91-%CE%95%CF%85%CF%81%CF%8E%CF%80%CE%B7%CF%82.pdf.

Although the network had even established its institutional structure (i.e., an Assembly, a Rotating Presidency and the person who would be its first President),[47] no follow-up meeting or activity has taken place.[48] According to the President of an HBA, the sustainability of such a network is very difficult if there is no common agenda among its members. Not only have very few companies developed activities in all these countries, but also the challenges that the same corporations face in each country are different.[49] Having said that, the utility of such a network in terms of information-sharing, know-how and best practices transfer, and greater visibility and influence in the region is widely acknowledged by all Board Members of HBAs to whom we talked.[50]

HBAs also do not have any systematic cooperation links with Associations and Chambers located in Greece.[51] Paradoxically, there are no synergies between the HBA of Serbia, on the one hand, and the 'Greece-Serbia Chamber of Commerce', or the 'Greek-Serbian Commercial, Tourist, Trade and Industrial Chamber of Northern Greece', on the other. With respect to the 'Greece-Serbia Chamber of Commerce', the leadership of the HBA of Serbia is much more familiar with the own professional activities of the Chamber's President, Mr. Symeon Tsomokos.[52] These include the annual organisation of very successful events (i.e. the Belgrade Economic Forums), which are also attended and supported by Greek companies (e.g. Eurobank has been a grand sponsor). Occasionally, Greece-based Chambers reach out to HBAs and request them to somehow act as hosts when the former plan to send business delegation visits in these countries. However, HBAs are rarely, if ever, contacted by corporations that consider investing in the Western Balkans. In addition, they do not usually receive any calls for assistance by small companies.[53] In any case, it is worth remarking that, while HBAs are formed to offer services to their constituent companies, all three of them have not denied assistance to non-member companies appealing to them.[54] Last, but not least, HBAs may themselves contact corporations in Greece to raise issues of concern. A case in point was the communication of the HBA of Albania with Aegean Airlines to convince the air-carrier to recall its earlier decision of stopping all flights to Albania due to the very low numbers of passengers during the pandemic. Eventually, Aegean Airlines agreed to restore three flights per week.[55] On another occasion, i.e., on the decision of Alpha Bank to close its subsidiary in Albania, the HBA has not so far brought about any results despite all its efforts that even include a direct communication with the Greek Prime Minister's office (*Business Daily*, 2021).

[47] Ibid.
[48] Interviews 5 & 9.
[49] Interview 3.
[50] Interviews 3, 5, 7, 9 & 10.
[51] Interviews 6, 7, 9 & 24.
[52] Interview 9.
[53] Interview 6.
[54] Interviews 1, 4 & 6.
[55] Interview 17.

6.2 Greek-Serbian Chambers

There are two associations carrying the appellation Greek-Serbian Chambers: the ***Greek-Serbian Commercial, Tourist, Trade and Industrial Chamber of Northern Greece (***or ***Greek-Serbian Chamber of Northern Greece***), which is based in Thessaloniki, and the ***Greek-Serbian Chamber of Commerce*** which is based in Athens. The former is an association that has been allowed to use the appellation Chamber by Presidential Decree in 2017, although it had been active for several years (Presidential Decree 81, Official Gazette A', 118/10-08-2017), while the latter was created as such in 2005.[56] While there is very little cooperation and interaction between the two Chambers, they are both committed to the promotion of the bilateral economic cooperation between the two countries.

The Greek-Serbian Chamber of Northern Greece provides support, advice and information for Greek companies that wish to trade and invest in Serbia, as well as Serb companies that wish to build economic relationships and activities in Greece. Through various fora and events, it provides information and an environment for interaction and communication between the interested parties. Examples of recent activities include a visit in February 2020 from a delegation of Serb businessmen from the agricultural sector to Thessaloniki and the Agrotica exposition;[57] a conference on the 'Economic impact of Covid on the Balkan region' in December 2020, with the participation of economic counsellors from the Greek Embassies in Tirana, Belgrade, Skopje, and Sarajevo;[58] and a conference on prospects for the Tourism sector in June 2021, which also included participation from the economic counsellors from the Greek Embassies in Belgrade, Skopje, Sarajevo, Sofia, Istanbul and from the Greek Foreign Ministry.[59]

With respect to the Greek-Serbian Chamber of Commerce (established in Athens), its President, Mr. Symeon Tsomokos, is particularly active in the organisation of a plethora of successful international conferences, fora, and other events - including the Belgrade Economic Forum - which are also attended and supported by Greek companies. It has also been involved in dealing with policy issues such as helping to resolve the avoidance of double taxation problem. It also reportedly facilitated Serb President Vucic's visit to Greece in January 2020.[60] Moreover, the company led by Mr. Tsomokos, SGT, has been particularly active in the organisation of other fora in other Western Balkan countries as well, such as the Tirana Economic Forum[61] and the Skopje Economic Forum.[62]

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[56] Interview 13.

[57] https://www.greekserbian.com/%ce%b1%cf%80%ce%bf%cf%83%cf%84%ce%bf%ce%bb%ce%ae-%cf%83%ce%ad%cf%81%ce%b2%cf%89%ce%bd-%ce%b5%cf%80%ce%b9%cf%87%ce%b5%ce%b9%cf%81%ce%b7%ce%bc%ce%b1%cf%84%ce%b9%cf%8e%ce%bd-%cf%84%ce%bf%cf%85-%ce%b1/.

[58] https://www.greekserbian.com/category/%ce%b5%ce%bd%ce%b7%ce%bc%ce%ad%cf%81%cf%89%cf%83%ce%b7/page/2/.

[59] https://www.greekserbian.com/category/%ce%b5%ce%bd%ce%b7%ce%bc%ce%ad%cf%81%cf%89%cf%83%ce%b7/.

[60] Interview 13.

[61] http://www.tsomokos.gr/tirana-economic-forum-iii.

[62] http://www.tsomokos.gr/1st-skopje-economic-forum.

6.3 Greek Exporters Association (SEVE)

The Greek Exporters Association (SEVE) was established in 1975 as a non-profit organisation. It is the biggest Greek association of exporting companies, having around 750 members. These among others include corporations specialized in manufacturing, distribution, and service delivery. According to a top executive of the Association we spoke to, SEVE's member companies have a turnover of 25 billion euro, 55,000 employees, 16 billion in exports, and account for more than 50% of Greek exports (not counting the indirect members). Following a change of statute, SEVE's membership is no longer confined to Northern Greek corporations.[63]

SEVE's mission includes the promotion of Greek commodities and services abroad, the support of partnerships between Greek companies and their firms in other countries, and the implementation of European financed programmes of interests to its members.[64] SEVE gathers and disseminates information that may help Greek companies develop international activities. It provides consulting services for institutional, legal, and procedural matters. The training Academy of SEVE organizes seminars and education activities for university graduates, businesspersons, and officers of export-oriented companies. SEVE's Institute for Export Research and Studies, established in 1991, draws data from the Hellenic Statistical Service (ELSTAT) and produces widely disseminated studies and reports on the regional distribution of Greek exports.[65]

Concerning activities and interaction with the Western Balkans, a high executive officer of SEVE told us that the interest of its members in the region is meagre since the market is small and procedures often unpredictable and complicated; they therefore tend to orient their interests elsewhere, even towards more faraway markets that do not have these difficulties.[66] According to the SEVE executive officer, Greek exporters turn to the Western Balkan market only if they cannot go elsewhere, or to sell products that they cannot sell elsewhere. The Western Balkan market is also a good solution for small exporting corporations that do not have a larger reach. Ironically, although the countries of the Western Balkans are geographically close, the inherent problems in the transactions – including problems with border crossings, documentation, inconsistent regulations at customs, non-implementation of EU rules – counterbalance the geographical proximity advantage and make them 'appear far away'.[67]

SEVE tries to contribute to 'building bridges' with these countries, having recently organised three business delegation visits in Skopje and one in Thessaloniki. SEVE collaborates very closely and effectively with the economic counsellors in the region, and there is reportedly a daily communication with the General Secretariat for International Economic Relations and Extroversion. According to another high-ranking

[63] Interviews 33 & 34,
[64] https://www.seve.gr/en/our-mission/.
[65] https://www.seve.gr/en/our-activities/.
[66] Interview 34.
[67] Ibid.

executive officer we spoke to, SEVE has a specialized office to help exporters resolve problems relating to transactions with the Western Balkans.[68] Although trade volume is small, it is a traditional destination and favoured especially by smaller exporters. SEVE also has observatories of exports in all these countries, which follow and record a variety of indices, including which products advance well, which products are not advancing well, which products replace them, who imports Greek products and which products these are, updates on mergers, purchases of corporations, price of sale etc. SEVE also publishes guides for exports to each country, and follow trends on packaging, health and safety, prices etc. Both representatives agreed that the Greek brand name should be strengthened in these countries, that Greek businesses should have a constant and stable presence in the region, but also that more support is needed from the state to deal with specific problems (e.g. borders).[69]

6.4 Panhellenic Exporters Association

The Panhellenic Exporters Association (PEA) was created in 1945 to represent all Greek Exporters. It claims (in its website) to be the main export organisation in Greece, having as members export-oriented companies, cooperatives, and organisations across different sectors of trade activity and from all over the country. The association promotes export activity and the interests of exporting enterprises. Crucially, it also aids potential importers in third countries to get familiarized with the Greek export production, to find the products they are looking for and to get in contact with the Greek companies who produce them. It provides vocational training and seminars covering export-related issues.[70] PEA has an extensive database including figures for Greek exports to all countries around the world for all products analytically, as well as data on the performance of all Greek products on the international market.[71] The association acts as a representative for its members, informing the Greek state authorities and relevant international organisations about their export-related problems. PEA also does advocacy and expresses its views on public policy making with respect to export-related issues, striving to influence decision-making.

6.5 Federation of Industries of Greece (SBE)

The Federation of Industries of Greece (SBE) was established in 1915. It articulates proposals for the improvement of Greece's economic competitiveness and the advancement of its economic development. Its members comprise industrial organisations and manufacturing companies. According to its statute, the mission of SBE includes promoting the interests of its members, contributing to Greece's general economic, social, and cultural development, promoting private economic initiatives, encouraging Greek businesses to partner with companies in the Balkans and the Black Sea region, advancing the centrality of Greece in the Balkan economic environment, and establishing economic links with Greek expatriates.[72] SBE is actively involved in the

[68] Ibid.
[69] Interviews 33 & 34.
[70] http://www.pse.gr/node/141.
[71] http://www.pse.gr/node/143.
[72] https://sbe.org.gr/en/sbe-mission/.

national policy-making process and social dialogue. Its leadership meets regularly with the government officials and representatives of all parties in Parliament to elaborate on the positions and proposals of SBE concerning regional industry development and Balkan co-operation. SBE also consults with EU officials and with representatives of different public and private actors (such as Chambers and other business associations) from Greece and abroad. SBE also organizes business delegation visits abroad and participates in various activities with a focus on the EU and the Balkans. It conducts research and produces studies, promotes new technologies, provides legal support, and promotes labour legislation reform.

6.6 Greek Association of S.A. & Ltd companies

The Greek Association of S.A. & Ltd companies was founded in 1922. It consists of very diverse corporations representing different sectors and sizes (mostly small and medium size enterprises) and represents a large array of interests. The Association offers consultation services, e.g. representing all members during processes of legislation change on S.A., acting as a pressure group in the deliberations for the new legal framework. The Association is an auxiliary advisory instrument for corporations; it has a very strong legal department on matters of interest to its members, including labour and tax issues. The Association also offers mediation services between corporations; it has a centre of international mediation and arbitration - in partnership with an equivalent British agency - through which it offers training on mediation. It provides training programs for businesspersons through seminars, lectures, and publications, and publishes a newsletter that *inter alia* analyse national and EU legislation. Through conferences, seminars, workshops and various events, the Institute of International Economic Relations – which is a constituent part of the Association - aims at bringing together businessmen, decision-makers, and academics as a forum where constructive synergies can be developed.[73]

The Association also acts as an advisor to its members who want to engage in business activity in the Western Balkans, especially where legal issues are concerned. A high-ranking executive officer of the Association we spoke to, outlined the key challenges their members face on this front: first and foremost is the poor communication between the private sector and the state. In fact, the interviewee said that the main reason Associations have been established was to fill the gap that Diplomatic Missions have failed to fulfil, since (in his/her opinion) the Diplomatic Missions fail to function as commercial representatives, as is the case in other countries.[74] According to this interviewee, a permanent functional mechanism of cooperation and dialogue between Associations and decision-makers is needed: the Greek Association of S.A (including the Institute of International Economic Relations), SEVE, Export Associations, and other regional associations should all participate in the dialogue with ideas and recommendations.[75]

[73] Interview 38.
[74] Interview 39.
[75] Interview 39.

Overall, a variety of associations have been established that promote the interests of their members and offer to them different services ranging from the supply of information and training to mentoring, advocacy, representation, and networking. While the HBAs have been formed to protect and support Greek investors abroad, all other associations are primarily oriented towards the promotion of Greek exports and partnerships between Greek and foreign businesses.

7. Concluding Remarks – Policy Recommendations

This study examined Greek economic diplomacy with a focus on its conduct in the Western Balkans over the last few years. Its starting premise was the assumption that there is a plurality of state agencies and private actors who get involved in Greece's international economic relations, each of them with its preferences and perspectives and its own distinct role in policy-making. Thus, the study approached Greek economic diplomacy as the outcome of countless more or less coordinated but also random activities and interactions among a diversity of actors.

The second and third chapters analysed Greece's international economic relations with the Western Balkans (specifically trade and investments) from a comparative historical perspective and showed how the Greek economic footprint has varied over time, across country and type of activity. Very importantly, the third chapter showed that while Greece's trade relations with these countries have reached the pre-crisis levels during the last couple of years, Greek FDI in the region has continued to shrink. Still, the Western Balkans continue to be very important for Greek investors and traders alike.

The fourth chapter discussed the main challenges that Greek companies (investors, service providers and exporters) face in their everyday business activities in the region. These mainly relate to the weakness of local rule of law institutions, the prevalence of endemic corruption and of a sizeable grey economy, and the persistence of protectionist practices in public procurement and in imports. Interestingly, most of these problems do not complicate the economic activity solely of Greek corporations, but also of most foreign companies, including those coming from countries with consolidated rule of law institutions that are not accustomed to navigating such a business environment.

The fifth chapter examined the state bureaucracy that is involved in economic diplomacy towards the Western Balkans, which consists of a configuration of state agencies with distinct and largely complementary roles. This chapter demonstrated that starting in 2019 the Greek state has launched a process of restructuring and reinvigorating economic diplomacy. While certain positive steps have already been registered (i.e., transfer of full jurisdiction for economic diplomacy to the Ministry of Foreign Affairs, outline of a national strategic plan for extroversion in partnership with the private sector, revival of international development cooperation agency etc.), the policy overhaul has not been completed, with some changes only just having taken place. Therefore, the impact of contemporary policy reforms cannot be fully assessed yet. Still, the presentation of these changes (even if some are yet on paper) is crucial to comprehend how economic diplomacy is planned to work henceforth.

The sixth chapter presented a few of the most important private actors (business associations) that are engaged in Greek economic diplomacy towards the Western Balkans and analysed their individual role and interaction with other Greek and foreign actors. Overall, the study demonstrated that the plethora of public and private actors that get involved in Greek economic diplomacy towards the Western Balkans frequently

cooperate and strive to coordinate their activities. However, their cooperation is on an *ad hoc* basis, dependent on the context and the field experience and commitment of the people involved on each side. Greek economic diplomacy towards the region will be enriched if certain aspects of it (such as processes and diplomatic work) get reinforced and systematically organized. The next few paragraphs articulate some ideas and policy recommendations for the improvement of the performance of Greek economic diplomacy.

Economic diplomacy requires continuity. Its supporting structures should be consolidated to be able to take advantage of the experience that its institutions accrue through their everyday work. The track record of radically revising the economic diplomacy's administrative framework (e.g. by transferring jurisdiction from one ministry to another) following changes of government is noncomprehensive, to say the least. The decision to bring multilateral economic diplomacy under the roof of the Ministry of Foreign Affairs promises to give some cohesion to Greek diplomacy, whose absence was evident in the recent past.

The advancement of Greek economic interests in the region requires that Greek government officials remain in regular contact with their counterparts from these countries. The practice of touring the Western Balkans every four years or so has not contributed to improving diplomatic relations with these countries.[1] The current leadership of the Ministry of Foreign Affairs has so far paid regular visits to the region. For instance, since assuming office in mid-2019, the Greek Minister of Foreign Affairs has already travelled to Kosovo twice. Notwithstanding the importance of such visits, the utilization of their full potential depends on the organisation of follow up contacts between Ministers with different portfolios (e.g., energy, transport, tourism, and culture) from Greece and these countries to advance cooperation in specific fields of activity.[2] Enhancing and improving interstate contacts across different sectors and policy fields would bring Greece and its Western Balkan neighbours even closer and would contribute to increasing international economic relations.[3]

There are many areas where Greece's cooperation with its northern neighbours is lagging. First, the legal framework for the regulation of relations is incomplete. Greece has not concluded agreements for the avoidance of double taxation with Kosovo (whose independence it has not recognized), but also with Montenegro and North Macedonia.[4] Paradoxically, in the absence of such an agreement between Athens and Skopje, the position of Greek investors in North Macedonia has deteriorated since the signing of the Prespa Agreement. While the investment risk in the country has diminished, stimulating the interest of foreign businesses, the Greek investors have been in a disadvantaged position due to their over-taxation.[5]

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[1] Interview 6.
[2] Interview 47.
[3] Interview 6.
[4] Interview 22.
[5] Interview 10.

The fostering of interstate cooperation would also help Athens put more consistently on the table all administrative and custom-related problems that Greek businesses face in the region.[6] For instance, Greek Chambers of Commerce are interested in establishing a channel of communication with the custom authorities of Western Balkan countries that would help the two sides manage any emerging problems (e.g. on ATA Carnets). In this way, the Greek Chambers may also get the chance to transfer knowledge and know-how through the organisation of training seminars for custom officers of these countries.[7]

Athens should also advocate for the improvement of the region's antiquated transport infrastructure, including the obsolete railway network.[8] Greece could improve its own connectivity to the Western Balkans by supporting the establishment of regular direct flight connections between Athens and all capitals in the region.[9] The short period of time in 2019 when there were direct flights between Greece and Bosnia and Herzegovina confirmed that the improvement of air connection between two countries increases people-to-people contacts and the corresponding flows of tourists. Moreover, if Greece upgrades the Thessaloniki-Evzoni motorway, it will improve road connectivity with Skopje, Pristina, and Belgrade.[10]

With respect to Greek investors in the region, the state should stop treating them with suspicion as tax evaders who do not care about generating employment in Greece.[11] The legislation concerning the right of Greek people to enter the country with cars having foreign license plates should be unambiguous and leave no room for divergent interpretations among custom officers in different crossing points.[12] Indeed, for many companies, the policy of regional expansion is driven by a quest for acquiring a 'breathing space', whose defence is critical to preserve their position in the Greek domestic market.[13] A case in point is the role that the subsidiaries of Greek banks in the Balkans played during the economic crisis, when their gains contributed to improving the position of their mother companies in Greece.

In the Western Balkans, the Greek diplomatic missions and business communities have identified several fields of economic activity where major opportunities are presented. For instance, there are expectations for large projects on energy and environmental management, while there is a boom in the construction sector of most of these countries.[14] There are also opportunities in the retail agri-food market and in tourism. Whereas large companies have the know-how to detect these opportunities and

[6] Interview 3.
[7] Interview 34.
[8] Interview 39.
[9] Interview 32.
[10] Interview 47.
[11] Interviews 3, 6 & 31.
[12] Interview 6.
[13] Interview 22.
[14] Interviews 19, 20 & 24.

estimate the anticipated gain from their potential involvement, small companies usually do not know how to navigate this environment.

The expansion of Greece's economic relations with these countries requires the production of a greater number of sectoral studies on specific fields of activity per country, to properly inform producers and prospective investors and help them get adequately prepared.[15] To be sure, diplomatic missions endowed with limited resources cannot undertake such an additional workload. To perform that role, diplomatic missions should contain properly staffed Offices of Economic and Commercial Affairs with at least two dispatched economic counsellors, supported by local officers. Unfortunately, this is not the norm in all Greek diplomatic missions in the Western Balkans.[16] A substantial increase in the number of economic counsellors employed (and dispatched abroad) by the Ministry of Foreign Affairs would definitely contribute to the improvement in the performance of Greek economic diplomacy. It is almost self-evident that diplomatic missions with a single or no economic counsellors cannot advance such demanding economic diplomacy objectives. In the meantime (and considering budget restrictions), the Ministry of Foreign Affairs may resort to the practice of soliciting the production of such studies from local research institutes and think-tanks in the countries of interest.[17] The optimal solution might perhaps be to link Offices of Economic and Commercial Affairs with Enterprise Greece closer. While the former have the advantage of field presence and familiarity with diplomacy, the latter has greater resources and more specialized knowledge of the traits of Greek export-oriented companies. In this respect, dispatching officers of Enterprise Greece (once its staffing increases) to countries for shorter or longer periods of time may help produce a greater number of specialized reports. Enterprise Greece may charge a fee for preparing such studies on demand (e.g., upon the request of business associations, or individual companies) and use that revenue to finance its activities. Assigning a reporting role to Enterprise Greece may also help economic counsellors dedicate greater time on other aspects of their work such as networking where many Greek businesses expect greater support.

The output of diplomatic missions varies across time and space and is largely dependent on the performance of people dispatched in these locations. Performance disparities are easily observable in the agora.mfa.gr website (the website of the General Secretariat) where Offices of Economic and Commercial Affairs with similar number of diplomatic officers have different reporting frequencies. The same variations of output also exist in the work of Directorates in the Ministry of Foreign Affairs. To improve the efficiency of their work, diplomatic officers serving in all posts should receive very clear directions, with specific targets and expected output, measured in terms of key performance indicators (e.g., number of activities, reports, and contacts).[18] For instance, the annual reports of the Offices of Economic and Commercial Affairs could be shorter and could follow a more reader-friendly template (with the introduction of interactive content)

[15] Interview 3.
[16] Interview 43.
[17] Interview 40.
[18] Interviews 8, 19, 20, 30 & 44.

that would render them more accessible to a wider non-specialized audience.[19] The Ministry may also consider introducing a system of rewards for the most dynamic and efficient officers to augment incentives for outstanding performance.[20] The guidance of officers should also commence in the Ministry of Foreign Affairs at the very moment of their assignment to a new post. Relying almost entirely on the briefing of a predecessor officer in each post does not suffice to prepare an economic counsellor to assume duty in a different country with its particular business environment. Moreover, the conduct of diplomacy and problem-solving should not depend exclusively on the diplomatic officer's own experience and judgement. The Ministry may consider developing standard operating procedures to guide diplomatic work abroad.[21] It should also equip Offices of Economic and Commercial Affairs with an adequate budget to carry out activities.[22] Unsurprisingly, understaffed diplomatic missions, lacking the necessary resources and proper guidance may lose interest and motivation to carry out their work.[23]

Economic diplomacy is not an exclusive state affair. In our interconnected world, private actors participate actively in international economic relations. Their activities impact not only their corporate brand names but also the image of their countries of origin. In this respect, Greek companies should be 'responsible corporate citizens' who follow sustainable practices and do not neglect to develop corporate social responsibility programs in the Western Balkans. The Greek state could consider establishing a distinct Corporate Social Responsibility division in the B Directorate of the Ministry of Foreign Affairs that could support such practices and play a coordinating role among different corporate activities.[24]

Considering the plurality of actors who get involved in international economic relations, the performance of economic diplomacy heavily depends on continuous networking and coordination. Regular visits by Greek high ranking government officials empower the Greek diplomatic missions in the countries of their operation. The active networking of Greek diplomatic officers with the host country's authorities may ease the Greek companies' access to these markets and may contribute to defending them in case of problems.[25] In addition, the organisation of a structured process of regular consultations between the state and the business community would help the former get fully acquainted with the entirety of the latter's preferences and integrate those preferences' promotion in their policies. At the same moment, informing the business community of the state's positions increases the likelihood that the former would take into consideration and support the latter's priorities in their business activities.[26] In this respect, consultations between public and private actors should be systematic and take

[19] Interview 42.
[20] Interviews 19 & 30.
[21] Interview 19.
[22] Interviews 43 & 44.
[23] Interview 44.
[24] Interview 46.
[25] Interviews 16, 19, 24 & 30.
[26] Interview 41.

place at different stages of policy making (e.g., planning and implementation), and across different sectors of economic activity.[27] An institution such as the Council for Extroversion could assume a more central role (once it becomes operational) with more responsibilities and a greater spectrum of activities (e.g. with the inclusion of tourism and Greek investment abroad as well). Its membership may perhaps proportionately enlarge with the addition of a few more business associations. In addition, the Ministry of Foreign Affairs could reintroduce the practice (followed in the past by then Directorate B8) of organizing information activities with the participation of economic counsellors and business representatives. Reportedly, these meetings resulted in fresh expressions of business interest in countries where the participating economic counsellors were dispatched.[28] Moreover, Greek companies intending to bid for EU-financed projects in these countries should inform the diplomatic missions in place as there is an EU informal norm of making sure that companies from all interested EU members get a market share.[29]

The growth of exports requires more synergies as well as an improved coordination between private actors. For instance, many Greek companies are small producers who do not know much about processing and branding. Moreover, they find it difficult to confront all the bureaucratic and administrative obstacles mentioned above, and the administrative process of becoming an exporter can look overwhelming to them. Very importantly, their small production does not suffice to guarantee a constant supply of goods throughout the year. As a result, they end up struggling to sell their products in bulk (e.g., wheat in sacks and olive oil in tanks) at very low prices.[30] These companies would increase the value of their products (and their corresponding profits) if they joined forces in associations that would have the necessary means to receive professional assistance in processing and marketing. Thanks to the greater quantity of their (collective) production and the improved processing of their products, they may be able to reach out to the main distribution companies that serve the Western Balkans and promote their commodities as delicatessen in supermarket operators.[31] There is indeed an excessive production in Greece and there are 'unmet consumer needs' in the Western Balkans for quality products.[32] Although these markets feature consumers with weak purchasing power, they have the advantage of giving an opportunity to small Greek companies - that cannot satisfy a larger demand or stand in competition against greater corporations - to commence export activities.[33] In other words, small Greek exporters may not have fully appreciated the business opportunities presented in the region, especially in the less obvious markets of Kosovo, Montenegro and Bosnia and Herzegovina.[34] In terms of logistics, Offices of Economic and Commercial Affairs in collaboration with Chambers and the main international transportation companies may

[27] Interviews 14 & 32.
[28] Interview 44.
[29] Interview 21.
[30] Interview 34.
[31] Interview 19.
[32] Interview 17.
[33] Interview 38.
[34] Interview 19.

create and monitor some sort of truck schedule to take advantage of return cargoes (i.e., trucks returning empty after unloading to their destinations), thus diminishing transportation cost and increasing efficiency.[35]

With respect to foreign investments, representatives of Hellenic Business Associations could share their experience and knowledge as speakers in sporadic information activities (e.g. webinars) about the business environment and the opportunities presented in the countries of their operation. The growth of membership of HBAs would also increase their own influence in these countries. Moreover, expanding and strengthening coordination among Hellenic Business Associations in the Balkans would help them exchange information and best practices that would improve their efficiency.

The advancement of Greek economic diplomacy goals does not only require the coordination of activities among all relevant Greek actors. It also necessitates that these actors reach out to their counterparts from other countries to join forces and increase their efficiency. For instance, the Greek diplomatic officers should always engage the EU institutions and other EU member-states when Greek companies face challenges in the Western Balkans relating to the operation of rule of law institutions, or obligations deriving from their Stabilization and Association Agreements. Greek corporations should also seek membership in sectoral associations (e.g. associations of banks) in the countries of their operation, as well as in larger Chambers and Associations where other like-minded foreign corporations are also members, such as the American Chambers of Commerce and the Foreign Investors Councils. Furthermore, Greek Chambers of Commerce should regularly be represented in meetings of international associations of chambers such as the International Chamber of Commerce and Eurochambres, to coordinate activities with Chambers of Commerce from other countries sharing the same concerns.[36]

Economic diplomacy does not only concern trade and investments. It encompasses a variety of linkages between countries, and it presupposes a policy coordination among different state agencies. The revival of the Greek development cooperation agency that would finance projects in the Western Balkans would increase the country's economic influence in the region.[37] Another idea worth exploring might be assigning the full responsibility for the promotion of tourism to Greece to the economic diplomacy structures.[38] Offices of Economic and Commercial Affairs are already performing this role in most countries around the world where the Greek National Tourism Organisation (GNTO) does not have an office. In the Western Balkans, the GNTO has only one office in Serbia, that is managed remotely by the GNTO office in Vienna.

To sum up, while the Greek state has made a consistent effort to reinvigorate its economic diplomacy towards the Western Balkans during the last of couple of years,

[35] Interview 17.
[36] Interview 34.
[37] Interview 24.
[38] Interview 19.

there is still much room for actions by both public and private actors to increase the country's economic relations with the region.

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Union of Hellenic Chambers of Commerce: https://www.uhc.gr

Annex 1: List of Interviewees

High Ranking Executive Officers (Chairmen, CEOs, Directors, Managers) of Corporations and of Hellenic Business Associations operating abroad.

1. High Ranking Executive Officer of a Greek company; Member of the Board of Directors of a Hellenic Business Association, via video-conference, 12/01/2021.
2. High Ranking Executive Officer of a Greek company; Member of the Board of Directors of a Hellenic Business Association, via video-conference, 12/01/2021.
3. High Ranking Executive Officer of a Greek company; Member of the Board of Directors of a Hellenic Business Association, via video-conference, 19/01/2021.
4. Senior Officer in a Hellenic Business Association, via video-conference, 19/01/2021.
5. Former High Ranking Executive Officer of a Greek company; Former Member of the Board of Directors of a Hellenic Business Association, via video-conference, 19/01/2021.
6. High Ranking Executive Officer of a Greek Company; Former Member of the Board of Directors of a Hellenic Business Association, via video-conference, 28/01/2021.
7. High Ranking Executive Officer of a Greek company; Member of the Board of Directors of a Hellenic Business Association, via video-conference, 28/01/2021.
8. High Ranking Executive Officer of a Greek company; Member of the Board of Directors of a Hellenic Business Association, via video-conference, 29/01/2021.
9. Former High Ranking Executive Officer of a Greek company; Former Member of the Board of Directors of a Hellenic Business Association, via video-conference, 29/01/2021.
10. High Ranking Executive Officer of a Greek company; Member of the Board of Directors of a Hellenic Business Association, via video-conference, 05/02/2021.
11. High Ranking Executive Officer of a Greek company; Member of the Board of Directors of a Hellenic Business Association, via video-conference, 08/02/2021.
12. Regional Manager for the Western Balkans of a foreign company; Former Member of the Board of Directors of a Hellenic Business Association, via video-conference, 09/02/2021.
13. High Ranking Executive Officer of Greek company, via video-conference, 15/02/2021.
14. High Ranking Executive Officer of a Greek company, via video-conference, 17/02/2021.
15. High Ranking Executive Officer of a Greek company, Member of the Board of Directors of a Hellenic Business Association, via video-conference, 22/02/2021.
16. High Ranking Executive Officer of a Greek company, via video-conference, 04/03/2021.
17. High Ranking Executive Officer of a Greek company, via video-conference, 04/03/2021.
18. High Ranking Executive Officer of a Greek company, via video-conference, 12/03/2021.

19. Regional Manager for the Western Balkans of a foreign company, via video-conference, 16/03/2021.
20. High Ranking Executive Officer of a Greek company, via video-conference, 17/03/2021.
21. High Ranking Executive Officer of a Greek company, via video-conference, 31/03/2021.
22. High Ranking Executive Officer of a Greek company, via video-conference, 09/04/2021.
23. High Ranking Executive Officer of a Greek company, via video-conference, 14/04/2021.
24. High Ranking Executive Officer of a Greek company, via video-conference, 21/04/2021.
25. High Ranking Executive Officer of a Greek company, via video-conference, 23/04/2021.
26. Regional Manager for the Balkans of a Greek company, via video-conference, 23/04/2021.
27. High Ranking Executive Officer of a Greek company, via video-conference, 23/04/2021.
28. High Ranking Executive Officer of a Greek company, via video-conference, 28/04/2021.
29. Director of Department in a Greek company, via video-conference, 09/06/2021.
30. Director of Department in a Greek company, via video-conference, 09/06/2021.
31. High Ranking Executive Officer of a Greek company, via video-conference, 17/06/2021.

High Ranking Executive Officers (Chairmen, Directors, Managers) of Chambers and Business Associations operating in Greece.

32. High Ranking Executive Officer of a Greek company; Member of Board of Directors of a Business Association in Greece, via video-conference, 18/06/2021.
33. High Ranking Executive Officer of a Greek company; President of a Chamber, via video-conference, 09/02/2021.
34. Head of Department in a Chamber of Commerce and Industry, via video-conference, 11/05/2021.
35. Head of Department in a Chamber of Commerce and Industry, via video-conference, 11/05/2021.
36. Head of Department in a Chamber of Commerce and Industry, via video-conference, 11/05/2021.
37. Senior Officer of a Business Association in Greece, via video-conference, 12/05/2021.
38. President of a Business Association in Greece, via video-conference, 12/05/2021.
39. Vice President of a Chamber of Commerce and Industry, via video-conference, 19/05/2021.
40. Director of a Research Institute, via video-conference, 11/06/2021.
41. High Ranking Executive Officer of a Greek company; President of a Business Association in Greece, via video-conference, 14/06/2021.

Diplomatic Officials and Officers.

42. Member of a Greek Diplomatic Mission in the Western Balkans, via video-conference, 06/07/2021.
43. Member of a Greek Diplomatic Mission in the Western Balkans, via video-conference, 06/07/2021.
44. Member of a Greek Diplomatic Mission in the Western Balkans, via video-conference, 16/07/2021.
45. Member of a Greek Diplomatic Mission in the Western Balkans, via video-conference, 19/07/2021.
46. Member of a Greek Diplomatic Mission in the Western Balkans, via video-conference, 19/07/2021.
47. Member of a Greek Diplomatic Mission in the Western Balkans, via video-conference, 05/08/2021.
48. Senior Diplomatic Officer in the Ministry of Foreign Affairs, via video-conference, 22/09/2021.
49. Senior Diplomatic Officer in the Ministry of Foreign Affairs, via video-conference, 27/09/2021.
50. Mr. Ioannis Smyrlis, General Secretary of International Economic Relations and Extroversion, via video-conference, 05/10/2021.