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ДЕТЕРМИНАНТИ НА ГРЪЦКИТЕ ПРЕКИ ЧУЖДЕСТРАННИ ИНВЕСТИЦИИ В БАЛКАНСКИЯ РЕГИОН (НА ПРИМЕРА НА ГРЪЦКИТЕ ПРЕДПРИЕМАЧИ В БЪЛГАРИЯ)

DETERMINANTS OF GREEK FDI OUTFLOWS IN THE BALKAN REGION (THE CASE OF GREEK ENTREPRENEURS IN BULGARIA)

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Abstract: Greece and Bulgaria have had trade relations for centuries, mainly because of their geographic proximity, cultural closeness, similar Balkan business mentality, and common religious beliefs. The people of Bulgaria have always admired Greek traders. That the two countries were historically related in the Byzantine and Ottoman empires brought them even closer. The communist regime and the cold war between Eastern Europe and Western countries deactivated relations, but after the fall of communism, trade recovered significantly, and the two countries are currently on very good terms. There are many more reasons why Greek small and medium enterprises (SMEs) and large firms are so economically active and welcome in Bulgaria, as well as in other southeast European countries (SEECs) such as Albania, Former Yugoslav Republic of Macedonia (FYROM), Serbia and Montenegro, and Romania. Greece is a member of the European Union and the Economic and Monetary Union (EMU).

Key Words: entrepreneurs, foreign direct investment, causes of accumulation, potential motives, barriers

1.1 Greek Entrepreneurs in Bulgaria During the Transition Years

The Greek business presence in Bulgaria started in 1992, and it is possible to distinguish six time periods. The main characteristic of the first period, between 1992 and 1994, was the ability of Greek firms to obtain quick and easy profit. The Central and Eastern European (CEE) market in general was viewed as an El Dorado; over 500 small entrepreneurs, most of which never activated their businesses, registered for entry in the Bulgarian market by paying a trivial amount. The core activities of these vendors and traders focused on food products, clothing, and footwear, and exporting industrial products, such as scrap, sheet metal, and building iron. Several large companies started to carry out the first market research programs and established representative offices. Exports to Bulgaria of final food products increased.

The second period, from the end of 1994 (after the first economic crisis in Bulgaria) until well into 1995, was mainly characterized by the entry of significant Greek firms into the Bulgarian market. These firms targeted their business activities in food products, durable consumer goods, and the services sector. On a smaller scale, Greek industrial activity focused on the manufacturing industry, trade activities, and recreation services.

In the third period, from 1996 to 1997, though a significant number of new Greek companies registered in Bulgaria, they did not actually become active, due to two more Bulgarian economic crises, which took place in 1996 and early 1997. Some Greek entrepreneurs withdrew their businesses altogether.

In the fourth period, from mid-1997 until 1998, the situation improved, and the country tried to become politically stable. With a fixed exchange rate, a currency board,

and a significantly lower inflation rate, most of the remaining larger state owned and privately owned Greek companies slowly overcame their fears. Larger firms distinctly predominated, and vertical and horizontal joint ventures were created, focusing again on food products, beverages, durable consumer goods, and services.

The fifth period, from 1998 to 2000, was characterized by intense interest from major Greek banks in participating in the Bulgarian market, through acquisitions and participation in Bulgarian privatization programs (Bitzenis 2002b; 2004a).

In the sixth period, 2001 to the present, economic and political stability in Bulgaria, together with difficulties that arose in the Greek business environment, have made entrepreneurs look to Bulgaria as a feasible business destination. Some Greek companies lost their competitive advantage, such as low production cost, when Greece became an EMU member and the euro was introduced. Greece became more expensive than its neighbours, such as Turkey and the entire Balkan region. Furthermore, as competition increased and the market became saturated in specific sectors in Greece, many Greek SMEs finally entered the Balkan region, especially Bulgaria, Albania, Serbia and Montenegro, Romania, and FYROM.

1.2 Causes of Accumulation of Greek Companies in the Balkan

There are many reasons for the great accumulation of Greek entrepreneurs in the Balkan region, especially in Bulgaria. According to Salavrakos and Petrochilos (2003: 332), the main determinants of Greek outward foreign direct investment (FDI) in the CEE region are as follows:

- the position of Greece as the most economically advanced country in southeast Europe and the Black Sea basin.
- the breakup of the former Soviet Union, the new geography of Europe, restructuring, and privatization.
- the transition of the old command economies into market economies, and the openness of these economies (thus receiving FDI flows).
- people and governments of this region welcoming the Greek presence, regarding it as a useful means to closer economic integration with Western economic structures.
- lengthy Greek presence and entrepreneurial activity in these countries.

Iammarino and Pitelis (2000) focus on Greek outward FDI in Bulgaria and Romania, reporting the following motivations in order of importance: expected economic growth, geographical location, investment incentives, labour costs, increased domestic market share, and increased regional market share. Less important FDI motivations were proximity to the EU market, raw materials, and cultural similarities. The main constraints and risks for investors undertaking production activities were bureaucratic and administrative constraints, business infrastructure constraints, legislative constraints, general economic climate constraints, an incoherent and unstable legal system, and high investment risk.

Other studies, such as those by Labrianidis (1997a; 1997b), add the Greek mentality for quick and easy profit as a determinant for the great accumulation of Greek investors in the Balkan region. Petrakos (1997) argues that the infrastructure projects and services needed in the Balkan region, especially after the North Atlantic Treaty Organization (NATO) bombing, gave opportunities to Greek constructing companies such as Michaniki, Sarantopoulos, and Latsis Group to undertake large projects, subsidized by the Greek, Bulgarian, and Russian governments, or by European funds such as Phare, Intereg II, and Intereg III.

In a research conducted by Bitzenis (2006), a questionnaire survey was used to identify and analyze the importance of motivations and obstacles regarding Greek FDI

outflows in Bulgaria. In the great accumulation of Greek companies in mid-2004, more than 4,000 Greek companies registered in Bulgaria, of which only one-fourth were active. Around 8,000 to 10,000 Greek companies are registered in the entire Balkan region, of which less than one-third or even one-fourth are active. Two groups of reasons exist for the wide difference between registered and actually active companies: Many companies have never started operations—they have been acquired, merged, moved to a third country, or even returned to their home country—or they have failed and gone bankrupt.

In the first group of reasons, there is no significant loss of investment funds because Greek companies have:

- never started operations. They remain registered, waiting for an opportunity to start operations or to become MNEs.
- proceeded to merger and acquisition by locals or other foreign MNEs, or even other Greek MNEs.
- moved to other countries, especially to a neighbouring country, to exploit cost factors and favourable agreements with Commonwealth of Independent States (CIS) countries.
- returned to their home country, due to increased competition, prevalent economic crises, or failure to put business plans into practice.

However, in the second group of reasons, there is significant loss of money, as companies go bankrupt, close, or fail in their operation, due to:

- wrong expectations, not carrying out market research, or not being well organized. There is also the Greek Balkan mentality for quick and easy profit.
- high-risk environment, due to bureaucracy, briberies, corruption, or unstable legal framework.
- increased competition in host countries when Western companies entered the region, offering higher-quality products at affordable prices.
- lack of entrepreneurial experience, or lack of managerial skills.
- inability to cooperate successfully leading to failure of joint ventures.
- lack of financial sources in the host country.

1.3 Potential Motives and Barriers to FDI in Bulgaria

According to Bitzenis (2006), 80 percent of foreign investors were market hunters, 62 percent factor hunters, 50 percent locational hunters, and 33 percent strategic market hunters. Twenty percent invested in Bulgaria to exploit their ownership advantages, and 18 percent to exploit financial advantages. Only 3 percent of the investors were efficiency hunters. Thus, one can infer that in a country such as Bulgaria, with a customer base of eight million people with many unsatisfied needs, foreign investors focus primarily on market characteristics.

However, 84 percent of Greek investors were factor hunters, closely followed by locational hunters (78 percent), market hunters (76 percent), and strategic market hunters (16 percent). The absence of Greek MNEs that exploited ownership advantages in their investment projects in Bulgaria confirms their small and medium size, and the limited importance of Greek MNEs in worldwide economic figures. Apart from the obvious reason of geographical proximity, the change in the ranking of the group of motivations for Greek entrepreneurs is because most of the thirty-seven Greek companies participating in our research were in the textiles, industry, and food sectors.

Figure 1

Groups of motives

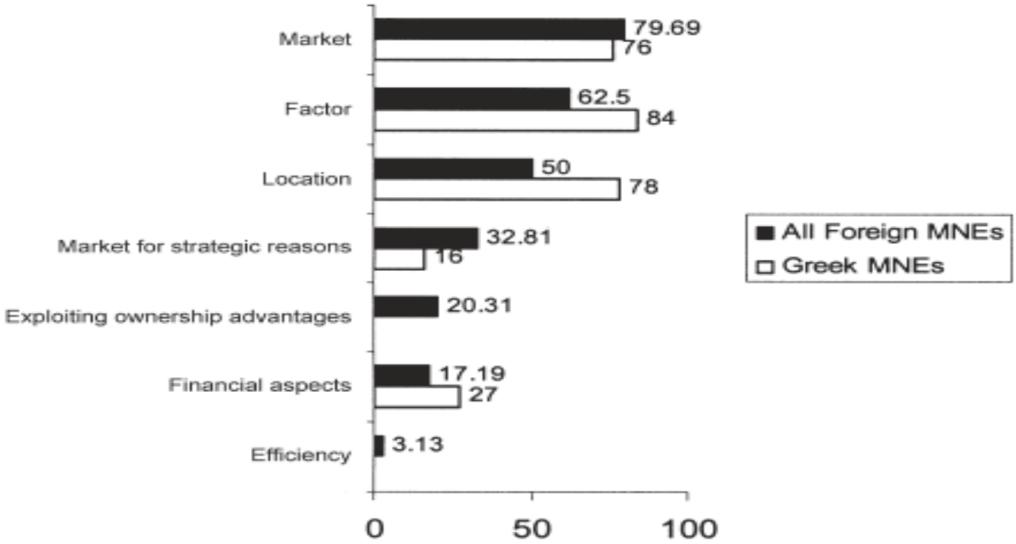
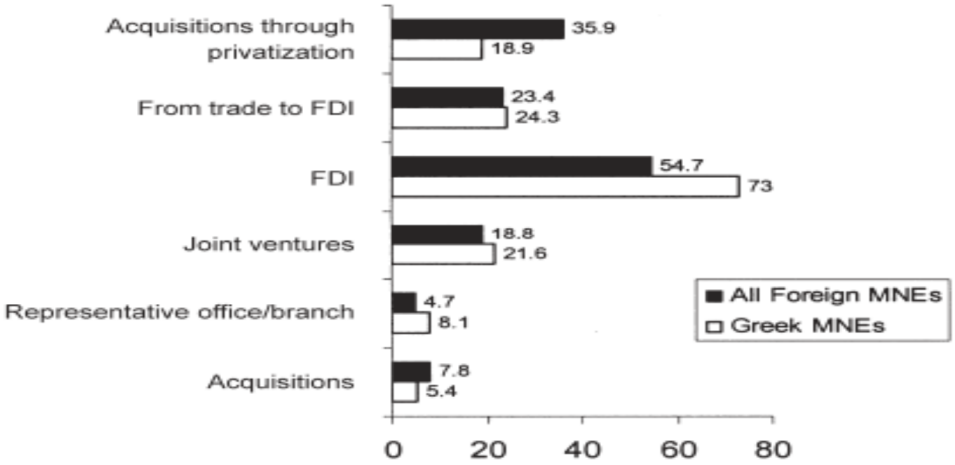


Figure 2

MNE entry modes into Bulgaria



Regarding the entry mode of MNEs in the Bulgarian market, 55 percent of the sixty-four foreign investors chose Greenfields as the best or preferred way to invest, followed by 36 percent that took advantage of the opportunities that the Bulgarian privatization programs offered (Bitzenis 2003b), and 18.8 percent that created joint ventures. Although joint ventures were the most preferred method of investment in post communist countries in the early years of their transition, the low percentage of joint ventures can be explained by the survey being conducted between 1998 and 1999.

By then, most of the joint ventures created in the early years of transition had collapsed, due to insufficient cooperation of local partners with foreigners, or because

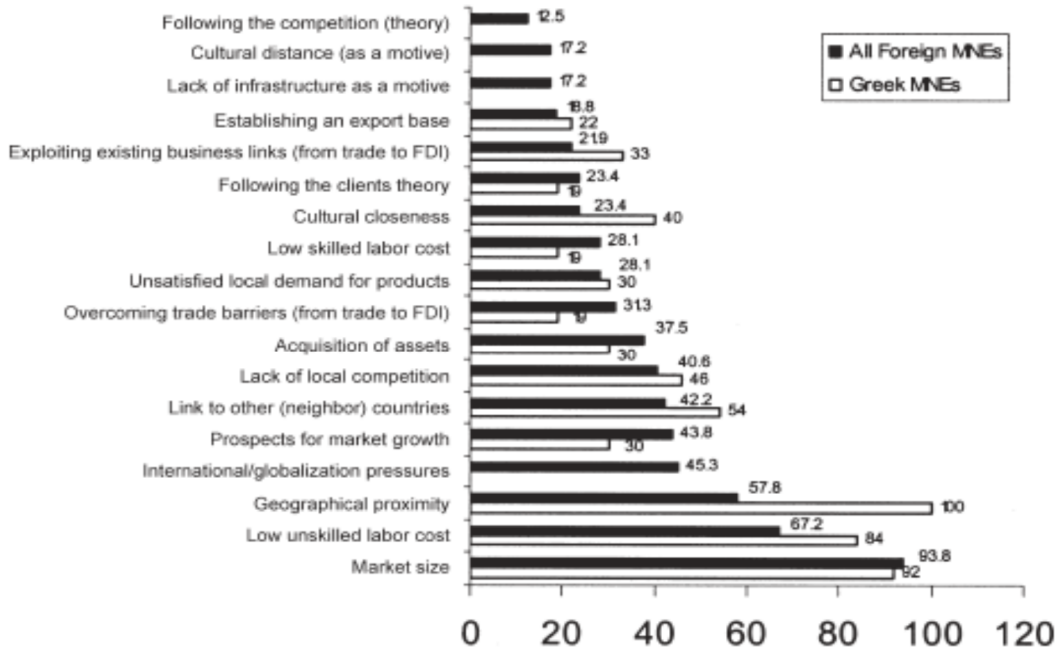
foreign investors acquired the remaining shares. Later establishments of FDI projects in the Bulgarian market followed other forms of foreign entry, such as Greenfield FDI or acquisitions through privatization programs, as investors learned more about the sluggish Bulgarian economic environment at the beginning of transition, or due to the registered failure of many joint ventures. Greek investors have also preferred the Greenfield way, rejecting privatization as a means of FDI.

According to Bitzenis (2004) the main incentives to FDI were market size (94 percent), low labour cost of unskilled workers (67 percent), geographical proximity (58 percent), international pressures from competition and globalization (45 percent), prospects for market growth (44 percent), links to neighbouring countries (42 percent), and lack of local competition (40 percent) (see Bitzenis 2004b; 2006a; 2006b). Greek investors ranked geographic proximity (100 percent) as the main motive for their FDI activity.

Other important factors were market size (92 percent) and the low labour cost for unskilled workers (84 percent). The significant trade relations between Greeks and Bulgarians can be seen in the 33 percent of Greek MNEs exploiting existing business links when entering Bulgaria (21.9 percent of all foreign MNEs). Table 1 shows that the total trade volume between Greece and Bulgaria has increased six- to twelvefold from the 1990s on. Thus, we can argue that trade and FDI are complementary for Greece and Bulgaria, as exports from Bulgaria to Greece and Bulgarian imports from Greece increased proportionally. Every year posts a positive balance for Bulgarian trade of about $50 to $150 million. Twenty-two percent of Greek MNEs in our questionnaire survey mentioned establishing an export base, which also suggests the complementary nature of trade and FDI.

Figure 3

Most important FDI motives in Bulgaria



Source: Bitzenis (2004c).

The main exported goods to Greece were shirts, blouses, knitted wear, T-shirts, men's suits, coats, sportswear, and sweaters, at around 35 percent. Electricity (10 percent)

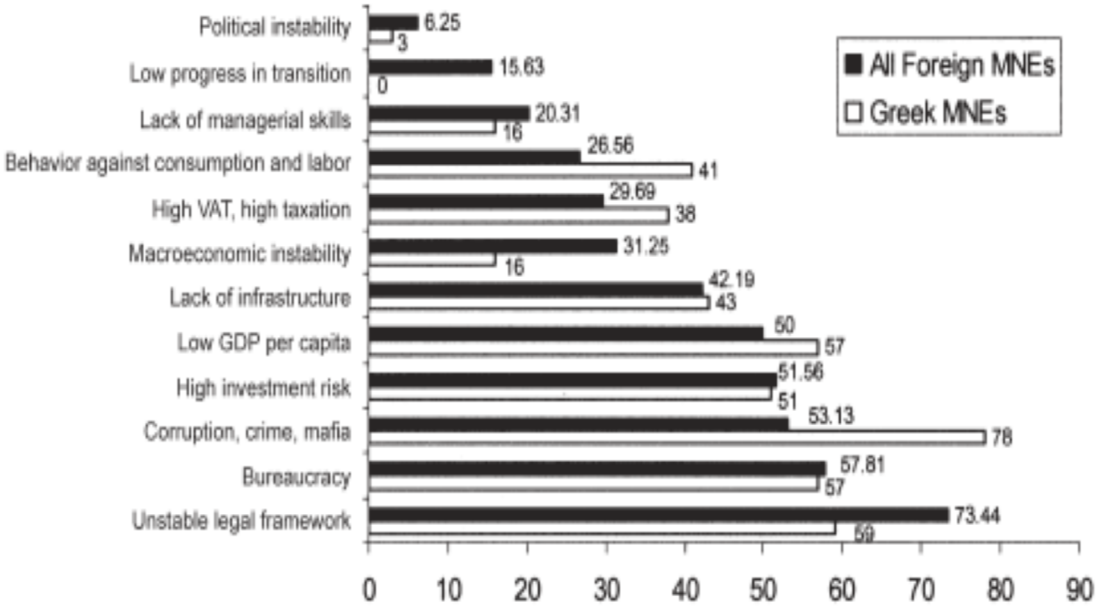
and iron and steel products (10 percent) follow. The main imported goods from Greece are, again, shirts, blouses, and knitted wear, at around 25 percent, followed by oil, gas, and iron products at 10 percent.

The share of Bulgarian exports to the EU-15 was just over 50 percent of total exports. In 2004, imports were also around 50 percent of the total. Bulgarian exports to the EU-25 were around 60 percent of total exports, and imports around 55 percent. Italy received 12.5 percent of Bulgarian total exports. Germany, Greece, and Turkey received around 10 percent each, followed by Belgium with 6 percent. Surprisingly, considering the strong trade relations between Russia and Bulgaria in the communist era, Russia received less than 2 percent of total Bulgarian exports. Bulgaria imported mainly from Germany (15 percent), followed by Russia (12 percent), Italy (10 percent), Greece (6 percent), and Turkey (6 percent) (BNB 2005).

Moving to FDI inflows in Bulgaria, Figure shows the primary barriers investors had to deal with in the Bulgarian market. The largest obstacle was the unstable legal system (74 percent), followed by bureaucracy (58 percent), corruption, crime, and mafia activity (53 percent), and high investment risk (52 percent) (see Bitzenis 2006a). The main barriers that Greeks faced in their investment projects in Bulgaria were corruption, crime, and mafia activity (78 percent), followed by the unstable legal system (59 percent), bureaucracy (57 percent) and the low per capita income (57 percent). These results are surprising, because the same conditions regarding bureaucracy, instability in the legal system, and corruption also prevail in Greece.

Figure 4

Most important obstacles for Bulgarian FDI inflows



Source: Bitzenis (2004c).

The unstable legal framework — that is, the lack of appropriate laws and their enforcement, and the constant changes in them — surprised foreign entrepreneurs. Laws were enforced in discriminatory ways, and were unclear enough to create loopholes. Fines

were imposed, and the state did not inspect violations of the law. Overcoming these obstacles required dealing with corruption and bribes. As mentioned in Bitzenis (2006a), foreign MNEs other than Greek MNEs mentioned the above barrier at an extremely high percentage of 92.6 percent (twenty-five out of twenty-seven), while only 59.5 percent of Greek MNEs (twenty-two out of thirtyseven) did so. Western foreign investors are not familiar with constant changes in the legal framework, but Greek MNEs are used to working in such an environment.

1.4 Potential Motives and Obstacles for Greek FDIs

In Bulgaria, there is a strong association between low unskilled labour cost and the origin of MNEs. According to Bitzenis (2006), the majority of Greek MNEs (83.8 percent, or thirty-one out of thirty-seven) mentioned the low cost of the unskilled labour force as a significant factor in establishing their investment projects in Bulgaria, but only 44.4 percent (twelve out of twenty-seven) of other MNEs mentioned it as important. The cost factor was important especially for Greek MNEs that were mainly SMEs. Most of those SMEs used the low costs to create an export base, not to serve the local market.

As expected a company's origin played a role in the importance of such a motive. The proximity of Greek MNEs to the Bulgarian market, their good knowledge of the market, low transportation costs, the size of the market — Bulgaria is as large as Greece, and Romania is two times larger — together with the absence of significant Western investment interest and the lack of local competition, have given Greek entrepreneurs additional motives to exploit the cost differences between the Greek and Bulgarian markets.

However, a significant percentage of Greek MNEs—45.9 percent, or seventeen out of thirty-seven firms—mentioned the lack of local competition in Bulgaria as an important motivation to establishing their FDI projects there. Only 33.3 percent (nine out of twenty-seven) of foreign MNEs (other than Greek MNEs) mentioned it as an important motive. It was expected that the origin of MNEs would play a significant role in considering the lack of local competition as an important motive, especially for Greek entrepreneurs, due to the absence of important local and foreign entrepreneurs in the Balkan region in the time period in question.

It was also expected that foreign MNEs would enter a "virgin" market to acquire a large market share, due to the above-mentioned absence of significant competition. A possible explanation could be that most Greek companies were SMEs that mainly entered Balkan countries to create an export base rather than serving the local market, so that local competition and market share were not significant to them. Moreover, foreign MNEs that participated in our questionnaire survey were large economic entities, especially for the Bulgarian economy. With their strong brand names, they were in some way indifferent to local competition.

It is surprising that, though Greek MNEs knew about Balkan business ethics and how to cope with risky environments, 51.4 percent of them (nineteen out of thirty-seven) mentioned the high investment risk as a barrier; 51.9 percent (fourteen out of twenty-seven) foreign MNEs did so (see Table 2). No association was found between a high-risk environment and the origin of MNEs. This was unexpected, as we anticipated only a minority of Greek MNEs to mention the high-risk environment as an important barrier and higher percentage of foreign MNEs to refer to it. We may have arrived at this result because the sample in the research conducted by Bitzenis (2006) consisted of MNEs that entered the Bulgarian market, and thus had already considered the difficulties of the business environment and calculated the total risks they might bear. Most of the MNEs had been in Bulgaria for several years, and perhaps had learned how to cope with and overcome the barriers of a risky environment.

Volume of Trade Between Bulgaria and Greece, 1980–2004 (1980–1989 in millions of leva; 1990–2004 in millions of U.S. dollars)

	Bulgarian exports to Greece	Bulgarian imports from Greece	Balance	Total
1980	338.9	43.8	295.1	382.7
1985	202.1	61.6	140.5	263.7
1986	127.9	48.7	79.2	176.6
1987	140.3	44.5	95.8	184.8
1988	136.3	48.7	87.6	185
1989	177.2	49	128.2	226.2
1990	107.4	42.6	64.8	150
1991	74.7	24	50.7	98.7
1992	182.0	261.2	–79.2	443.2
1993	212.0	190.4	21.6	402.4
1994	344.0	247.5	96.5	591.5
1995	336.7	284.5	52.2	621.2
1996	333.4	188.1	145.3	521.5
1997	404.3	203.4	200.9	607.7
1998	376.9	301.1	75.8	678.0
1999	340.6	307.9	32.7	648.5
2000	375.8	318.0	57.8	693.8
2001	448.1	411.1	37.0	859.2
2002	520.7	475.5	45.2	996.2
2003	772.8	712.6	60.2	1,485.4
2004	983.9	826.2	157.7	1,810.2

Sources: Plan Econ Report (various reports from 1980 to 1991); NSI "Import–Export" Bulletin; Ministry of Economics of Bulgaria from 1992 to 2004.

Thirty-four out of the sixty-four companies interviewed (53.1 percent) considered corruption, crime, bribery, mafia activity, and other illegal activity as significant barrier. Unexpected was that 78.4 percent of Greek companies (twenty-nine out of thirty-seven) mentioned it, while only 18.5 percent of the rest of the foreign MNEs (five out of twenty-seven) did so. A strong association was found between corruption, bribery, and the origin of MNEs. Although this strong relation was expected, it was also expected the majority of foreign MNEs and the minority of Greek MNEs to acknowledge it as important, not vice versa. This trend will be further explained as we examine this FDI barrier with the help of the origin, size, and sector to which each company belongs.

Regarding the importance of origin, interviews and personal contacts over eighteen months were enough for Bitzenis (2006) to find out that Greek investments and entrepreneurs were subject to threats, patronage, and other illegal actions from the mafia; due to their small size, they were more accessible and vulnerable. The mafia did not react the same way to foreign investors such as Germans or Americans, whose companies had a strong brand name, were vehicles of Westernization, and were also larger in economic size than were Greek SMEs, and thus less accessible.

Greek companies in general, as well as those participating in our survey, were of medium or even small size compared to worldwide figures, and favoured either the labour-intensive sectors (textiles and food) or services. They were inexperienced enterprises, with limited exposure to local institutional difficulties as well as the "problems" of the average citizen (unemployment, crime, low living standards). Foreign MNEs are active in the top tier of the economy, with strong brand names, operating in more capital-intensive and prestigious sectors. It is either difficult for these companies to become exposed to the mafia, or unnecessary for them to participate in corrupt procedures. MNEs have experience in foreign operations and, due to their size and the sector that they belong to, are less vulnerable to institutional difficulties and the "problems" of the average citizen.

As the European Union defines them, SMEs overwhelmingly dominate Greece's economy. They are primarily concentrated in the light-industry and services sectors, and are most likely to undertake FDI projects in the Balkans. It should not be surprising that Greek FDI outflows in the Balkan region are distributed over a very large number of SMEs (around 3,000 active companies).

The Table shows that each of the sixty-four companies participating in our sample invested more than $1 million, though the average was $14.4 million. Thirty-two Greek companies invested less than the average, and only five Greek MNEs invested more. Meanwhile, nineteen (70.4 percent) foreign MNEs other than Greek MNEs invested less than the average, and eight (29.6 percent) invested more. The thirty-two Greek companies that invested such a small amount in Bulgaria did so because they were SMEs. Also, the investment needed for the labour-intensive and services sectors was lower than that required to invest in other sectors. Thus, we can support our findings that Greek MNEs were actually SMEs, active in specific sectors very close to the institutional problems in a business environment such as Bulgaria, and thus, vulnerable to bureaucratic and corrupted procedures, as well as mafia activity.

Even though most everyday economic activities in Greece are characterized by bureaucracy, more than half of the Greek MNEs—56.8 percent—also regarded bureaucracy as a decisive barrier in their investment plans. Sixteen out of twenty-seven (59.3 percent) foreign MNEs mentioned the barrier as important. No association was found between bureaucracy as a barrier and the origin of MNEs. Such an outcome was unexpected, as we anticipated fewer Greek companies to consider the above barrier as an important one. To the contrary, we anticipated a strong relation between bureaucracy as a barrier and the origin of MNEs.

In general, the conclusion, both from the literature review and our analysis, is that the surveys of KPMG (1998), Iammarino and Pitelis (2000), and the Southeast European Cooperative Initiative (SECI 1999), which have considered Bulgaria as a case study, agree with our results about the importance of an unstable legal framework and bureaucracy as significant barriers to FDI. However, they disagree about the importance of corruption, mafia activity, and briberies. SECI (1999) considered this barrier as vital, KPMG ranked this barrier last of eight, and Iammarino and Pitelis (2000) did not consider it at all.

Statistical Analysis Results (in percent)

	Reasons for investment											
	Low unskilled labor cost		Lack of local competition		High investment risk		Corruption, crime, briberies, mafia		Bureaucracy		MNE volume of investment	
	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	Less than average	More than average
Origin of MNEs												
Greek	16.2	83.8	54.1	45.9	48.6	51.4	21.6	78.4	43.2	56.8	86.5	13.5
Other than Greek	55.6	44.4	66.7	33.3	48.1	51.9	81.5	18.5	40.7	59.3	70.4	29.6
Total	32.8	67.2	59.4	40.6	48.4	51.6	46.9	53.1	42.2	57.8	79.7	20.3

Regarding FDI motivations, the KPMG survey, surprisingly, found that the skilled labour force as a factor ranked high in importance. We can argue that the proportion of the sectors that the companies belong to was biased in the KPMG survey, and did not capture the real Bulgarian economy. Thus, it did not determine Bulgarian FDI inflows correctly. Moreover, this survey disregarded the introduction of the currency board and the consequent Bulgarian political and macroeconomic stability.

In general, the consideration of market size and its prospects for growth, the low cost of the unskilled labour force, geographical proximity, and stability were the key motivations for FDI inflows in a host country, while the importance of financial incentives seems to be debatable (see also Bitzenis 2003c). Moreover, the unstable legal framework, bureaucracy, and instability were decisive barriers for FDI inflows in a host country. The significance of corruption as an FDI obstacle is also questionable.

1.6 An overview

A firm's origin, together with its size and the sector to which it belongs, played a decisive role in the company's strategy to enter a foreign country. Greek companies took advantage of their size and flexibility to enter Balkan markets, where competition from other large Western companies was limited, though their size made them more vulnerable to local conditions. On balance, Greek companies would need to derive the net balance of their decision by subtracting the disadvantages of the business environment from the advantages gained through conquering a market niche.

Greek investments in Bulgaria exceed $1 billion; a few large Greek MNEs have invested in Bulgaria through offshore companies established in Cyprus or Luxembourg (the Russians and Turks followed the same investment pattern). Although very few large Greek MNEs account for most of the total Greek FDI outflows into the Balkans, more than 3,000 Greek companies, especially SMEs, are engaged in activities that add value, creating jobs and higher wages, improving the quality and variety of products, and contributing significantly to the gross domestic product (GDP) of the Balkan economies.

We firmly believe that the leading FDI motivations for Greek entrepreneurs in Bulgaria were geographic proximity, market size, low labour cost, and using Bulgaria as a link to neighbouring countries. Greek firms planned to use Bulgaria as a bridge to further investments in neighbouring countries, and their previous trade relations have proved very helpful in their decision. It can also be argued that the Greek enterprises' investment decisions were also based on the lack of foreign and local competition, and cultural closeness. The lack of significant Western interest in Bulgaria has given Greek enterprises, especially large enterprises, the advantage to become MNEs, and the opportunity to invest in neighbouring countries a large amount, if we compare the Greek economy with the German or the British economies.

Problems such as corruption, a shadow economy, bureaucracy, and primitive market infrastructure discourage foreign investors and decrease the competitiveness of the Bulgarian economy. However, significant growth and political stability provide signs that in the following years, Bulgaria could enjoy substantial growth and development. We must stress once again that the importance of corruption, bureaucracy, mafia activity, and briberies as barriers for Greek MNEs came as a surprise.

However, we based our arguments first on the fact that many small Greek MNEs that participated in the Bulgarian business environment were vulnerable to the mafia; second, on the Balkan enlargement spirit (see Bitzenis 2006b); And third, on the tendency of Bulgarians to respect and mimic Western civilization, and thus, large Western MNEs and their business activities.

There were also presented unique and very important reasons for the great accumulation of Greek MNEs in Bulgaria, together with the causes of their failure, bankruptcy, departure, or inability to start operations. A strong association was found

between unskilled labour cost (as an important motive) and the origin of MNEs. The majority of Greek MNEs considered it significant. Unexpectedly, there was no association between high investment risk or bureaucracy with the origin of MNEs. Those barriers were mentioned in a similar way by the majority of Greek and other foreign MNEs. It was expected that only a minority of Greek MNEs would consider those barriers as important. Moreover, corruption, mafia activity, and other illegal activities as an FDI barrier were associated with the origin of MNEs, but again, unexpectedly: The barrier was mentioned by the majority of Greek MNEs and the minority of the rest of the foreign MNEs.

The finding of market size and its prospects for growth are in accordance with the European Bank for Reconstruction and Development (EBRD 2000), Genco et al. (1993), Iammarino and Pitelis (2000), Meyer (1996a; 1996b), and Pye (1998). The significance of geographical proximity is in accordance with the EBRD (2000), Iammarino and Pitelis (2000), Meyer (1995; 1996b), and SECI (1999). The importance of low labour cost for export-oriented companies is in accordance with Iammarino and Pitelis (2000). The importance of cultural closeness, together with the importance of strong historical links and cultural ties, correspond with SECI (1998). Furthermore, the finding regarding corruption as an important barrier agrees with IDRA (2001), Pfeffermann and Kisunko (1999), and SECI (1998), but disagrees with Iammarino and Pitelis (2000) and KPMG (1998). The outcome placing bureaucracy high in the ranking of obstacles is not surprising (see Iammarino 2000; IDRA 2001; KPMG 1998), nor is the high rank of the unstable legal system (see Genco et al. 1993; KPMG 1998; SECI 1998).

Finally, Greek enterprises have found the opportunity to become MNEs and participate in the economies of many Eastern European countries. The following years are crucial for those enterprises and for the entire Greek economy. If Greek companies take advantage of the absence of foreign interest in FDI in the region, and their investments become healthy and profitable, then it will not be surprising if Greek firms become strong economic entities in the near future.

It is also worthwhile mentioning that from over 4 million tourists visiting Bulgaria in 2004, more than 700,000 were from Greece (the greatest number). The rest were from Germany, the United Kingdom, FYROM, Serbia and Montenegro, and Russia. Bulgarians travel mostly to Turkey (more than 1 million per year), Greece (more than half a million), Germany, Serbia and Montenegro, and Italy, respectively.

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