SCHOOL OF ECONOMICS BUSINESS AND INTERNATIONAL STUDIES

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« Master in Law and Economics»

Foreign Direct Investments, Case study of Greece

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ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ
ΣΧΟΛΗ ΟΙΚΟΝΟΜΙΚΩΝ ΕΠΙΧΕΙΡΗΜΑΤΙΚΩΝ ΚΑΙ ΔΙΕΘΝΩΝ ΣΠΟΥΔΩΝ
ΔΙΑΤΜΗΜΑΤΙΚΟ ΠΡΟΓΡΑΜΜΑ ΜΕΤΑΠΤΥΧΙΑΚΩΝ ΣΠΟΥΔΩΝ
«ΔΙΚΑΙΟ ΚΑΙ ΟΙΚΟΝΟΜΙΑ»

ΒΕΒΑΙΩΣΗ ΕΚΠΟΝΗΣΗΣ ΔΙΠΛΩΜΑΤΙΚΗΣ ΕΡΓΑΣΙΑΣ

(περιλαμβάνεται ως ξεχωριστή (δεύτερη) σελίδα στο σώμα της διπλωματικής εργασίας)

Δηλώνω υπεύθυνα ότι η διπλωματική εργασία για τη λήψη του μεταπτυχιακού τίτλου σπουδών, του Πανεπιστημίου Πειραιώς, «Δίκαιο και Οικονομία» με τίτλο Foreign Direct Investments, Case study of Greece έχει συγγραφεί από εμένα αποκλειστικά και στο σύνολό της. Δεν έχει υποβληθεί ούτε έχει εγκριθεί στο πλαίσιο κάποιου άλλου μεταπτυχιακού προγράμματος ή προπτυχιακού τίτλου σπουδών, στην Ελλάδα ή στο εξωτερικό, ούτε είναι εργασία ή τμήμα εργασίας ακαδημαϊκού ή επαγγελματικού χαρακτήρα.

Δηλώνω επίσης υπεύθυνα ότι οι πηγές στις οποίες ανέτρεξα για την εκπόνηση της συγκεκριμένης εργασίας, αναφέρονται στο σύνολό τους, κάνοντας πλήρη αναφορά στους συγγραφείς, τον εκδοτικό οίκο ή το περιοδικό, συμπεριλαμβανομένων και των πηγών που ενδεχομένως χρησιμοποιήθηκαν από το διαδίκτυο. Παράβαση της ανωτέρω ακαδημαϊκής μου ευθύνης αποτελεί ουσιώδη λόγο για την ανάκληση του πτυχίου μου.

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Abstract

Despite the world economy is covering from the global economic crisis of 2008 Greece is still trying to overcome this economic but also ethical and institutional crisis. One of the most significant factors of this effort is the attraction of Foreign Direct Investments (F.D.I.).

In this study, the term of F.D.I. is analyzed but also, it's significance. After a historical retrospection, there is an effort of analyzing the reason Greece is still not attracting F.D.I. despite the changes that have been made after the agreement with Greece's creditors, some proposals of fixing the problems that already exist and finally in which field should the Greek government focus, taking under strong consideration the economies of scale and the predictions of economic growth.

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INTRODUCTION

Investments are one of the most important ways to increase revenue. An investment in addition to money brings together new ideas, new metadata and new technologies. It further strengthens the economy and opens up new jobs. Investments are usually made by individuals who make money either to boost a business or an entire site.

However, in order for someone to invest their money there must be appropriate conditions for the same as the business or the region. Investments must be profitable on both sides.

Foreign investors, moreover, have an active and non-active role. However, both aim at prosperity to increase production and profits. Foreign investors investing in a country want to have a clear relationship with the governors. Investors, on their part, help the country's economic situation and therefore seek better treatment by governments.

Greece is a country that, due to its geographical position and the products it produces, would attract many investors. The 2004 Olympic Games attracted many investors but, as it turned out, there were no suitable conditions to stay. However, the 2008 crisis affected it. The country was distorted and there were no longer suitable investment conditions. Due to public debt investors were turning to other European countries.

Below we will study the relationship between Greece and foreign investors. We will study the relationship they had in the past and their relationship today. Finally, the ways in which Greece will be able to attract new investors that will strengthen its economy will be analyzed.

1. Investment

1.1. Introduction

The term «investment» is more and more used nowadays. Its significance in today's economy is more clear than ever so the need for us to understand exactly the meaning and the power of this term is vital. Through the time, investment was praised not only from an economic view of our society but also as a perspective of things we should do for our future such as education and rights. An example of this, is the famous phrase of Benjamin Franklin (1706-1790) «An investment in knowledge pays the best interest».

In this chapter the meaning, the history and the use of investment will be exposed. As time passes by, economists may have disagreed about the exact role of investment but they all agreed that it is one of the most effective things leading to economic growth.

1.2. The definition of Investment.

According to a commonly accepted definition, investment is a commitment of a specific amount of money for a current time interval, which happens with a motive of higher earnings in the future. Essentially this sentence equals with a person's rational decision between consumption and saving (Filippas, 2005). The term of the investment constitutes a category of private expenditure that we have to determine. Investment's goods are not intended for consumption. They include machines, computers and buildings or factories. So we figure out that the decision of the investment is a timeless decision (Burda & Wyplosz,2005).

Through the history of capitalism, investment was considered an act of the private sector, despite the fact that in the twentieth century the governments of social economies and these of the least developed countries have been important investors. Before the year of 1930 the investment was believed that was seriously affected by the interest rate. After then, research has proved that it depends less of the interest

rate and more of the predictions about future profit, demand for consumption and the labor and capital cost. Since the investment increases the ability for production of a country, it consists a factor of economic growth (Pavlopoulos,1996).

Investment has a multiple macroeconomic role. At first it contributes to demand of capital goods, thus, domestic expenditure increases because of it. Additionally, it allows to produce new and improved products, increasing value added in production. Thirdly it improves the cost effectiveness and modernizes the production processes. Furthermore, it enlarges the production base (installed capital) and increases the production capacity. Investment reduces the labor needs per unit of output, potentially producing higher productivity and lower employment. Finally, it incorporates international world-class quality standards and innovations, bridging the gap with more advanced countries, helping smaller countries to export their products and become an active participant to international trade (Piana, 2001).

1.3. Theory and investments.

The hypothesis of the existence of full competition in the capital market is relied on the neoclassical investment theory developed by Jorgenson (1963) and Hall and Jorgenson (1967) and also by Modigliani and Miller (1958). The capital cost is simply the interest rate of bonds, according to them. That cost can be considered as certain as an asset yield, and so the business will tend to impart investment to the point where the marginal yield of the assets (eg bonds) is equal to the market rate.

The sentence above follows two (2) criteria according to which a rational decision is taken under certainty, that of maximizing market value and that of maximizing profits. According to the first criterion an asset is acquired only if it increases the value of the company's own funds. According to the second criterion an asset is only acquired if it increases the net profit of the enterprise.

The conclusion resulting from the above is that the total investment is a function of interest only in one model of certainty, regardless of whether the funding comes through the stock or from debt securities. Such a conclusion however, would be

quite frivolous, as the interest rate on the one cannot be considered to has so large, certain and direct impact on investment on the other. Such a model would provide little help to an enterprise whose core investment problems are related to the uncertainty and which model ignores all forms of financing.

Introducing the uncertainty of Modigliani and Miller (1958) we turn into the conclusion that the two (2) criteria mentioned above are becoming more complicated. Every decision of the business that does not lead to a unique profit result (as previously assumed), leads to multiple results which, at best, can be described by a subjective probability distribution. The result of the profit, in short, has become random and variable. For this reason, maximizing it, has no meaning. Decisions that affect the expected value will also affect other characteristics such as the distribution of the results. More generally, financing an investment through debt instead of own funds will increase the expected return of the investor but only at the cost of increased dispersion.

Under these circumstances, we conclude that a business moving into an investment will have to compare, the expected return that this investment will bring to the other characteristics of the distribution. This approach seeks to explore the results from the alternative ways of financing an investment and gives some importance to the cost of choosing different ways of financing. But this approach also has some disadvantages such as the difficulty of making this an investment function, etc. The solution to these was given by the approach based on the first criterion, maximizing market value.

According to this approach, any investment plan and the corresponding financial plan for this, should provide a solution to the following concerns: whether a funded investment plan increases or not the purchase price of the company's shares. If so, then it is worth investing. The analysis of Modigliani and Miller (1958) was completed by dividing the companies in classes according to their capital structure. They also formulated three sentences that have been the main tool for analyzing theory of investments for subsequent economists. These suggestions are the following:

1) The expected return of a share is equal to the capitalization rate of a net equity flow plus a premium associated with the financial risk, which in turn is equal to its ratio debt to equity.

2) The average cost of capital in each enterprise is independent of its capital structure and is equal to the interest rate capitalization of its net equity.

3) The cut-off point (the decision on whether or not a business will undertake an investment) to invest in one enterprise will be, in any case, a specific number unaffected by the way the investment is financed. At this point, it is good to stress that the third sentence simply tells us that the way of financing an investment does not affect the investment.

This does not mean that investors have no reason to prefer one way of financing from the other. Based on the above hypotheses of Modigliani and Miller, Jorgenson (1963) developed the neoclassical theory of investment according to which the problem of the optimization of a business can be solved without reference to cost factors of capital as sole determinant for the investment decision. In a world without restrictions (symmetrical information, no taxes, full competition in the market) the investment decision depends only on whether the investment plan has a positive net present value and, if so, it can be funded by every combination of equity and loan capital.

Jorgensen (1967) comes with a new version of neoclassical theory, that of the optimal accumulation of capital. According to this theory, the objective business is maximizing the present value. To achieve this goal we can be guided through maximizing the utility for which we have offered a stack of consumption having a fixed set production capacity and stable current and future prices. Since the choice of the production plan is independent of the corresponding choice of consumption bundle, two people with different consumer preferences will choose the same design production.

In addition, we consider a set of technological possibilities according to which the product produced at any moment, depends on the flows of labor and capital at the same time, the influx capital equals the stock of capital goods as well, and

substitutions are proportional to the capital stock of goods. This analysis by Jorgensen (1967) concludes that the demand for investment is a function of the interest rate. However, the demand for investment depends on the interest rate through a comparison of alternative ways of capital accumulation and each way is analogous to its rate of interest rate over time. Ultimately the demand for investment depends on changes in demand for capital in terms of price changes capital inflow, the rate of this change and the degree of replacement of the capital.

Hall and Jorgenson (1967), based on neoclassical theory for investments as formulated by Modigliani and Miller (1958) and Jorgenson (1963) went one step ahead of this analysis by adding and trying to examine how it affects the investment decision. Until that moment no economist has had attempted to assess the impact of taxation on investment. According to Hall and Jorgenson (1967), taxation plays a major role both in the size of the investment and the time in which it will take place. The impact of tax policy on investments enter the function of the investment through value of the renting of the capital. In particular, a change in tax policy affects the price of leasing the capital, something that has been resulting in changing the desired level of its stock capital. This change in the desired stock of capital affects the net investment by pushing the capital stock into a new level. If there is no new change in taxation, net investment will eventually reach zero. Changes in tax policies continue to affect the overall investment through replacement of permanent capital. We also have an analogy of increasing the net and the total investment caused by changes to other factors that determine the desired inventory of capital.

1.4 Results

The investment is usually made by individuals who spend part of their property in order to contribute to the economic growth of a business or place through exports. Investments would say that they are helping the macroeconomic. Because of them, faster, new, better quality products are produced.

Investments have been employing people for more than half a century, as it seems that already in 1958 Modigliani and Miller talked about them as well

as Jorgensen in 1967. They revived the value of investment in the products produced, the profits of a business and its contribution human resources, but also to change the political scene.

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2. International trade and investments.

Trade is the obvious but not the only form of international business ventures. Another important form is international investment where the residents of a country have capital in a second country. The term of international investments consists of two separated categories, the foreign investments of portfolio and the foreign direct investments. The basic difference between those two categories is based on the matter of the control, in simple words if the investor wishes to have an active role on management or he wishes having a profit form a passive investment. (Griffin and Pustay, 2011)

2.1. Foreign Investments of Portfolio.

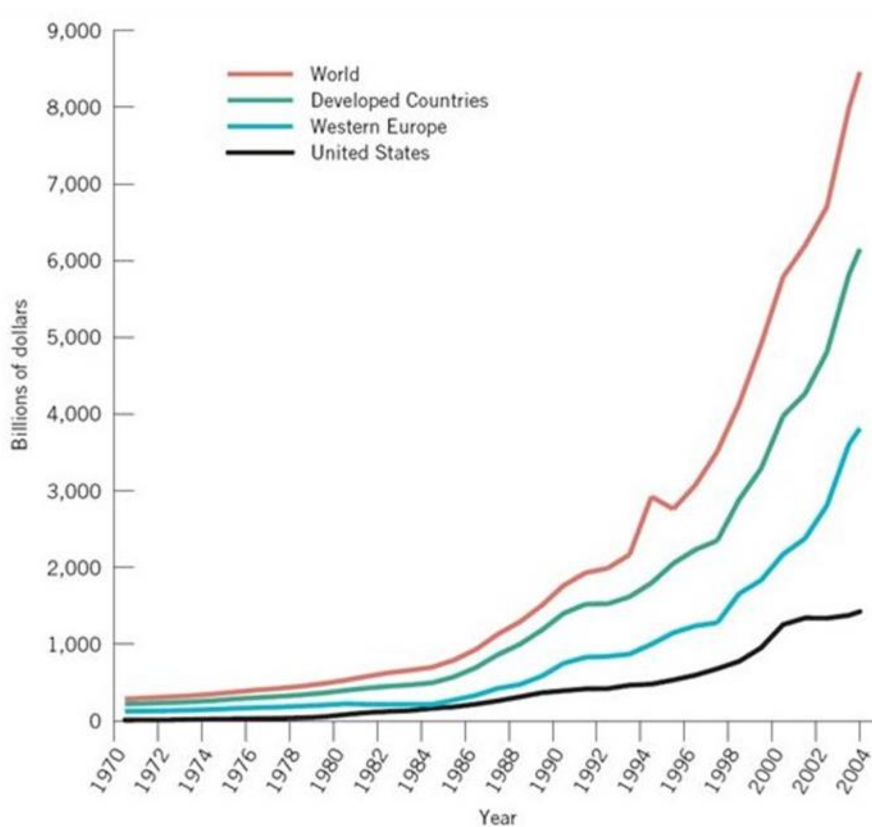
This kind of investment represents the passive ownership of securities, such as foreign shares, bonds or other financial items none of which does not lead to an active role in management or to the control of the publisher of these items by the investor. The modern economic theory suggests that this kind of investments is motivated by the searching efforts of a high attractive yield as well as the reduce of the risk that the investment includes.

The more experienced stockbrokers in New York, London, Frankfurt and Tokyo know the benefits of this international expansion. In 2007, for example, private investors in U.S.A bought foreign bonds equal with 289 billion, reaching after this buy the value of their portfolio close to 6.6 trllion dollars. Then investors of the public and the private sector bought American corporate, federal, state and local bonds of a 890 billion dollar value raising that way the value of those titles up to 8.6 trillion dollars. (Griffin and Pustay, 2011)

2.2. Foreign Direct Investments.

As foreign direct investment, we consider the acquisition of foreign assets for getting their control. The statisticians of U.S.A. government consider F.D.I. as the ownership or the control of an amount bigger than ten per cent of the shares that give the right of voting into a company or the equal participation in a joint venture. F.D.I. can take many forms such as investment in real estate, facilities and equipment or even the participation in a joint venture with a local partner. (Griffin and Pustay, 2011)

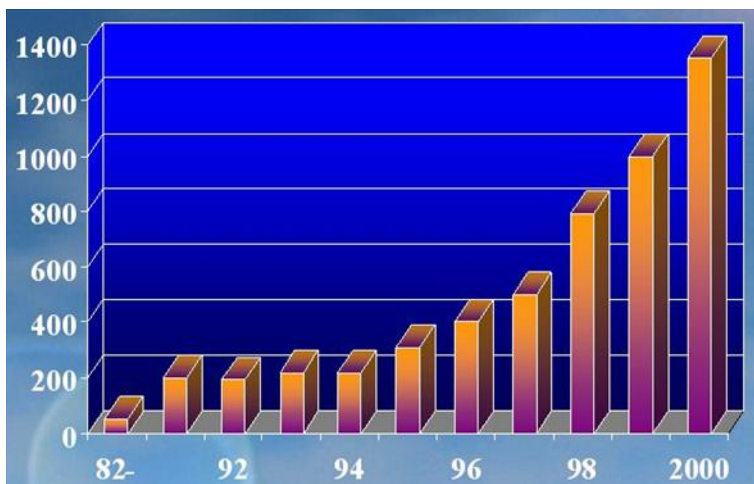
An important point that we should focus on is the difference between the flow of FDI and the stock of it. The stock of the FDI is the total accumulated value of foreign-owned assets over a given time period. On the other hand, the flow of FDI is the amount of FDI undertaken, at a given time. (Hill, 2003)



Graph 2.1. stock of F.D.I.

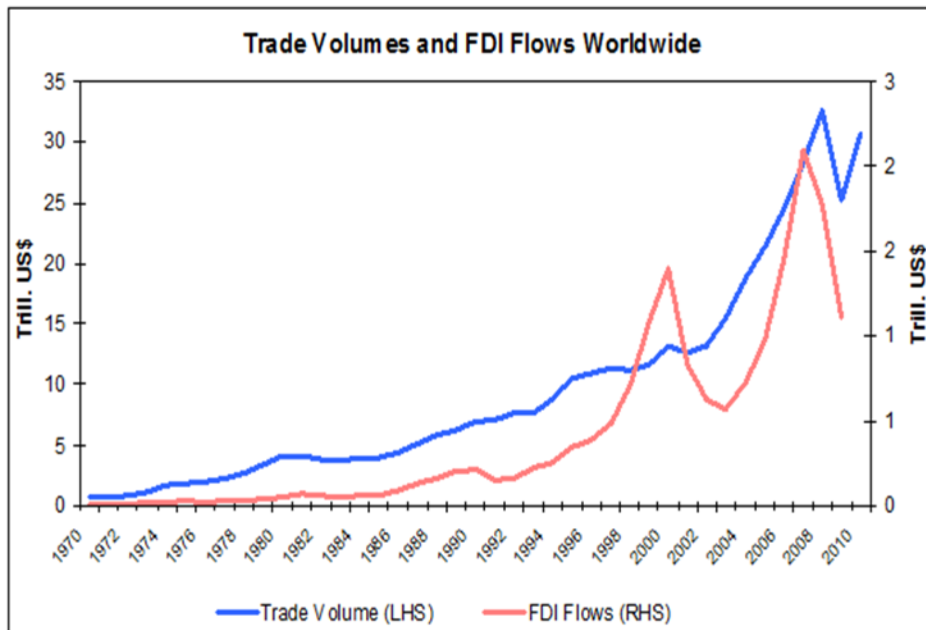
Source: Ricky W. Griffin and Michael W. Pustay Διεθνής επιχειρήσεις και επιχειρηματικότητα, 2011, Εκδόσεις Τζίολα. p.289

The average yearly outflow of FDI record $1,3 trillion in 2000 beginning from about $25 billion in 1975. The flow of FDI accelerated over the last quarter century but it also accelerated faster than the growth of in world trade in those years. (Hill, 2003)



Graph 2.2. FDI Outflows 1982-2000

Source: Charles W.L.Hill, International Business 4th edition, Competing in the global market place, 2003, McGraw-Hill Irwin. P.206



Graph 2.3. Trade Volume and FDI flows world wide

Source: WTO, Trade statistics; UNCTAD, World Investment Report.

2.3. The History of FDI.

FDI is inextricably linked to the phenomenon of globalization. Going into the depths of history, in the 14th century, there is a strong growth of trade in Europe. with the leading Italian bankers who until the end of the 14th century have established about 150 banking companies with cross-border activities and branches in London, Bruges and Paris. The expansion of industrialization through the mid-19th century through mass discoveries and technological progress led to a growing need for raw materials on the one hand, and on the other hand it has helped to protect the protection of domestic markets as a policy of promoting the infant industry.

FDI has spread rapidly and it is estimated that in 1914 it was 9% of the world's product. Between the two world wars, FDI continued to grow despite the great economic crisis in 1929. After World War II, the USA had the dominance of foreign

direct investment as the most of the other countries were trying to recover from the destruction of the war. (Kottaridi, 2013)

2.4. Factors affecting the Foreign Direct investments.

Due to the complexity of the world economy and the variety of chances and obstacles that today's firms face, it is not a surprise that there are many factors influencing the foreign direct investments. There are three categories in which we can categorize those factors. The factors referring to the supply, the factors of the demand and finally the political factors.

Starting with the supply category we should mention the cost of the production, the supply chain management and the availability of sources. The firms prefer the FDI, to reduce the cost of the production but also because the foreign countries could offer lower prices of land purchasing, lower taxes and lower cost of human resources. The second reason is about the cost of transport. If this cost is high enough, it is possible that the firm will choose a foreign country to produce its product rather than exporting it from the factories the company already have. Finally, companies are likely to invest in foreign countries in order to have access to resources that are vital for their operations. (Griffin and Pustay, 2011)

At the second category, there are the factors affecting the demand. In this case, we have the access of the clients, the benefits of marketing, the exploitation of competitive advantages. There are many kinds of operations that request the physical appearance of the company such as the retail and the fast food operations. What is more the physical appearance of a company in a country is possible to be beneficial for the public image of the company too. FDI could be the best way for a company to exploit a competitive advantage, but this factor really depends on the nature of the product.

At the end, there are the political factors. In this case, there are factors such as the avoiding of landlocked barriers and the motives of economic growth. Companies

usually build FDI to avoid landlocked barriers. A great example of this is the investment of Fuji Film company, an investment of 200 million dollars, for building a factory in South Carolina, to produce films that could be sold to the U.S.A. market. In addition, most of the democratically elected governments are concerned about the promotion of the public prosperity something that is directly linked with the foreign direct investments. (Griffin and Pustay, 2011)

2.5. Methods of foreign direct investments.

Building new facilities, the buy of assets that already exist and the participation in a joint venture are the three methods that are used for the foreign direct investments.

Starting a new operation from the beginning is called the greenfield strategy. The company buys or leases land, constructs new facilities, then finds the human resources by hiring new people or bringing people who already work for the company and finally launches the new operation. There are many advantages for this kind of strategy. At first the firm has the ability of choosing the site that best fits its needs and then construct new, modern facilities. There are many incentives given by the local communities to these companies because of the growth they offer and the new jobs. What is more managers do not have to deal with debts or other obligations that already exist?

From the other hand, there are some disadvantages to greenfield strategy too. Beginning with the fact that a successful implementation takes time and patience. The desired location, where the facilities are going to be built, may be expensive or not available. Finally, by building a whole new location may add to the perception that the company is a foreign enterprise. (Griffin and Pustay, 2009)

By buying existing assets in the host country we are lead to the second method of foreign direct investments. The acquisition strategy can be very complex but the basic purpose of it, is simple. The purchaser has the ability of taking under control all the assets of the company, and this can happen is an amount of time much smaller

than creating them from the scratch. The acquired company can keep generate revenues as the purchaser integrates it into its overall international strategy. This kind of strategy also has some disadvantages. The purchaser accepts all the liabilities, managerial or financial, of the firm and consequently their risk.

In the end a firm interested in making a foreign direct investment could choose to become a part of a joint venture. When two or more companies, agree to create and work together on a jointly owned separate firm a joint venture is created. This method is on rise since the new international environment that is created for companies request much more cooperation to follow the rapid changes. (Griffin and Pustay, 2009)

2.6. Foreign Direct investment and economic growth.

In the decades of 50 and 60, developing countries had a more suspicious view on FDI. By the decade of 1980, a new interest was raised among the economists concerning the determinants of economic growth. To identify the main factors of differences between economies theories of endogenous growth have been stimulated by research that aimed it.It is believed that foreign direct investments consist one of the major pillars of an economy and procedures and regulations are done to attract them. (Baldwin, 1997)

There are many ways that FDI is contributing to economic growth in the host country. At first, we should mention the factor of the accumulation of capital. The embodiment of new varieties and new inputs of intermediate goods is facilitated by the FDI (Feestra and Markusen ,1994). About the part of new technologies, FDI impels technology transfer and it also, influences the productivity gains concerning the local firms.

The knowledge of technology is increased at the host country. It is a fact that if the local firms adopt some management practices or the training of locals, for example, it can be truly beneficial for them. At the long-term prospect of growth, the

externalities of technology vary and it is a feature commonly met in models of endogenous growth (Romer, 1990). Because of the relationship of the marginal productivity and the capital accumulation it is considered that the difference between the social and private investment reflects the presence of externalities. The long-term growth is increasing and the marginal productivity of capital is prevented of decreasing due to the externalities.

Finally, we could admit that foreign direct investment (FDI) is an undivided part of an international, open and effective economic system which is used as a basic part of development. The beneficial side of this economic system, however, is not always seen automatically and it may be noticed unevenly across local communities, sectors and countries.

2.7. Foreign Direct Investment Objectives

There are two types of investment in international trade. The first is foreign portfolio investment where the investor does not have an active role in the business and the second is foreign direct business where the investor has an active role. Foreign direct investment is the only one that has continued to grow in times of war and economic crisis. However, they are heavily influenced by demand and political factors.

Direct foreign investors usually buy new plants or machines for a business. Through them and after proper moves, he can achieve the acquisition of the entire business. Nevertheless, they want through the investments that help to develop the economy not only of the business but also of the local society.

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Diagrams:

- 2.1. Stock of FDI
- 2.2. F.D.I. Outflows 1982-200
- 2.3.Trade Volume and FDI flows world wide

3. Repercussions of relocation in countries

New investments in a foreign country affect both the country of origin and the country from which the investment originates. In the new country of establishment, there will be changes in the economy, the employment of local people and the introduction of new technologies.

On the other hand, the state of origin is also affected by the economy, especially in the export sector. Workers and especially their wages are affected as local production is affected.

Below we will analyze the impact that may occur in the two countries.

3.1 Host countries

3.1.1. Transfer of knowledge / technology in host countries

A number of theories argue that multinational businesses have a number of advantages that make them profitable in foreign markets. Such advantages are management, economies of scale and technology available. All the above represent, in a more general view, the chapter of knowledge.

According to Markusen (1995), the knowledge chapter has two characteristics that allow multinationals to move to FDI. Firstly, transferring knowledge to new geographical destinations is a relatively inexpensive process, and secondly, knowledge can be extended to more than one production point at the same time without affecting productivity. The above, allow the multinational enterprise to create autonomous production chains in foreign countries, thus creating horizontal FDI.

The chapter of knowledge is related to technology. Freeman (1974) states that "technology is a piece of knowledge on techniques". Granstrand (1998) reports that multinational enterprises have inputs of two kinds: tangible and not tangible. Things include work and capital. Inconclusive includes knowledge. Granstrand also says that technology is also a type of knowledge. We would say that technology is considered as a specific subset of the broader set called the Knowledge Chapter.

Multinational companies are trying to protect the technology they use in their production through exclusive rights of use and patents. Sometimes, however, this technology circuit within the business breaks. Javorcik (2004) reports that the leakage of technology from inside a business may be voluntary or inadvertent. A multinational enterprise can give technology to a partner who produces an intermediary good for it voluntarily so that its inputs are more qualitative. Involuntary technology leak occurs when competitors of a multinational enterprise within a country are able to know and apply their technology to their production. The positive externalities resulting from the leakage of technology are the way in which FDI contributes to economic growth, which is also described in the theory of endogenous growth.

By closing this subfund, it should be noted that technology transfer is not a panacea solution if we do not know how it can be used. In particular, technological progress can save capital, work or be neutral (Harrod, 1948 and Hicks, 1932). Given the profit rate, Harrod's distinction of technological advances argues that if the ratio of capital to product increases, then we have technological progress in "saving labor", and when it is reduced we have technological progress of "capital saving". Finally, when we remain unchanged, we have neutral technological progress. A possible transfer of technology from a multinational enterprise that has been extended to a foreign country is preferable to "saving capital" rather than "saving work" because the second category may lead to a drop in employment.

3.1.2 Employment

Despite the huge size of literature on FDI correlation and employment growth, this correlation has not been fully understood. According to the 1999 World Investment Report, a temporary decline in FDI employment can lead to an increase in the competitiveness of the economy or its shift to exports, which will multiply positive long-term employment outcomes.

In general, we would say that horizontal FDI is characterized by technology transfer from the parent to the foreign market, which increases the demand for specialized work in the host country. However, this transfer of technology does not occur in all FDIs or in all host countries. It depends, firstly, on the scope of FDI and secondly on the level of development of the host country. For example, a horizontal FDI to a developing country, accompanied by a transfer of technology that is unknown to the host country, will not automatically lead to its adoption by domestic firms. Technology leakage will be indirectly through employees who have been trained by the multinational enterprise and will no longer work for her. This process will cause multiplier effects on the employment of the host country.

An example is India India's Siemens India Ltd, which manufactures electronic systems. The company has attended training seminars for 140 new employees. At the end of the seminars, only half of the participants continued to work for the company, while the others either worked in other companies or created their own company. With the above example, we conclude that ultimately the most important factor in creating jobs is the indirect effects of technology owned by multinationals.

3.1.3. Natural capital

By "physical capital," we mean all non - human factors used in production. In theory, as the country's stock of physical capital increases, its potential productivity is rising. However, the average concentration of physical capital does not lead to ever greater productivity. While the increase in physical capital in countries where the ratio of capital to work is low can have significant positive consequences, the declining returns we provide lead us to the conclusion that the accumulation of physical capital can not lead to long-term economic growth. Thus, we conclude that horizontal FDIs can provide physical capital in the host country, which will assist

in the development process in the short term, and especially in economies that are characterized as "transition economies".

In an economy, all businesses are not the same in terms of their ability to operate. Some of them have a number of competitive advantages over others. Such a competitive advantage is a market defect in the sense that it makes it more difficult for them to compete with them, forcing them to leave the market. Adding to this the multiplier function of an initial competitive advantage, we understand that a monopoly situation is gradually being created on the market. Competitive advantages also act as barriers to the entry of new businesses, since the latter will have to cope with this unfavorable situation. Entrances can be considered as:

- "Capital Costs: Multinational companies benefit from new domestic businesses because they have easy access to the market and plenty of capital

- Economies of scale: Multinational enterprises, either because they are able to pre-empt a national market or because they have the possibility to divide the production process between national markets, have advantages over national enterprises that do not have the same capabilitie.

- Organizational complexity: Multinational companies possess such know-how that they can use at a very low marginal cost and this puts them in a more advantageous position than other potential domestic companies.

- R & D: In addition to the existence of R & D organization skills, where the multinational enterprise has the advantage, this activity is characterized by economies of scale. It is therefore more efficient to concentrate it on the parent or a subsidiary and to disseminate the results to other subsidiaries which undertake the physical production of the product

- Advertising: Multinational companies retain the advantage of exploiting economies of scale in the organization and management of advertising

campaigns, concentrating on the organization and production of the operation "(Kyriklis D., Foreign Direct Investment, pp. 94-95)

In the above view, multinational companies have a negative impact on the structure of the market, as most of them have competitive advantages, either domestic or foreign, which lead to a high degree of market concentration. Many researchers have come to the conclusion that there is a relative relationship between FDI and the degree of concentration of the market.

As far as developing countries are concerned, it has not yet been ascertained whether or not they are attracting market concentration by multinationals. Of course, there is the exception of Evans (1977), who notes that multinational companies have led to a decline in market concentration in the Brazilian pharmaceutical industry.

The other view found in the bibliography argues that the entry of multinationals into an oligopolistic market can stimulate domestic competition due precisely to the advantages of the multinational company and the need for its survival competitors. In particular, domestic multinational firms will try to survive in the new climate, trying to become more and more productive. One way to achieve this is to adopt new technology in their production.

Lall (1978) points out that the entry of multinational companies into the least developed countries causes a rapid increase in market concentration in the light of the inability of domestic competitors to compete.

He himself (1979) bridged the above conflicting views, saying that the entry of multinational companies into less developed countries could cause a decline in market concentration in the short term as one more firm enters the overall figure, but in the long run the degree of concentration will increase. This phenomenon tends to appear more strongly in the less developed countries than in developed ones. Moreover, increasing the concentration of the market from the entry of a

multinational enterprise does not mean an automatic fall in productivity, especially in economies where entry barriers are not absolute.

3.1.4 Salary level

It has been observed that multinational companies entering a foreign market tend to pay higher wages to their employees. Four interpretations have been made to create this phenomenon. First, in some states, providing increased wages to employees may be one of the conditions for setting up a multinational enterprise in the country. A second explanation concerns the provision of increased wages so as to improve their social status. The third interpretation concerns the intention of multinationals to keep their workers in order to minimize technology leaks to other competing businesses (see page 29). Finally, a fourth interpretation relates to the lack of understanding of the functioning of a foreign market by the multinational, which causes it to offer higher pay for attracting the most skilled workers. In a Blomstrom study for the Mexican manufacturing industry, foreign companies appeared to provide 25% higher wages than those of wholly domestic firms.

In developed countries we again have the same backdrop, but with smaller wage differentials between foreign and domestic companies. For example, a study by Lipsey (1994) concluded that in the United States, employees in foreign companies enjoyed salaries that were 6 to 7% higher than those provided by domestic firms.

This higher pay by multinational companies may also affect domestic businesses. According to a survey by Lipsey, Aitken, Harrison (1996) for Venezuela, the phenomenon of increasing wages paid to workers in domestic companies was observed, which was aimed at attracting workers with better quality characteristics.

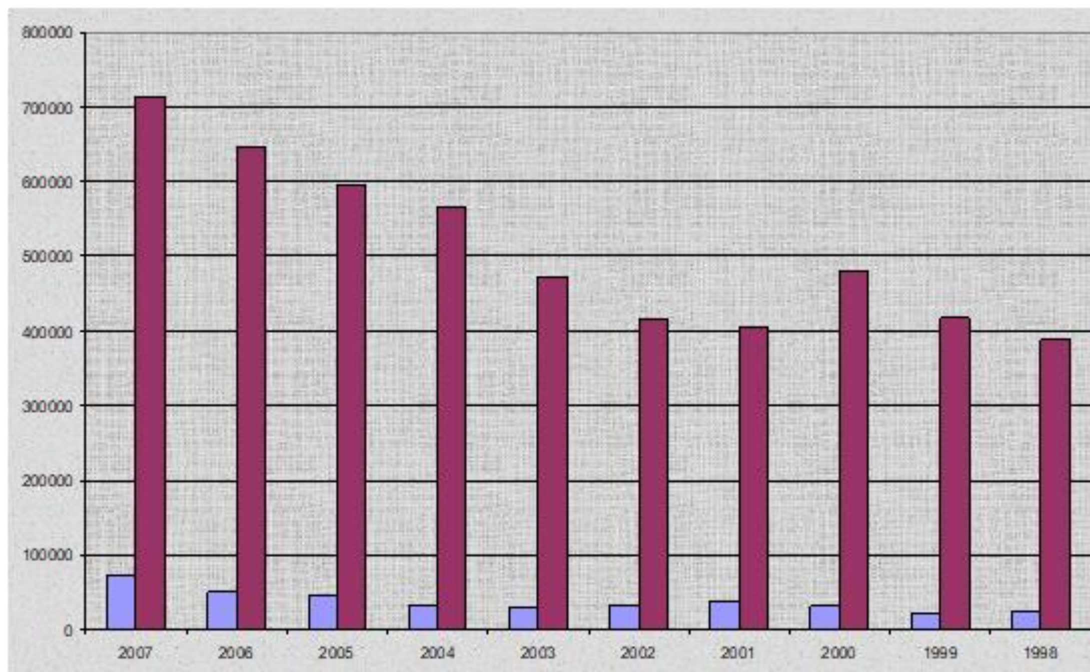
3.2. Origin countries

3.2.1. Exports

One major question concerning the countries of origin of FDI is whether they replace or complement the exports of these countries. In the above question the bibliography does not give a clear answer as the theorists are divided, with Lipsey, Weiss, Helpmann and Grossmann observing a positive relationship between FDI and exports and on the other with Mundell and Svensson claiming that the momentum towards FDI can negatively affect exports. Ultimately, the outcome depends on the circumstances and conditions that exist.

In general, it can be said that the output of one country is higher when FDI outflows are directed to LDC's rather than when they are directed to DC's.

When a business is established in a less developed country, it often does not have the ability to source all the materials and raw materials it needs from the local market, which may not be highly developed. For this reason, they acquire the necessary materials from the parent company. Thus, in essence, the company's branch exploits cheap labor and the parent company increases its exports. This phenomenon is to a large extent observed in Korean computer manufacturers operating in less developed countries and ordering the necessary materials from the parent company.



3.1 Graph FDI imports

Sousrce: UNCTAD (2008), http://www.unctad.org 1/6/09 και UNCOMTRADE (2008) http://comtrade.un.org 1/6/09 , επεξεργασία ιδία

From the above diagram we can see some positive relationship between FDI and imports. In particular, we see that since 2003, there has been an ever-increasing volume of both total outward FDI and exports. The question that arises, of course, at this point is what size affects which one. However, in the first instance, the phenomenon of substitution of exports from FDI does not appear to occur.

3.2.2. Employment

The question addressed to the previous subchapter, whether and how that outward FDI from one country affecting exports and productivity, and provide a basis for the possible impact of outward FDI on employment. The above is easily perceived if one thinks that a possible replacement of exports means fewer jobs.

This is the strongest fear of trade unions and workers in developing economies or transition economies. An important example is the one in the US, where, shortly before the signing of the Free Trade Agreement, labor unions complained, afraid of the relocation of American businesses to neighboring Mexico.

In order to better examine the impact of outward FDI on the employment of the domestic economy, the type of FDI should be clarified, whether vertical or horizontal (see Chapter 3.1). When a multinational enterprise decides to move to a vertical FDI, it will obviously separate the output of its product in stages, depending on the degree of labor intensity they require. With this in mind, the stages of production requiring unskilled labor can be done in low-cost labor countries, while, respectively, production stages requiring specialized knowledge will be installed in high income countries. When one of the stages of production expands, the rest are inevitably expanded. In conclusion, when a company proceeds to a FDI that is profitable, it can expand its activities, which will apply to all stages of production. Thus, regardless of the degree of development of the country where the business is based, the country's employment is expanding. However, there may be negative effects on employment in the country of origin as a result of the nature of the product produced by the multinational enterprise. We would say that a factor influencing the change in employment in the country of origin is whether the multinational enterprise is labor-intensive. For example, the Greek industrial enterprises relocating to the Balkans were mostly labor-intensive, which led, at least in the short run, to rising unemployment in Greece, particularly in the prefectures of Thessaloniki, Serres, Drama and Kilkis, but also the prefectures of Thrace. It is reported that in the prefecture of Drama, between 1988 and 1995, the number of garment manufacturing enterprises declined by half, and those employed in these industries declined to a quarter of the original figure.

Accordingly, when a multinational enterprise decides to move to a horizontal type of FDI, it seeks to exploit some of the advantages of expanding its activities abroad. Exploiting the international business environment can be profitable for a multinational enterprise, which, if it produces a good abroad, is now able either to export from its domestic (original) market or to export its product from the output produced by FDI.

The question of whether or not FDI ultimately or negatively affects the exports of the country of origin - and hence its employment levels - the researchers are divided.

In the first group of studies, it is concluded that there is a negative relationship between outgoing FDI and domestic employment. In particular, it is concluded that this shifting of employment from the domestic company to its subsidiary - and correspondingly in the countries concerned - is more pronounced when we talk about countries like this or with some little difference in wage level, rather than a rich country to some poorer.

In the second category of studies, it is concluded that there is a positive relationship between outgoing FDI and the employment of the country of origin. The dominant logic in these studies was that when a multinational enterprise invests in a cheap labor country, it actually increases its competitiveness by reducing production costs, which can lead to increased employment in the country of origin. For example, one survey concluded that in Japan, domestic employment is rising when multinational companies invest abroad.

In conclusion, we can say that the effect of outgoing FDI on domestic employment depends on the type of direct foreign investment, the difference in the level of the countries concerned, the type of enterprise, the institutional framework regulating labor relations in the country of origin, the size of the domestic economy and the size of the multinational enterprise

3.3 Impact of Investment

Installation countries have many advantages over new investments. Initially, they receive new knowledge and new technologies that they can use and make better their lives. The introduction of new technologies also contributes to increasing

demand and thus to increasing jobs. However, studies have shown that opening a multinational to a new location leads to a reduction in competitors as it gathers the entire market on it. Multinationals give higher salaries to their employees than the country's wages. However, this leads to short-term growth of the economy.

The state from which the investment comes also has some impact on its economy. More specific surveys have shown that if a company invests in a country with reduced growth, the state of origin will increase its exports. As far as work is concerned, as multinationals are doing well and productivity is increasing in country facilities, the human resources in both countries will also increase.

However, the country's facilities and conditions prevailing there will be the ones that will play a decisive role in what the effects of the two countries will be. (Lipsey, 2018)

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4. Politics of the countries that accept the foreign direct investments.

Although foreign direct investment contributes in a way to the capital Accumulation as well as the social product they also have a negative effect in the income distribution, financial and technological autonomy of development, and National economic policy control (IMF,2011).

For these negative effects, multinational companies are not directly involved since as in every other company, these companies are going to maximize their profits and so their activities aim at this goal and not in the development of the least developed countries. The point is about the measures that every government should take to increase the positive effects and reduce the negative. These measures that the least developed country will take are not an act of the country alone. They are the result of tough negotiations between the government of the country and the multinational company because from these measures the investing attitude of the multinational companies will be determined.

The success in these negotiations over list developed the country dependents on the power that the country has, to negotiate. This power is determined from factors such as the level of knowledge for the activities of the multinational companies, the experience of the government end the level of organization that there is in the country. Specifically, the power of a country dependents on the scale of its internal market, in the case of investments for the substitution of imports and the resilience of natural resources in the case of mining investments. Very small considers the bargaining power in the case of export-oriented investment aiming at the utilization of responsibility rose labor. Since there are many countries competing to attract such investments even negotiating power of a less developed country is significantly affected by internal political factors. It has been observed that the negotiation power of southern countries increased in the case of investment in manufacturing (Athanasios,1997).

The measures taken by the least developed countries are distinguished by incentives and restrictions.

4.1. The restrictive measures.

The restrictive measures are obligations that multinational companies must comply with in the conduct of their activities in the host countries. These obligations usually include:

The further processing of raw materials designated by multinational companies; the promotion of the transfer of modern technology.

- The multinational companies are obliged to import the more modern machinery, meaning that it is forbidden to import second-hand machines to respect the development priorities of host countries.

- The greatest possible supply of inputs required by the production process for foreign firms by local businesses.

- The increased employment of the workforce and staff at middle and upper levels and the restriction of foreign employment.

- Working with local entrepreneurs to set up joint ventures where 51% of the share capital belongs to local entrepreneurs.

This measure aims mainly at better assimilation of foreign technology by local partners and the dissemination of the form of this investment to the local economy entails greater national presence and greater opportunity for the host country to control the activities of Foreign Investment Joint ventures. They do not seem to be attractive where multinationals possess high technology for fear of leaking secrets.

4.2. Basic elements of an attractive environment.

The basic elements of a reliable effective and attractive in international investing capital is an appropriate Macroeconomic And structural politic efficient and effective savings of the country, the accumulation of natural and human capital and the existence of a comprehensive institutional framework within the host country.

The cost of Investment Incentives is disproportionately high and unproductive for a country when its core sizes and characteristics of the domestic economy do not pay Key criteria of potential investors. International experience confirms that more successful without attracting Investments are those that meet the above criteria good governance. So that a country's development policy is successful, it must act as a complement to the business environment and take advantage of it to promote investment and lead the domestic economy on a sustainable development.

4.3. The factors that play a key role in shaping a business-friendly climate.

4.3.1. Public sector transparency.

Integrity, transparency and accountability of government and business is a part of the UHIC without its existence contributing effectively to attracting investment (Pazaitis, 2005).

Public sector transparency is the result of political institutions and practices that channel the necessary information in a way that improves Understanding government policy to increase its effectiveness and to reduce the uncertainty around it and its processes Knowledge of rules and regulatory frameworks as well as the directions of this development are important components of the investment decision transparency and predictability are especially decisive for foreign investors facing one and regulatory frameworks And administrative systems and different ways of thinking and operating easy access to relevant relevant information and the ability to participate in the development of the business environment are strong incentives to invest.

The OECD Business and industry advisory committee refers that “From the point of view of business transparency reduces the obstacles, minimizes risk and uncertainty promotes investment. Reduces interdependence and corruption, promotes harmonious state co-operation enterprises contributes to creating a level playing field and sets the foundation for sustainable growth.”

The necessary information for new domestic and foreign investors includes property and transfer prefectures as well as any restrictions on their administrative rules, taxation investment incentives, market structures access to local finance climate and protection data, protection rules and any social and environmental requirements, the availability of such. Information and easy access to them promotes entrepreneurship and assistance both in the planning results in improving the quality of investments and making more effective use of investment funds that improve transparency and facilitate investment include (Blomstrom & Koko, 2003):

- Clear and well-defined procedures and responsibilities stakeholder organizations.

- Regulatory reform making information easily accessible.

- Setting up investor service centers one stop.

- Valid information and consultation with investors and competent bodies for changes in laws and procedures concerning investors.

- Reduction of corruption introduction and exploitation of new technologies such as the Internet in every area of communication.

- Simplification of procedures and equality with simultaneous limitation of the possibility of discriminatory treatment by local authorities.

- Legislative simplification legal coding and creation of information centers informing prospective investors about the relevant laws and existing regulated regulatory frameworks.

4.3.2. The physical capital infrastructures.

The quality of physical infrastructure combined with the quality of human capital are also an important factor for aspiring investors (Pazaitis, 2005). The existence of good infrastructure is indispensable for investment companies and moreover for export-oriented companies broadband telecommunications are becoming a valuable tool of companies mainly in the field of services and the use of the community framework for the information society for broadband access.

It is important that the planning of the infrastructure takes into account both the current situation and the evolution of the necessary areas to which the country's development. In addition, the country should carefully assess all alternative forms of infrastructure financing such as co-founded and self-financing programs and proceed to the best solution based on the advantages and disadvantages of each form depending on the use of the project.

4.3.3. The human capital.

Undoubtedly investment in human capital (Pazaitis, 2005) and the creation of research and development technology infrastructures provide a significant comparative advantage in the country with beneficial consequences both for attracting new investments and for society itself. Towing a country's human resources education and developing skills and competencies are decisive for the global competitiveness of the country and bring significant benefits provided, of course, that knowledge is applied amid the country and the region. The continuous monitoring of market needs and objectives Investment in human capital development and basic education adaptation to new trends attract new investments facilitate reinvestment while improving the quality of these.

4.3.4. The competition.

The existence of healthy competition is indispensable both for attracting investment funds and for their beneficial use through the diffusion of technology and international practices in the domestic economy (Pazaitis, 2005). The lack of competition eliminates the incentives to increase the

productivity and competitiveness of the existing economy and repels them new investors by ensuring fair competition by reducing market distortions and actually releasing it creates the degree of attraction of investments and the development of the most important factors the irregularities in the economy and the lack of equality that it impedes is a barrier to the development of competition and to attracting investment the irregularity can be defined as the avoidance of tax insurance institutional and regulatory obligations and the resulting distortion of the competition rules avoiding the above obligations creates unequal competition by reducing operating costs and allows for less efficient And productive businesses remain on the market while at the same time Prevents market access to best practice models at the same time multiplies small businesses and makes it impossible to obtain a critical size that would exploit potential economies of scale A combination of Incentive Information and Strong Punishment supported by a fair and effective audit a mechanism that severely limits the extent and impact of this phenomenon.

4.3.5. The bureaucracy.

Administrative obstacles increase costs for current investors and inhibit the investment. There are many time-consuming processes that the results delay and are implementing investment projects. Limiting the breadth of the regulatory role of the State, reading and identifying existing administrative anchorages, and implementing a well-designed and properly targeted program for transparent predictable bureaucratic procedures can lead to the removal of existing investment barriers.

4.3.6. The work environment.

The cost of human resources based on quality and productivity is a critical factor for any investment. For example, the Greek economy is characterized by a labor productivity cost ratio that does not encourage the influx of productive investments. Although labor costs are quite low compared to at least the other developed countries, there is a significant burden on companies due to the relatively high cost of insurance and the lack of flexibility in the workplace. On the other hand, the productivity of the country's human resources is significantly lower than the corresponding productivity of competing countries and does not seem to compensate

satisfactorily from total labor costs. This corresponds to productivity costs and the general dysfunction and lack of flexibility of the Greek labor market is reflected in the high unemployment rate in our country.

Increasing productivity is therefore a one-way course and it is imperative to change mentality by implementing flexible integrated education and training policies that are in line with evolving corporate needs. The elimination of bends in the different product markets It cannot be accompanied by a corresponding labor market adaptation, to make transport changes more flexible in the conditions of demand and the global competitive economic environment.

4.4. Conclusion

Countries that receive foreign investment in addition to economic improvements that have problems in terms of income distribution, autonomy and political development. The nation-states are pushing the governments of the countries that settle down to get as much profit as they can. That is why governments should be very careful in the negotiations they will make with them. Multinationals should respect the country they find and protect the environment.

For a friendly and healthy environment to be established between the government and the multinationals, the government should, for its part, have transparency for its public sector. The country's environment, competition and the available human resources are key factors for their successful collaboration.

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5. The historical development of foreign direct investment in Greece.

Our country has been giving us 70 years of attraction for a thousand investors. Favorable laws were an incentive for new investors to arrive. Their funds were distributed to various sectors such as industry, tourism, oil, communication. Depending on the time and the economic and social conditions prevailing in our country, investors were devoted to other areas. In spite of the financial crisis, even today we trust our funds.

5.1. The years between 1950-2000.

In the 1950s according to Kirkilis (2010), the entry of foreign direct investment in Greece was limited and its contribution to industrialization was marginal. the Legislative Framework for the Attraction and Protection of Foreign Capital in Greece, according to Kottaridi (2014), started with the adoption of Law 2687/1953. the law that regulates favorably the protection of capital imported into the country for the purpose of investment could not be revoked or modified. Law 2687/53 Investments and Foreign Capital Protection, which are in addition to incentives for the capital provided for domestic investment. more specifically, provides for the exemption from taxes and duties for the import of capital equipment, spare parts, raw materials and auxiliaries for a period of ten years from the investment, the right to employ foreign staff in administrative and technical posts, the repatriation of profits, the reinvestment of non-repatriated profits, the settlement of any dispute between the Greek State and the foreign investor by foreign arbitration, as well as the certain investment facilities depending on their participation in the substitution of imports, etc. such as the ban on the setting up of new production units by competing undertakings or the charging of electricity at prices below the average price of industrial power.

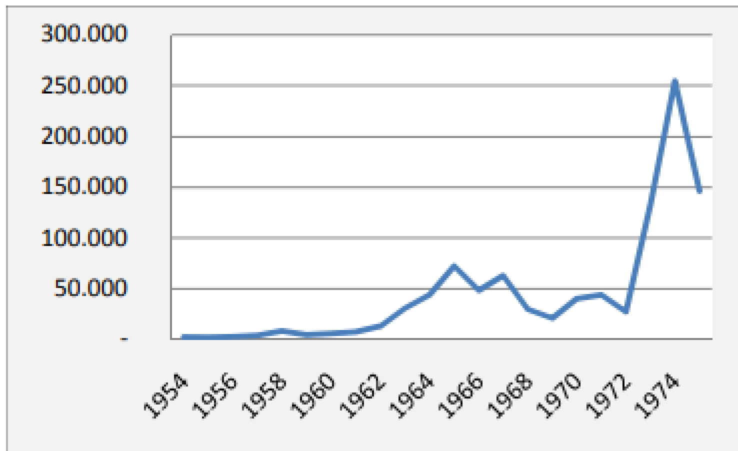
According to Kirkilis (2013) and Kottaridi and Gakoulas (2013), the economic policy pursued in the 1970s was geared towards substitution of imports and the protection of domestic production as well as of the domestic industry which was in a restarting state period after the dissolution of domestic productive activity as a result of the Second World War and the subsequent civil war. As a result, FDI directed to sectors where they were already operating without economic units were discarded, while only those that were purely export-oriented or related to sectors where there were no domestic enterprises were accepted.

This decade was dominated by American businesses in the European market with the aim of serving domestic markets. given the small size of the Greek market and the low level of growth of the Greek economy, US multinational companies showed little interest in Greece as an investment host country and thus the overall inflow of FDI was low.

The FDIs that were being carried out at this time were mainly directed at manufacturing or heavy industry, where Greek businesses were not active. With regard to the manufacturing sector, according to Kirkilis (2010), 75% of FDI directed to this sector was channeled into the basic metals, oil, transport, chemicals and plastic-rubber sectors. the remaining 15% concerned the textiles, tobacco and paper sectors. which is not explained by the fact that the Greek enterprises in the manufacturing sector concentrated mainly in the production of consumer products to meet domestic demand.

Since the early 1960s, ASE inflows into Greece have started to increase significantly. Kottaridi and Gakoulas (2013) argue that this is due to the change of attitude of Greek governments towards the introduction of Foreign Capital in the country. Laws 4171/1962, 4256/1962 and 4231/1962 promoted a series of incentives to foreign investors such as indirect subsidies, tax exemptions, exemption from customs duties and the import of machinery and intermediates. At the same time, the association agreement between Greece and the European Economic Community (EEC) has had an essentially positive impact on FDI inflows as it provided for the gradual removal of barriers to the country's trade with the common market, and above all for the abolition of tolls the Greek post-production products.

Kirkilis (2010) mentions something else. total inflows have increased significantly compared to the previous decade, although they fluctuate. Between 1962 and 1967, FDI inflows were increasing, although the five-year period that followed (1968-1969) was characterized by a downward trend. From 1973 to 1975 there was a dynamic increase in inflows that was followed by the downward trend, with the exception of 1980.



6.1. Diagram Annual inputs of FDI in Greece, 1954-1975 (In thousands of dollars)
Source: Dimitris Kirkilis (2010)

The value of this decade was again directed to the manufacturing sector. Although there was a change in the structure of the intermediate manufacturing process, such as non-metallic minerals and basic metals.

In general, over the period 1954-1981 FDI's distribution in manufacturing appears to be concentrated in three branches: the oil sector with 31.85%, the basic metals sector by 22.5% and the chemicals sector with 11.47%. If they are still added the sector of electric machines and vehicles, at 6.89% and 7.39%, respectively, shows that the concentration exceeds 80%.

Time Period	1954-1981	1954-1962	1963-1973	1974-1981	1982-1990
Manufacturing sector					

Food	2.9	1.62	0.86	4.45	28.5
Drinks	2.73	0.17	1.01	4.08	5.8
Tabaco	0.4	3.44	0.43	0.09	0.6
Textile	3.22	3.33	2.93	3.42	0.5
Clothing	0.47	0.26	0.38	0.55	0.9
Wood	0.62	1.24	0.82	0.42	2.9
Furniture	0.04	-	0.06	0.02	-
Paper	1.3	7.82	1.12	0.7	0.3
Editing	0.02	0.14	0.02	-	2.7
Leather	0.04	-	0.06	0.03	0.01
Plastics	2.32	8.16	3.78	1.1	0.4
Chemical	11.47	9.86	22.01	4.38	8.7
Oil	31.85	17.51	21.54	40.43	14.3
Non-metallic minerals	3.06	2.65	5.02	1.64	4.8
Basic metals	22.75	13.9	23.74	22.9	10.10
Metal products	1.94	1.88	1.6	2.1	0.01
Engines	0.36	0.18	0.36	0.38	1.1
Electrical engines	6.89	3.39	6.91	6.92	7.2
Transportations	7.39	24.4	6.99	6.24	10.00
Miscellaneous	0.16	0.02	0.23	0.12	0.9
Total	100	100	100	100	100

Table 6.1. FDI 1954 – 1990

Source: Dimtris Kirkilis (2010)

About the country of origin of FDI for the period between 1953 and 1973, the first place occupies the United States of America, I accept the importance of France, and later there is a change with the then EEC member states to precede. according to Kirkilis (2010), FDI from a member state of the European Community was mainly directed to the sectors of basic metals, electrical machines, chemicals, textiles and plastic tires. on the other hand, American values are directed to chemicals, petroleum, paper, plastics and rubber, metal products and electrical appliances.

The second half of the 1980s saw significant revisions to the institutional framework for FDI, in the context of the gradual liberalization of capital movements. however, the 1980s and 1990s are characterized according to Kirkilis (2010) and Kottaridi and Gakoulas (2013), stagnant about life in Greece. This is due to the fact that at this time the international niche was growing due to globalization and the emergence of new markets from the Central and Eastern European and Asian countries, which will try to gain a place in the international distribution of production. At the same time, Gakoulas (2013) reports that there is a shift towards the services sector, such as trade, tourism, transport and financial intermediation. Foreign investors continue to show their preference for manufacturing, with a particular interest in the consumer products industry. the participation of Georgia was significant in the early 1980s, but at the beginning of the next decade it declined in terms of its fees. Finally, a feature of this period is to increase the participation of the countries of the European Union as countries of origin of foreign direct investment, while at the same time lowering the US participation.

Between 1980 and 1988, the average annual inflow of FDI in Greece was equal to 560, 2,22 million US dollars. In the period 1989-1992 the flows are on the rise, with an average annual inflow of 1,000.9 million USD. Over the next two years, 1993 and 1994, there was a drop in inflows to 977 and 981 million dollars respectively, followed by a rise in the next two years, namely 1,053 and 1058 million dollars respectively in 1995 and 1996. The three- followed by volatility While the situation seems to change since 1999, when Greece enters a period of great increase in FDI flows. This is due, according to Kottaridi and Gakoulas (2013), to the accession of the country to the Eurozone and thus to the liberalization

of capital flows due to the elimination of uncertainty about the fluctuation of the exchange rate.

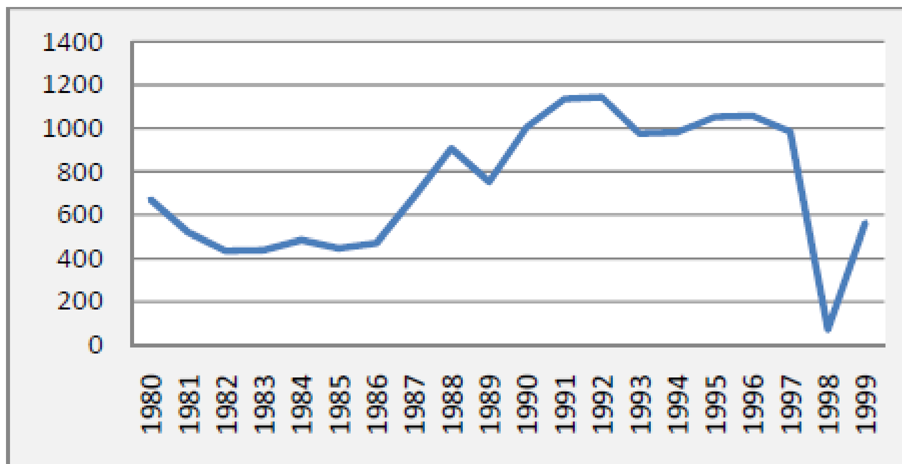


Diagram 6.2. Annual inputs of FDI in Greece, 1980-1999 (in millions of dollars)
Source : UNCTAD

However, compared with the overall inflow of foreign direct investment into the European Union, Greece is showing reduced attractiveness in relative terms as the share of inputs in Greece as a percentage of total inflows into the European Union is very low, and according to Kirkilis (2010) 0.96% in 1990 to 0.18% in 2000 with a slight increase of over 1% for the years 1991 to 1994. At the same time, it argues that the geographically peripheral countries of the European Union show a significantly higher share of over 20% to 35.4% in 1994 to decrease later to 16.9% in 1996 to recover from 1999 to 1999 and to fall to 16.8% in 2000.

It is therefore obvious that the generally positive impact of European economic integration on the Member States of the European Union is limited in the case of Greece which has failed to improve the advantages it has by locality to attract increasing foreign direct investment relative to other countries of similar size and the peripheral countries of the European Union.

5.2. Direct foreign investment in Greece after 2000

Between 2001 and 2006 annual FDI flows in Greece followed an upward trend of US $ 5,354.8 million in 2006. Greece's entry into the EMU Economic and Monetary Union, the adoption of the 2001 single currency and the 2004 Olympic Games was seen as a historic opportunity for the Greek economy to address its structural weaknesses in improving the business climate of competitiveness and return on investment.

The distribution of FDI inflows is different from the previous ones and there is a shift from manufacturing to the tertiary sector of production and, more specifically, to financial services in commerce and communications.

- Tertiary sector 58,2%
- Secondary production sector 45,2%
- Primary production sector 1,25%
- Not distributed 0.05%

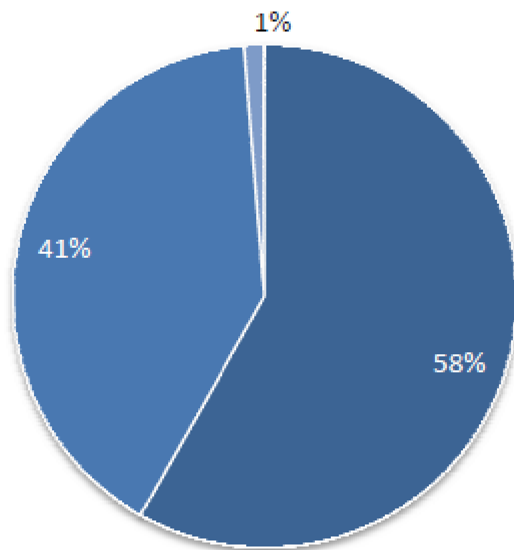


Diagram 6.3.: FDI in Greece by sector 2001-2006
Source: Greek National Bank

- Trade and repairs 22%
- Hotels and restaurants 7%
- Transportation and storage 3%
- Information and communication 24%
- Financial and insurance activities 39%
- Real estate management 1%
- Professional scientific and technical activities 2%
- Recreational Cultural and sporting activities 1%
- Other Services 1%

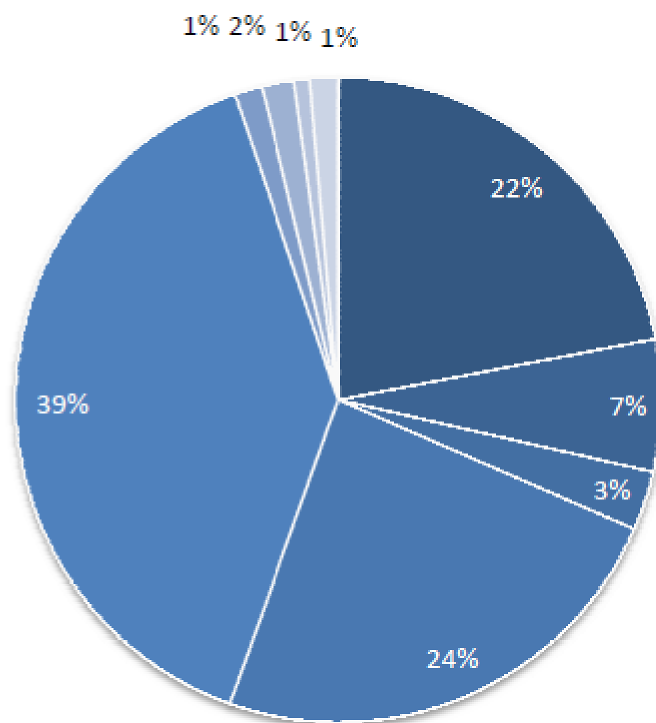


Diagram 6.4. Structure of FDI in the tertiary sector, 2001-2006
Source: National Bank of Greece

Despite of the fact that Kirkilis (2010) argues that especially with the European Union Greece does not seem to have improved its relative position. A similar

situation prevailed for the other southern European countries as well as for Ireland. This stagnation may be partly due to the Central and Eastern European countries competing with the countries of the European South attracting rising FDI due to their low cost and high labor productivity.

The post-2007 period in the context of the financial crisis seems to have led to changes in the distribution of FDI. Kottaridi and Gakoulas (2013) report that developed countries are more affected by the developing economies that have significantly increased their share of the global market. They also argue that the European Union, while still an attractive destination for FDI, has experienced a significant reduction in the inflow of FDI, with its worldwide share dropping by half compared to the previous decade. That is, approximately 45% in 2001 to approximately 23% in 2010.

As for Greece, the impact of the crisis is noticeable as all pies almost limit their presence. in 2010 there was a dramatic fall in FDI that stood at just $ 330 million. over the next three years, FDI recovered, recording an increase of 246.36%, 427.7% and 677.5% 7% respectively compared to 2010, reaching $ 2,566.5 million in 2013.

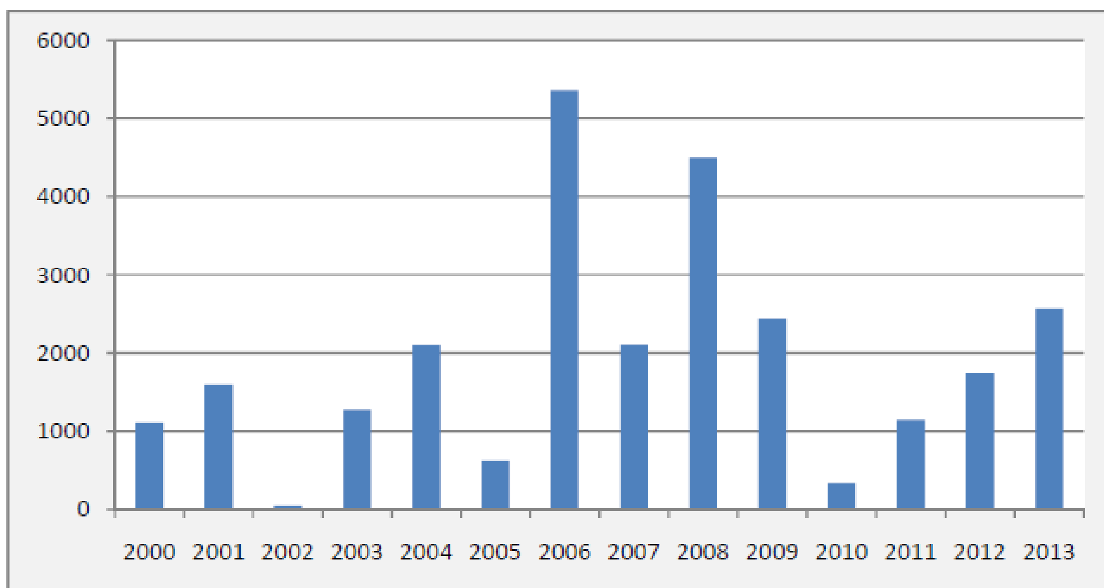


Diagram 6.5. Annual inputs of FDI in Greece, 2000-2013(in millions of Dollars, USA)
Source: UNCTAD

The countries of origin of FDI proceeded to withdraw invested capital, according to Kottaridi (2014), France, the Netherlands and Luxembourg, while those with an increase in the invested capital are Germany, Austria and Belgium. Regarding the economic activity sector, it is recorded by investments in the financial and insurance sectors, in the food and beverage sector and in the computer and optical products sector. On the other hand, the sectors with a significant increase are agriculture, mining, electricity, gas and water, real estate management, cultural and sporting activities and the entertainment industry.

2007-2013		
Sector of economic activity	Absolute change in millions of euros	Change %
which showed an increase		
Agriculture mines	727,5	10,39
Electricity gas and water	1332,39	4
Trade and repairs	1123,44	0,39
Transport and storage	236,22	0,64
Information and communication	989,82	0,3
Real estate management	1374,79	32,73
Professional scientific and technical activities	272,67	0,62
Recreational Cultural and Sports Activities	1546,04	25,77
which showed a decrease		
Textiles and timber	-47,5	-0,26
Food beverages and tobacco	-4835,8	-0,62

Petroleum products for pharmaceutical and chemicals	-794,9	-0,2
Metal products and machinery	-438,7	-0,26
Computer products optical products	-40,6	-0,68
Other manufacturing industries	-576,3	-0,40
Constructions	-161,59	-0,29
Hotels and restaurants	-241,5	-0,25
Financial and insurance activities	-18068,19	-1,69
Health and social care	-6,8	-0,03
Other services	-105,6	-0,84

Table 6.2. 2007 – 2013 FDI, Greece

Source: National Bank of Greece

Despite the financial crisis faced by Greece since 2010, the invest in Greece SA says on its website that the country's performance in 2014 to attract FDI was quite satisfactory, reaching about $ 2.6 billion, and it is considered feasible to increased inflows of foreign investment, as the rapid promotion of reforms, the fall in producer prices as a result of the economic crisis, the foreseeable use of public property and natural wealth are expected to create investment opportunities and strengthen the country's investment framework. At the same time, comparative advantages favor investment, geopolitical, climatic, historical, etc. they were not affected by the economic crisis and offered for recovery.

5.3 Summary of investments in Greece

The introduction of foreign capital in our country began in 1950. The laws then protected the foreign capital entering our country for the purpose of the invasion. The laws then greatly favored foreign investors as they freed them from taxes, customs duties, and they were free to choose manpower from any country they wanted.

In the 1970s the laws changed for our country as they protected the Greek industries and were very strict about the investors they were letting in. However, this did not prevent investors, as in the three years 1973-1975 the investments increased mainly in the fields of petroleum, petroleum and chemical. Most investments came from America.

In the 1980s and 2000s, investments mainly concerned tourism, trade and transport.

In 2000 to 2006, investments were increasing thanks to the Olympic Games, mainly in the areas of communication and commerce.

After 2007, due to the ecological crisis, investments fell by 43% in comparison with 2003. Investments mainly concerned real estate, electricity and gas.

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6. The Crisis of 2008, the crucial role of IMF and ECB and the “three piggies of Europe”

The economic crisis launched in 2007 by the US has had an impact all over the world. Greece has suffered greatly as it needed to borrow money from the IMF to meet its needs. All this led to changes in the economy and debt management problems as there was no viable program.

6.1. The economic crisis of 2008.

The international financial crisis of 2007 led us to the recession of 2008. The subprime mortgage market mortgages were the reason. Just like the 1929, the crisis began form the United states and then the whole world became part of it. Despite the common belief this crisis was not unpredictable. Several years before, there had been reports that predicted it but they were overlooked through a climate of general euphoria.

The raising prices of the house market as well as the low rates have been historically characteristics of the US economy. When large amounts were allocated for high risk then the first “bubble” broke due to insolvent home loans and low-income borrowers. As a rule, these properties were purchased with low credit rating mortgages and high-leverage. The requirements that payments had to meet, found many borrowers difficult to reach when the rates raised the house prices began to fall. Ten per cent of the lousing loans were in auction process or in late payment, when a year before the banks had proceeded seizure of one million homes.

All the markets were infected by the crisis through the secondary mortgage market and a complex creation mechanism of structured bonds. So, complexity, the use of financial derivatives and the improper use of borrowed funds became basic characteristics of a profitable trading system around subprime loans. A chain of reaction became to European and American banks, as well as the real estate sector, because of the attempt to remove interest rate risk and credit from them. After three

decades it was the first time that consumption had fallen and because of the size of the crisis foreign trade collapsed. (Harduvelis, 2009)

6.2. The Europe and Eurozone against the crisis.

As the crisis began from the US, it was extended faster to the countries that were more interdependent with the US through the banking system, such as Germany, Ireland and Great Britain. Since the post-war period the world economies recorded a negative pace for the first time in 2009. Negative growth rates were noticed everywhere across Europe, while the most open economies were and more affected by the world trade declined (10.7%) that year. From the other hand, the most open economies were the first where the recovery could be noticed in 2010.

While the economies of Europe had entered a recession, the European states were working on how to manage the loses. Iceland's banks were exposed to toxic bonds and thus filed for bankruptcy. That is the reason why Iceland's economy was more effected by the crisis. Although there were large cash reserves, the Great Britain followed the American model and consequently it was one of the first countries that were affected by the crisis. Some banks were merged and others nationalized. Similarly adopted products were adopted by France, while reclassifications were noticed in Italy, Luxembourg, the Netherlands and Belgium. In Greece, the banks had not been exposed to CDO's but on the product which they particularly used, high interbank rates interest rates were noticed. Through the year (2008-2009), its GDP Sweden decreased by 5.2%, Germany by 5%, Denmark by 4.9%, France by 2.6%, Holland by 4%, Ireland by 7.1%, Spain by 3.5%, and of Finland by 7.8%. (Varoufakis, Patokos, Tserkezis and Koutsopetros, 2011).

6.3. The crisis of 2008 and the IMF.

At the beginning of the new century a strong growth was happening, a raise in international capital flows and in advanced economies a loose of monetary policy. The total credit growth and the demand were reboosting asset prices and properties, around the world. Price inflation and rapid wage eroded current deficits and competitiveness in some fast-growing countries. Three years ago, indeed, 26 out of 27 countries covered in this review had managed some form of exchange rate arrangement. The big amounts of account deficits were justified by foreign financial assets or by convergent, supported by government consumption (Greece) or including real estate (Portugal, Ireland).

A sudden loss of confidence happened after the collapse of Lehman Brothers, September 2008, in many countries. Capital inflows were reversed or stopped, problems of external stability were emerged and financial systems came to an abrubt in some of the economies. Underlying vulnerabilities were exposed because of the sharp falls in the demand that were based on external factors. Difficulties in the balance of payments became a reality for the economies that were less exposed, at least directly to the initial shock.

During 2008-13, the demand for recourses since the economies in trouble were seeking for official financial support. Under the General Recourses Account (GRA) the fund approved arrangements of 420 billion (IMF, 2015).

6.4. The design of the program.

Initial difficult conditions had to be taken under consideration during the design of the program. Exchange rates that were overvalue, high private and public debt and large current account deficits were basic characteristics of many countries since it was not match time after the great moderation. Weak external demand constrained the external adjustment. In some cases, there were serious concerns that sudden or large depreciation of exchange rates could trigger balance sheet disruptions because of the foreign exchange liabilities.

Households, corporates, and the public sector were led to a contribution of raising the real burden of debt more and reduction of spending undercut domestic demand because of the complications of the balance sheet adjustments. Because of the impact of the debt restructuring options might have on financial intermediation, bank balance sheets and the importance, for the financial system, of the creditors, solutions that could be found seemed constrained (IMF, 2015).

Because of these challenges the program should be designed to find the right balance between more gradual approaches and a large upfront adjustment. The unusual uncertainty of the environment, and specifically in the early stages of the crisis, the large adjustment needs and a weak global economy conducted in the context in which the program was designed. Generally, in contrast with the programs before, those programs had more gradual approaches, tried to strengthen debt sustainability and were targeting to restore competitiveness through internal devaluation or modest depreciation. Referring to the banking sector, the problems were meant to be solved not through closing insolvent banks but through fiscal consultation. The limited flexibility of the exchange rate and large imbalances ended up in protracted adjustments that included large financing (IMF, 2015).

6.5 The results of the crisis in Greece

The financial crisis in our country began in 2008 due to the international financial crisis. The low prices that existed for the sale of real estate were one of the main reasons. After 2008, many borrowers were unable to pay, so banks could begin seizures. In Europe and America, the crisis affected the economy, which was in recession. Many banks have settled or reached bankruptcy. Greece to meet its needs, especially after 2013, where refugee flows increased, was needed by the IMF. Debt relief requires organizing a program that is sustainable, supporting the development of the country and not burdening households.

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7. The economic crisis in Greece.

The public debt of a country is one of its most serious problems. The costs and revenues of a country should be balanced so that there are no problems. Public debt is a key factor for stable macroeconomic performance. Below, we analyze Greece's public debt due to the crisis that broke out in 2008.

7.1 Public debt and deficit

There is a two-way relationship between debt and deficit. More specifically, as has already been mentioned, the government each year has revenue and expenditure. If spending exceeds revenue, the government has a deficit and needs to borrow and so debt is created. In addition, if the government has accumulated debt from previous years in which it was running a deficit, the deficit in the current year further increases the debt. This is why the two-way relationship is justified since the deficit in a given year increases the debt accumulated from previous years and the accumulated debt of previous years increases the deficit in the current year (Vagianos et al., 2010).

According to Keynes's theory of deficit and public debt, which better reflects the living reality than the corresponding theories, as most econometric analyzes show, the rise in debt and deficits causes a change in all the main macroeconomic indicators (Vamboukas, 2004).

Based on the above theory, the rise in public debt over time leads to an increase in government interest expenditure. Interest is, however, an income for the operators and the individuals who receive them, resulting in the case of the increase in public debt over time. increasing wealth and private consumption for certain economic classes of the population, thus increasing their living standard (Vamboukas, 2004).

Keynesians consider that financing government deficits by borrowing will cause an increase in money supply resulting in inflationary pressures on the economy. raising the price level will lead to an increase in interest rates, resulting in a fall in private investment, which will eventually lead to a reduction in the national product. If the country does not belong to a monetary union, rising interest rates will result in a revaluation of the domestic currency, which will mean the decline in export trade, which in turn will contribute to the reduction of the national product (Vamboukas, 2004).

Moreover, due to the inflationary trends and the consequent decrease in exports and the increase in imports due to the high prices of domestic goods and services compared to those of abroad, there will be a burden on the balance of payments, resulting in a reduction in the country's foreign reserves (Georgakopoulos et al., 2007). The results will be similar if at the same time as the increase in budget expenditures and the occurrence of deficits there is a loss of tax revenues. This phenomenon is also influenced by other factors and is called displacement (Vampoukas, 2004).

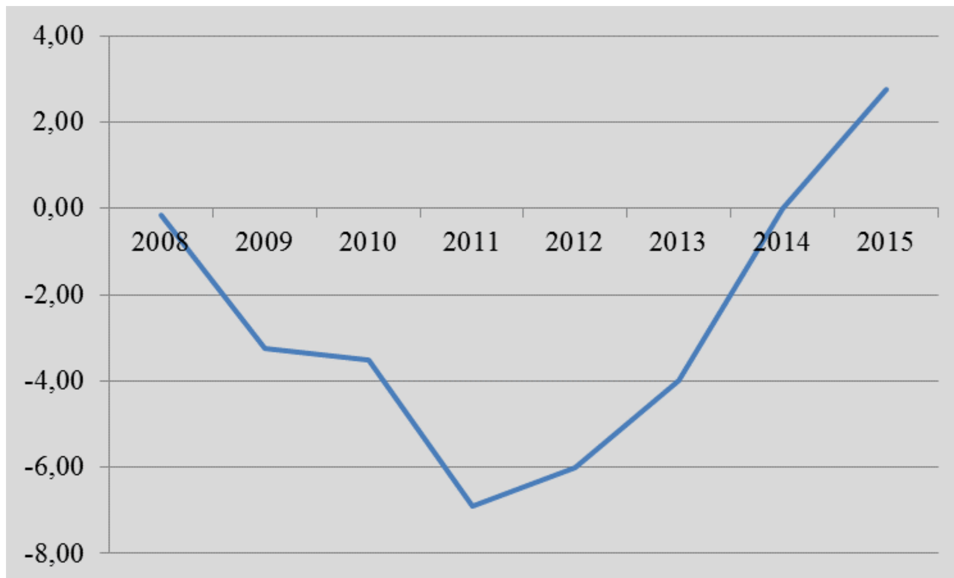
Regarding the public deficit, empirical research shows that for low debt rates as a percentage of GDP, it can have a positive impact on a stagnant GDP. and, only above a certain level of debt causes negative effects due to displacement.

Evolution of the main macroeconomic magnitudes of the economy and economic crisis in Greece

Measures to reduce public debt that may be adopted in an economy may lead to a recession, and this recession may result in deficits and a further increase in public debt (Vasiliadis, 2010).

As can be seen from Figure 4.1, the Greek economy is in the recession phase since 2008. The Greek economy's recession will be estimated at 4% in 2013, with a return

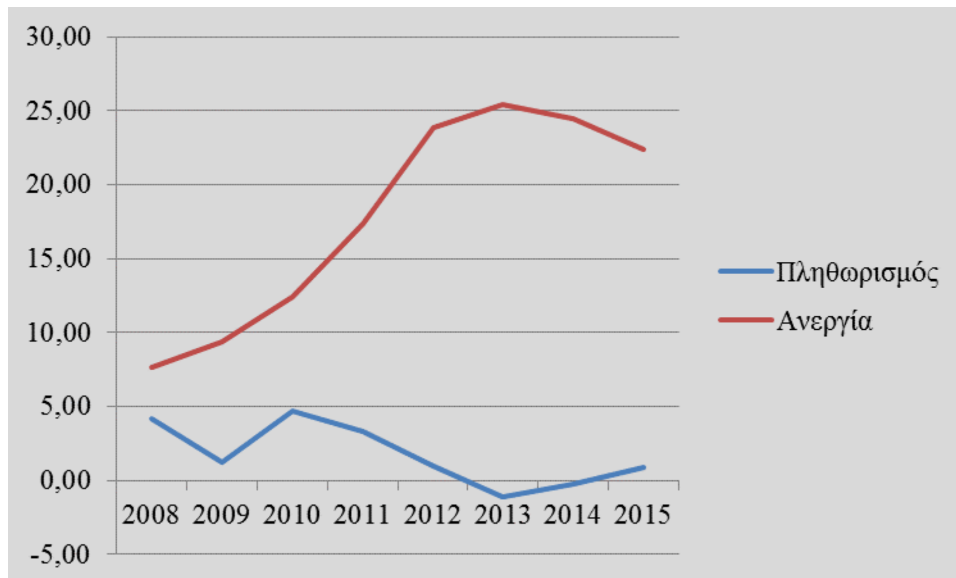
to growth expected in 2014. However, when the economy goes back to growth, it will have lost a total of 23.8% of GDP. in relation to GDP. of 2007 (I.M.F.).



7.1: Figure Evolution of GDP Greece for the period 2008-2013 and projections for 2014-2015.
Data source: I.M.F.

Inflation declines steadily from 2010 to negative rates for 2013, which is projected to continue in 2014, with positive rates expected from 2015.

The continued decline in inflation is in contradiction with the Keynesian theory of rising inflation in the case of the financing of borrowing deficits, as is the case in Greece. However, this trend can be justified by wage cuts in the public and private sectors, pension cuts, widening direct taxation by limiting tax-free income and paying new contributions, combined with the impact of high recession in employment, significantly reduced domestic disposable income and consumer demand, which in turn exerted restrictive pressures on raising the price level.



7.2 Figure Inflation and unemployment developments in Greece for 2008-2013 and projections for 2014-2015.

Data source: I.M.F.

Unemployment, which stood at 7.68% in 2008, reached 25.37% in 2013, and a gradual decline (I.M.F.) is expected from 2014 onwards.

The study of Figure 4.2 shows the relationship between inflation and unemployment as evidenced by Philips.

More specifically, it is obvious that as unemployment increases as a result of excess labor supply, wages are lower and as a result falls in inflation. the evolution of these sizes is quite complex and is related to many factors.

For government revenue, there is a significant decline since 2008, which, although declining from 2012 onwards, is projected to continue until 2014, while a small increase is expected from 2015 (I.M.F.).

7.2.Discussion

Greece, due to the financial crisis that broke out in 2007, had a fairly large public debt that could not be repaid. Expenses and expenses were higher than revenue. The country's macroeconomic environment has been put into public debt due to public debt. For the last 10 years, Greece's economy is in recession, while inflation is declining. Unemployment reaches 25% while revenues are constantly declining.

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8. Reasons for not-attracting foreign direct investment.

Stamboglis (2008) reports that investors have increased sensitivity as to where their funds are going to invest their effort and time in their knowledge and technology. So, before proceeding to take up an investment plan in a foreign economy study the data that shape the profile and business reality of the host country As well as the motives and barriers that determine the involvement of both foreign and local entrepreneurs in the business and investment environment.

International experience has shown that investment incentives provided by a country play a limited role in the business decision to select the host country. instead of the business environment and macroeconomic conditions in the country are dominant factors for attracting foreign capital. Parallel Factors such as the country's fiscal position The infrastructure provided, the availability of resources and the cost of production form the framework within which investment options are made.

It is a common assumption that Greece should not be satisfied with its participation in the international division of news and the exploitation of the advantages resulting from the presence of foreign capital. but what factors is the inability to attract Greece?

The problems that the candidates of Foreign investors faced are many and are related to various areas of economic and business reality. There are disincentives that have been blocking investment over time, but have emerged from the crisis that is still going on today. the disincentives belonging to the first category are considered to be more important as they are part of the Greek economic reality because of the long-term inability to cope with them.

First of all,the subject of lack of infrastructure and low technology development. Insufficient technological development and lack of infrastructure are important weaknesses in Greece for attracting FDI. In the preparation of the 2004 Olympic Games, there has been a boost to infrastructure and the Greek economy in general, leading the market to modernization. However, the country is lagging behind the rest of the European Union in the development of public infrastructure and has repeatedly been accused of financing funds it receives from the European Union to create and improve infrastructure and to foster growth.

A second barrier is that of bureaucracy. It involves the production of a large amount of different documents and the time-consuming examination of investment projects, which make it difficult to handle business such as starting a business, guaranteeing additional investment, registering a new product, transferring a title or closing a business unit. The business environment in Greece over time faces bureaucratic inefficiency which makes it difficult to attract and realize foreign investment.

Local government and society are still an obstacle. That is, the suspicion that Greek citizens and local rulers face with foreign investment. Many foreign investments are not accepted by local communities due to the action of environmental movements or local interest groups. It is therefore difficult for foreign firms to operate in a hostile environment and even more difficult to decide to invest in such an environment.

The subject of corruption. Transparency International transparency publishes annually the Corruption Perceptions Index (CPI) for corruption perceptions. The CPI ranks 176 countries with zero scoring (high corruption) to 100 (no corruption). based on this index classifies states according to the degree to which there is a difference between politicians and state officials. for 2014, Greece ranked 69th, along with Italy, Bulgaria and Romania, marking 43 points, while at the level of the European Union it is in the last positions. So, corruption and unethical practices appear to be a prolonged phenomenon in Greece, working dazzlingly to attract foreign capital.

We have to mention the problems of the tax regime. Greek tax legislation is one of the strongest disincentives to invest. the Greek tax system is characterized by chronic and systemic pathogens. The abundance of laws, decisions and circulars, sudden and frequent changes, both in the process and in the essence of tax regulations, are reversing economic planning for businesses and growing feelings of uncertainty. at the same time taxation is considered high compared to the neighboring countries of Greece and therefore dissuasive as the expected return on investment is reduced. As a result, the tax policy followed tends to discourage foreign direct investment and still leads already established businesses either to restrict their activities or not to reinvest.

Along with Greece's long-standing disincentives that make it an attractive destination for investment, there are additional obstacles emerging as a result of the economic crisis.

The main disincentive is undoubtedly the lack of credibility and trust in Greece. The negative climate that has been created in the markets makes it difficult to attract FDI, which could be a driving force behind the crisis. At the same time, the lack of a National Communication Strategy that could help reverse the negative climate and solvency of the country's solvency is pressing for a further escalation of the negative

8.1 Discussion

Investors have been very careful about where to give their money. Greece is now a country that has no assets and infrastructure and has been left behind in technology. Complex bureaucracy and corruption are two important issues that make investors move away from our country. Finally, the high tax rates that it has in contrast to other European countries make it unattractive to investors.

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9. Ways to attract Foreign Direct Investments.

The attraction of foreign direct investment has become a highly competitive activity at international level and has been one of the priorities of governance and political planning bodies. Countries, particularly small open economies, are struggling to gain the significant benefits of such investment, including boosting economic growth, increasing employment, boosting competitiveness, promoting regional development, know-how and technology in the host investment area, the financing of current account deficits and the achievement of external economies of scale.

Many international firms and organizations, recognizing the role and importance of attracting foreign direct investment to the global economy, either in the form of greenfield investments or through mergers and acquisitions (M & As), regularly report on the evolution of these investments at domestic and international level.

The most recent survey, focusing exclusively on foreign direct investment, is the one conducted by UNCTAD (United Nations Conference on Trade and Development) for the World Investment Report 2006 (UN). According to this report, Greece ranks 121st among 141 countries on the list (with only Denmark and Germany remaining in the European countries), with foreign direct investment inflows of $ 607 million in 2005. During the same period, according to a study by the Institute of Economic and Industrial Research (IOBE), inflows of foreign direct investment stood at 1.1% of gross fixed capital formation (tides between EU countries) when the corresponding figure in the international market 9.5% and the European Commission exceeds 16% (Staikouras.2004)

The inflow of foreign direct investment is not a conjunctural and temporary phenomenon. In total, in the 1996-2005 period, they attracted only 9.7 billion dollars in our country, mainly because of the shift of investment interest of some countries that traditionally constituted for our country the main sources of these investments (eg. Germany, Great Britain, the Netherlands, etc.) to countries with low labor costs. The fact that Greece is relatively geographically isolated from the markets of the countries that are the central nucleus of the European Union and that

it is a small economy is a significant inhibiting factor in attracting "horizontal integration" investments (aimed at selling products on the domestic market), since the advantage of proximity to the market is overcompensated by the fact that small production units are not able to exploit economies of scale.

(Bank of Greece, Monetary Policy, Interim Report 2006). Also, Greece cannot attract foreign direct investment aimed at the use of cheap labor or the low tax burden (Ziras, 2007).

Despite the country's long-term weakness in attracting foreign direct investment, its potential (FDI Potential Index) is much higher (36th) mainly due to the high and sustainable rate of growth of the Greek economy, low country risk, modern infrastructure (which are constantly improving) and the high educational level of its citizens. How is the gap between the actual and potential position of the country in attracting foreign direct investment?

According to the latest Doing Business report in 2006, Greece has not managed to shape appropriate business conditions that will attract more and more domestic and foreign investment to our country's economy, despite the improvement of its macroeconomic environment. Thus, on the basis of the business activity indicator, which determines to a large extent the investment attractiveness of each country, Greece is in the 80th position in a total of 155 countries. This is the result of a series of structural weaknesses, anchorages and pathogens of the Greek economy that come from the past, with the most unsatisfactory institutional and organizational framework for setting up a business (121st), the large volume of bureaucratic acts complicated and time-consuming procedures for checking and approving investment plans), high rigidity in the labor market and high recruitment and redundancy costs (148th place), extremely high costs in the a certification - real estate registration (130th place), and low protection t (being domestic enterprises minority investors (128th place) (Ziras, 2007).

It is clear from the above that restoring fiscal balance and ensuring the long-term sustainability of public finances by Greek governments are a necessary condition

for attracting foreign direct investment. But macroeconomic stability is not enough, and the adoption and implementation of the necessary structural changes and structural reforms to improve the business climate in Greece is required. Changes and reforms that will improve competitiveness, attract foreign direct investment, reduce regional disparities, tackle unemployment, promote social cohesion In this direction, the UNCTAD study concludes with some policy proposals at national level, relying on successful examples of countries such as the Czech Republic, China, Ireland, etc., which continued to attract capital even under conditions international investment recession (Staikouras, 2004).

The most important point in the study is the need to create and maintain a favorable environment for foreign direct investment. To that end, we need stable, clear and bold policies to put an end to uncertainties, delays, and interweaving. Policies to combat bureaucracy and simplify business start-up and licensing procedures (as has recently been done by Japan, Denmark and Portugal), drawing up a national spatial plan, enhancing transparency in public sector services, and strengthening the social acceptance of foreign direct investment as a lever of economic growth (as has been the case for years in Ireland).

The Greek government, with legislative initiatives and regulations, is moving in the right direction of reducing bureaucracy and the cost of transactions with the State, and the completion of the procedures for the preparation of national spatial planning and specific spatial plans (renewable energy, tourism, industry, mountain ranges, and coastal area). Also, addressing the insurance problem of bank employees has solved a major and time-consuming problem and has stimulated the interest of foreign investors in Greek credit institutions (E.S.G., 2009).

At the same time, large foreign productive investments, which for many years were stagnant, mainly due to bureaucratic problems, are currently in the implementation phase, with multiple benefits for the Greek economy and the credibility and prestige of the country abroad.

The liberalization of markets, subject to the existence and operation of a strong and rigorous legal and regulatory framework, strengthens foreign capital inflows and competitiveness, improves prices, and offers a wider range and better quality of products and services. International experience shows that the existence of severe restrictions on the functioning of markets significantly increases the cost of business and can therefore be a significant deterrent to potential investors (Bank of Greece). The UN study states that in just one year, 244 laws on foreign direct investment were recorded, of which 220 were moving towards greater freedom in the movement of foreign capital. Indeed, according to a study by the Center for Planning and Economic Research (KEPE), the liberalization of the services sector in the single European market is expected to boost foreign direct investment by 25%. In this respect, it is necessary to integrate more rapidly EU directives and internal market rules into Greek law (according to the European Commission there is a relative deficit in our country), while the defense of the Capital Market and the activation of the Competition Commission are good initiatives of the government. However, further liberalization of markets and the strengthening of the independence of regulators with appropriate mechanisms of control and accountability is required.

The privatization of public bodies can help attract foreigners (E.S.G., 2009). direct investment. The government has announced a new generation of privatizations, which could be strategic alliances, shareholding, concession contracts, and even full privatization. The political commitment to strict rules in the privatization process can lead to higher corporate valuations. The aim is to reduce public debt, strengthen the efficiency of services provided, and accelerate growth. The state, of course, should always ensure that in the privatization process the public interest is served, that there are conditions of full transparency, that the consumer is protected and that the principles of competition are respected.

In the same direction, the new framework for the operation and consolidation of public enterprises and organizations (Law 3429/2005) strengthens supervision and ensures their operation under private economic criteria, an element which should enhance the competitiveness and productivity of these enterprises and improve their economic efficiency, without neglecting their social role.

The study proposes the establishment of an Investment Promotion Agent (IRA) for the sole purpose of operating effectively attracting and supporting foreign direct investment and promoting the country as a destination for investment. There are about 200 such agencies worldwide, with their number five-fold over the last decade. Studies by the World Bank's Multilateral Guarantee Agency (MIGA) highlight the important role that such agencies play in attracting foreign investment in specific countries (for example, Czech Invest [in the Czech Republic], Invest in Denmark [in Denmark], Netherlands Foreign Investment Agency [in the Netherlands], Scottish Development International [in Scotland], Invest in Sweden [in Sweden], and Industrial Development [in Ireland]).

For this purpose, in Greece, the Greek Center for Investments (ELKK) has been operating since 1996. The government's intention is to strengthen its role and extroversion Hellenic Red Cross in order to enable the organization to perform the activities for which it was established (attraction, reception, promotion and support of investment projects, contribution to the continuous improvement of the institutional framework, promotion of the country as an investment destination, exploration and promotion business partnerships). Already ELKA pursues a targeted and aggressive policy of attracting investment in selected countries, industries and businesses, with organized overseas missions, participation in conferences and ongoing contacts with potential investors.

At the same time, the cooperation of EL.K. with the Foreign Ministry in the field of economic diplomacy to attract investment from the countries exporting Greek funds (a corresponding strategy followed systematically by Israel with the use of its embassies). The state is building a coherent, flexible and effective economic diplomacy that aims at increasing national wealth, attracting foreign investment, boosting exports and supporting international entrepreneurship among Greeks.

Research suggests that financial incentives should be granted on condition. Financial incentives are essentially to either reduce the cost of investing for the investor or to increase after-tax returns on the investment. The first category of financial incentives are subsidies and subsidies, while the second group includes tax incentives. Investment incentives have essentially two objectives: to attract

investment in fixed capital and, on the other hand, to orient investment in specific productive sectors and geographic areas of the country.

The Investment Law (Law 3299/2004) created a strong incentive and process framework, expanding eligible investments and activities, and simplifying procedures to strengthen the competitiveness of enterprises and restructure the productive fabric of the country. The new investment law, which will replace the existing one and will apply from 1 January 2007 under the 2007-2013 programming period, provides for significant incentives for new investment, emphasis on small and medium-sized enterprises and on balanced regional development.

At the same time, tax reform (Law 3296/2004), which ends in 2007, with a significant reduction in corporate tax rates, boosts entrepreneurship and facilitates the attraction of foreign direct investment. Many other countries, with corresponding incentives, have announced similar initiatives in the last two years (eg Germany, Ireland, Spain and Sweden).

Human capital is key to attracting investment. Nowadays, knowledge management is central to national policies in developed countries. Knowledge management should take place in every part of the knowledge chain, from its creation through research, its delivery through education and training, its dissemination through information and communication technologies and its use in innovation actions. A significant number of surveys show that countries spending a significant proportion of gross domestic product on research and innovation are also recipients of a significant amount of corresponding foreign direct investment. In order to have a perspective in the new global environment, Greece must prioritize and prioritize investing in knowledge through the development of an integrated and qualitative system of education * training and lifelong learning, and the interconnection of the educational system with the productive process.

Infrastructure is key to attracting investment, as they determine the interconnection of regions, the adequacy of transport and communications networks and the quality of the environment. Already our country, since the Olympic Games, has gained

increased know-how and better infrastructure, which is constantly improving. In this respect, public and private partnerships (Law 3389/2005) can be designed, built and operated faster, more efficiently and at a lower cost of public infrastructure. These forms of cooperation aim to improve state services to citizens, to boost investment and create new jobs.

It follows from the above that the Greek government has already taken initiatives in the right direction to strengthen the inflow of foreign direct investment. Some first positive results begin to appear. In January-September 2006, foreign direct investment amounted to EUR 3.7 billion (mainly due to investment in the banking sector), compared to just EUR 347 million in the same period last year. To date, in 2006, 106 investment projects from ELKK were evaluated. a total of EUR 3,187 million (new 5.410 jobs) compared to 25 investment projects totaling EUR 667.75 million in 2005 (new jobs 977). The interest of foreign investors to position our country in the financial system, in the energy sector, in tourism, and in the transit trade by taking up positions in the major ports of the country is intense.

It is an opportunity for the country to take advantage of this interest. The objective, therefore, of attracting foreign direct investment is feasible, provided that an appropriate friendly investment environment is created that will boost growth, stimulate employment and strengthen social cohesion.

9.1 Discussion

Greece is no longer an attraction for investors. It is ranked 121th among 141 investment countries. This is because Greece has failed to improve its business conditions or its macroeconomic performance. However, in order to attract new investors, it is not enough to improve only conditions, but reforms and changes need to be made. For investors to trust us, a favorable environment for foreign direct investment must be created and maintained, with firm, clear and bold policies that end the uncertainties, delays and unity. In 2004 the Investment Incentives Act was created which contributed to the creation of these fixed assets. But after the Olympics, our countries attracted many investors. But the point is to create a stable climate and keep them.

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Conclusion

An investment can change the balance in both the country and the country where it comes from, and investors look at all the details and conditions. The creation of new jobs and the increase of competition are the new data for the country of establishment and the creation of a profit for the country that made the investment. Good cooperation between investors and country of establishment is very important.

The economic crisis that broke out in the US in 2007 affected the economy of the whole world. Greece is one of the biggest victims of the economic crisis. Public debt grew and had to borrow from the International Monetary Fund. Its macroeconomic situation has been destabilized and unemployment has risen. All this, in combination with high tax and complex bureaucracy, has affected investment.

The season from 1950 to 2000 has been profitable for our country. Many investors invested their money in transport, electricity, oil and communications. In 2004 - 2006, due to the Olympic Games, investments have increased and yet stopped due to the crisis that erupted.

The above has affected foreign investors who have turned to other European countries where stability and prosperity have risen. The target of the investors is the profit and therefore invest their money only when it is sure about the result. Greece does not complete the necessary conditions. To be able to attract new investors again, there must be changes in taxation, bureaucracy and many changes and changes.

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