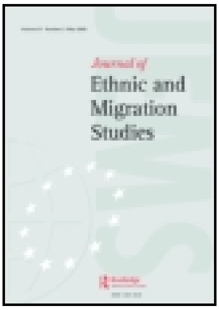

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Inflow of Migrants and Outflow of Investment: Aspects of Interdependence between Greece and the Balkans

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Along with the other Southern EU member-states, Greece has moved from a country of emigration to become a migrant-receiving country. The influx of migrants occurred during the 1990s, following the dramatic events in Eastern Europe and the former USSR, with the majority of immigrants being clandestine. The bulk of the immigrant population are nationals of neighbouring Balkan states, predominantly Albanians. Coinciding with the influx of immigrants from the Balkans into Greece were flows of Greek foreign direct investment, or FDI, in the opposite direction. Both phenomena are to be understood as sides of the same coin, and reflect the search for cheap labour on the part of Greek enterprises. In this article, we examine both phenomena. We present empirical material on Balkan immigrants to Greece, focusing on the demographic, housing, employment and other characteristics of the principal immigrant community in the second largest Greek city, i.e. Albanians in Thessaloniki. And we examine Greek investment to the Balkan countries, pointing out complementarities where appropriate.

Keywords: Immigration; Greece; Balkans; Foreign Direct Investment

Introduction

The collapse of the command economies in Eastern Europe and the former USSR triggered two, at first sight contradictory, phenomena in Greece that occurred simultaneously in the 1990s (Labrianidis and Lyberaki 2001: 147–8):

Lois Labrianidis is Professor of Economic Geography at the University of Macedonia. Correspondence to: Department of Economics, University of Macedonia, 156 Egnatia Street, 54124 Thessaloniki, Greece. E-mail: loisl@uom.gr. Antigone Lyberaki is Professor of Economics at Panteion University. E-mail: antiglib@hol.gr. Platon Tinios is an Economist and Special Advisor to the Prime Minister of Greece. E-mail: p.tinios@primeminister.gr. Panos Hatziprokopiou is a DPhil Candidate in Contemporary European Studies at the University of Sussex. E-mail: panoshatziprokopiou@hotmail.com

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- Greece was transformed from a country of emigration into one of immigration, with the majority of immigrants coming from Balkan countries.
- Greece shifted from being a net receiver of (private) foreign direct investment (FDI) into a net exporter of capital, with the Balkans being the privileged destination of direct investment abroad.

Both the inflow of people and the outflow of investment were facilitated by the changing role of Greece in the international division of labour. From a peripheral European state, Greece has evolved to the status of a member of both the EU and the European Monetary Union. In view of its improved economic performance, Greece could, conceivably, fulfil a new function *vis-à-vis* its Balkan neighbours: it could play the role corresponding to the 'North' of the Balkan countries aspiring to join the EU, while still continuing to play the 'South' with regard to the more developed countries of North-West Europe, the US and Japan (Labrianidis and Lyberaki 2001).

The Greek experience has much in common with the other Southern EU members (Portugal, Spain and Italy). Apart from socio-economic characteristics and economic evolution, Southern Europe shares experiences of migration, so that reference to a specific Southern European immigration model can be made (King 2000). However, the idiosyncrasies of immigration from the Balkans into Greece have remained largely unnoticed in the academic literature. The same holds for Greece's Balkan role as investor and capital exporter.

The objective of this paper is to explore these two apparently unrelated issues. On the one hand we examine the characteristics of Albanian immigrants to Thessaloniki in order to unravel the costs and benefits of this recent phenomenon. On the other, we focus on the dynamics of direct foreign investment of Greek origin in the Balkans, in order to evaluate its impact on domestic economic processes and the competitiveness of the Greek economy. The thrust of our argument is that, in the emerging geopolitical and geo-economic situation, immigration from the Balkans into Greece is only one side of the coin. The other side concerns Greek investments in Balkan countries. These interconnected trends both reflect and shape the dynamics of Greek socio-economic transformation.

In the following parts of this paper, we first discuss the relationship between migration and globalisation in order to map out the main questions raised by contemporary trends. The discussion then moves to the characteristics of immigration flows to Greece from the Balkans, with particular reference to Albanian immigrants to Thessaloniki. Next, we explore the characteristics of the outflow of Greek capital towards the Balkans. Finally, we draw some conclusions.

Globalisation and Migration to Southern Europe

In the last few decades, emerging global trends have been reshaping international migration, giving it qualitatively new characteristics (Castles and Miller 1998; Koser and Lutz 1998). However, the relationship between globalisation and migration is not straightforward. Regarding the expansion of trade and capital flows—what is sometimes called *economic* globalisation—the issue of whether liberalisation of trade and capital movements is a *complement* to or a *substitute* for international migration is sensitive to the time horizon chosen. In the *short* term, opening up to international competition may intensify adjustment pressures and engender outward migration flows, which thus appear as a *complement* to globalisation. In the *longer* term, however, the flow of goods and capital may slow the flow of people, thus making globalisation and migration *substitutes*. To place the discussion into perspective, it is worth noting the findings of Tapinos and Delaunay (2000) that the increase in migration flows since 1970 falls far short of that of the flows of capital, goods and services. They explain this by the fact that, while many countries have liberalised markets for goods, services or capital, policies restricting migration flows have remained in place. Hence, the largest voluntary migration wave in history is *still* in the century between 1815 and 1914.

Nevertheless, there is ample *qualitative* evidence that we are dealing with a phenomenon that is new in important ways. The geography of international migration seems to have changed, as different areas emerge as either new source countries or new destinations for migrants (King 1993). The events of 1989 in Eastern Europe and the former USSR generated a new migratory route: East–West (Kupiszewski 1996). There seems to be a growing economic, political and cultural interdependence between countries of origin and destination. In addition, there is a growing importance of new forms of migration, less represented in the past, such as clandestine migration, temporary and cross-border migration, not to mention the relatively new reality of human trafficking (Burgers and Engbersen 1996; Labrianidis 1998; Wallace *et al.* 1996). As regards the characteristics of the migrants, it is no longer the poorest who emigrate, as the migration process involves a material cost. Migration of elites and skilled personnel is increasing, as is the participation of women as independent actors in the migration process (Castles and Miller 1998; Phizacklea 1998).

Furthermore, the forces of economic globalisation propelling international migration not only determine labour demand in receiving countries, but also alter productive structures, consumption patterns and cultural values in societies of origin (Sassen 1999). Based on the recent technological developments in transportation and communication and stimulated by the generalised uncertainty that immigrants increasingly face, 'transnational' communities arise as a response of common people to the logic of capitalist expansion itself: a kind of 'globalisation from below' (Portes 1997). The neologism 'transnationalism' refers to 'multiple ties and interactions linking people or institutions across the borders of nation states'; such linkages are characteristic of the contemporary period, although they may have historical precedents and parallels (Vertovec 1999: 447). Transnational migrant networks, operating across national borders and connecting people who live in different localities, produce various kinds of cross-border, trans-local flows which are now facilitated by the near-instantaneous character of communication: from the physical movement of migrants between countries of origin and destination to the movement of remittances, information, commodities and values. In that sense, although labour is certainly a less mobile input to production than capital, the globalisation of capitalism creates the conditions for the 'transnationalisation of labour' (Portes 1997), which, at a first stage, can be observed in the structures and processes of contemporary international migration.

Within this increasingly globalising environment, Southern Europe (including Greece) has been transformed into a new immigration area. This transformation resulted from a shift in the region's position within the international division of labour (King and Rybaczuk 1993), which, according to the Southern European immigration model (see King 2000), is attributed to the following factors.

First of all, *geography*. The long coastline, the numerous islands and the long mountainous land borders are difficult to patrol and therefore easily accessible to clandestine arrivals from Albania, Turkey or North Africa. Moreover, the open character of Southern European economies, largely dependent on tourism, trade and shipping, allows many migrants to enter countries legally, as tourists or visitors, and then extend their stay illegally.

History and culture also matter, either as a result of colonial ties (as in the case of immigration to Iberia), or of historically shaped ethnic and religious bonds (as in the case of migration of Pontian ethnic Greeks from the southern former Soviet republics to Greece). In the specific case of Thessaloniki, the city appears to be regaining the hinterland it lost after the Balkan wars of 1912–13 (Glenny 1999; Labrianidis 2000a; Mazower 2000).

Demography may also play a role. While the Southern EU member-states are characterised by extremely low fertility rates, in the peripheral regions explosive demographic growth is an important stimulus to emigration. Demographic stagnation in the Southern EU member-states, especially in rural areas, leads to shortages of labour which are filled by migration. While this explanation may account for, say, Maghrebi immigration to France or Spain, it is less convincing in the Balkans, where the ageing process and low fertility are in an advanced state everywhere except Albania.

Political developments have also contributed to the transformation from source to host. The democratisation of the three Southern EU countries from the mid-1970s led to stability and continuity in political life; the rise of progressive forces opened the path for the establishment of a welfare state and to social and political rights. EU membership contributed significantly to economic and social transformation and to the increase in living standards.

In addition, as King (2000) and King *et al.* (1997) have pointed out, there exists a parallel *between internal* and *international* migration in the Southern European countries. Today, immigrants often occupy jobs that in the past were performed by internal immigrants from rural areas; international migration thus follows the drying up of rural–urban migration in the last three decades. Some of this internal migration was intra-rural, with seasonal movements of agricultural workers from poor mountainous regions towards rich lowland farms for harvesting work. This, too, has now largely died out, replaced by temporary immigrants from Eastern Europe and elsewhere.

The key factor, however, is related to *internal economic* and *social changes*, leading to a new role and position of Southern Europe within the international division of labour. Foreign workers became gradually necessary for low-skill jobs that held little attraction for locals. Increased living standards and educational levels, in combination with the prevalence of strong family bonds, raise employment aspirations and lead young people in Greece and the other Southern EU states to delay entrance to the labour market. Labour scarcities tend to be located in labour-intensive sectors, or rural areas. A side-effect of economic modernisation is the disappearance of certain traditional working skills, the demand for which is now served by immigrant labour (Labrianidis and Lyberaki 2001).

Finally, in this list of key factors is the differentiation between the formal and informal sectors in Southern Europe. The formal labour market can only be characterised as rigid: rigidities and over-regulation abound (considerable protection, minimum wages about 60 per cent of the average wage, high social security contributions). The cost of these rigidities is further accentuated by the conspicuous absence of part-time jobs from the economy. Rigid regulations in the formal sector, in conjunction with lax supervision and implementation, allow the economy to be characterised by small-scale production based on labour-intensive practices and provide an opportunity for the thriving underground economy (Mingione 1995). The existence of a large unregulated economy operates as a 'pull' factor for immigration to Greece and the other Southern European economies.

This analysis would lead us to expect that migrants in Southern Europe would tend to be employed in jobs in the secondary labour market, not directly competitive to local workers (low payment, low prestige, dangerous jobs, etc.) and/or in places where the indigenous labour force is insufficient. It follows that their conditions of work and working rights will be vulnerable to pressure from employers attempting to compete by reducing labour costs. The immigrants' entry is likely to have increased the (already considerable) labour flexibility of the less formal sector.

So, history, economic and political trends, as well as geography have contributed to the transformation of Southern European countries from source to host status. This transition has not been easy. The inertia in changing perspectives, attitudes and policy testifies to this difficulty. As roles and itineraries change, confusion and unease sometimes follow. In this way myths are constructed which obscure crucial aspects of reality.

The phenomenon of economic migration and migrants' role in the economy and society pose central questions the answers to which, in Greece at least, are still wanting:

- Do immigrants contribute to local economic development?
- Do they 'take away jobs'? Are wages and earnings compressed?
- Do they create new sources of poverty and social exclusion?

Immigration to Greece from Balkan Countries

Migration into Greece has certain characteristic features. East–West moves dominate. Most of the immigrants are initially clandestine. New forms of mobility are evident: transit, temporary, seasonal and cross-border migration, as well as 'tourist-workers' and sex migrants. Geographic proximity and cultural or historical links with migrant populations (in terms of religion, ethnicity, etc.) can be identified.

Immigrants in Greece: How Many?

Large-scale immigration to Greece has only become an issue recently. For the greater part of the twentieth century, Greece was predominantly a country of emigration. However, there was a gradual reversal in the last three decades. The inward flows in the 1970s and 1980s consisted of returning Greek guestworkers, members of the Greek diaspora, as well as political exiles from the time of the Civil War of the 1940s. This pattern was disrupted after 1990 by a wave of ethnic Greeks from the former USSR and Albania. Gradually, Greece was transformed into a migrant destination country; this process took off after the events of 1989 in the former socialist countries. The great majority of migrants come from neighbouring Balkan countries, though waves of economic migrants and asylum-seekers have also been arriving from Eastern Europe, the former USSR, the Middle East and several Asian and African countries. In some cases (especially early on in the process), Greece was a stepping-stone on their migration route westward; increasingly though migrants see it in terms of long-term residence or even permanent settlement. The majority entered without documents and had clandestine status, since until late 1997 no regularisation measures were undertaken.

Estimates of the total number of migrants in Greece are usually based on two sources: on evidence linked to the two large legalisation exercises (see Fakiolas 2003) and on census estimates. To these should be added three categories of migrants who were not included in the legalisation exercises:

- Ethnic Greeks from the Black Sea region (Pontians) who were entitled to Greek passports.[1] A census of that group undertaken in 1999 counted 146,102 (see Tsimpos 2001) who had migrated between 1989 and 1999.
- Members of the Greek minority in Southern Albania (Northern Epirus), who were subject to different registration procedures.
- Migrants from the EU. These form a separate group, as they are mostly returning emigrants, usually pensioners.[2]

The officially estimated population of Greece stood at 10.5 million in 2000. The 2001 census instead counted a total 10,977,000, the difference being accounted for by immigrants. Tsimpos (2001), using information on the flows of migrants and the legalisation exercises, estimated the total population at 11.2 million. Given that the 'closed' population was expected to have been 10.2 million in the same year, we arrive at an estimate of the total stock of resident migrants between 800,000 and 1

Table 1. Origin of immigrants from Balkan countries to Greece who applied for legalisation, 1998–99

Albania	241,561	65.0
Bulgaria	25,168	6.8
Romania	16,954	4.6
Yugoslavia	2,335	0.6
FYROM	436	0.1
Bosnia-Herzegovina	33	0.0
Croatia	29	0.0
Slovenia	7	0.0
Total Balkans	286,523	77.1
Others	85,118	22.9
Total	371,641	100.0

Source: Kavounidi and Hatzaki (1999).
Note: To these should be added 146,000 from the ex-USSR (Tsimpos 2001).

million. In terms of the share of the population this would vary between 8 and 9 per cent (and over 12 per cent of the labour force). Table 1 presents origin data drawn from the first legalisation programme.

In terms of geographical location within Greece, the greatest number is concentrated in Attica (the Athens area) and secondarily in Central Macedonia (Thessaloniki). A key fact is that these two large urban centres attract the vast majority of migrants. Out of those who applied for legalisation in 1998–99, 65 per cent came from Albania, and a further 18 per cent from Bulgaria, Romania, Ukraine, Poland and Georgia. More than 76 per cent of the legalised migrants came from the Balkans. This concentration signals the overwhelming role of proximity in migration to Greece—a factor that further facilitates circular and seasonal migration patterns. The particularity of the Greek experience among the rest of Southern Europe lies in the fact that not only do the majority of immigrants come from neighbouring countries, but also that there seem to exist both historical and contemporary linkages in the region, which inevitably influence migration trends.

How Did the Labour Market Absorb these Immigrants?

The 1990s were difficult in terms of unemployment. In fact, rapid economic growth since the mid-1990s and economic convergence with the EU coincided with rising unemployment levels (a reversal was recorded only in 2000 and 2001, but the figure is still slightly above 10 per cent). The paradox of the Greek labour market is that unemployment is *not* concentrated in the low-skill category of jobs (such as is the case elsewhere). Instead it mainly involves difficulties in the transition from education to work of young persons with formal qualifications. Unemployment also affects women who attempt to enter the labour market without previous work experience. At the same time, the Greek economy has shown a distinctive need for low-skilled and flexible labour.

The characteristics of transition to the new growth phase can explain this paradox. Over the last few years, the Greek economy arrived at a critical juncture, subject to two contradictory formative pressures. On one hand, there is strong competitive pressure from more developed countries for high-quality manufactured goods and services and for new, or differentiated products. On the other hand, there is pressure from newly industrialising countries for mass-produced low-cost standardised products (Lyberaki 1999; Makridakis *et al.* 1996). A reasonable response to this '*stuck in the middle*' conundrum would be for Greece to produce internationally competitive products targeting markets in developed countries. But the reality is more complex. Different groups of firms have chosen different trajectories: some have tended to move 'upward' while others have been more 'defensive', taking what has been called 'the low road' to competitiveness involving lowering of costs and maximising flexibility without improving quality (Pyke 1992).

The 'stuck in the middle' competitive challenge dictates different options for different categories of firms. For many small and medium-sized labour-intensive enterprises (SMEs), which constitute the main body of the productive structure of the Greek economy, competitive pressures encouraged a regression towards strategies of reducing production costs via lowering the cost of labour. These strategies generate a demand for a low-wage labour force, which can be satisfied by moving in two directions:

- Firstly, SMEs can employ immigrant labour, which is prepared to perform this type of work under conditions rejected by the indigenous labour force. The existence of a strong underground economy facilitates employing unregistered and unprotected labour and hence the reduction of costs (Fakiolas 2000).
- Secondly, an increasing number of Greek enterprises search for low-cost labour abroad, principally in the neighbouring Balkan countries. This 'opening-up' of Greek companies to the Balkans (Bulgaria, Albania and Romania) takes the form of a subcontracting relationship with local enterprises, or it involves the relocation of Greek enterprises partly or wholly abroad (Labrianidis 1996, 2000a, 2000b, 2000c, 2001).

The majority of family-based SMEs in Greece felt these dilemmas acutely. Cheap and flexible labour of migrant origin provided them with a short-term (and perhaps short-sighted) means of survival. Employers have tended to prefer foreign workers in such jobs, especially undocumented migrants, as they accepted lower wages and avoided social security contributions. A 1996 study estimated that immigrants' wages were about 20 per cent lower for legal immigrants and 40 per cent for clandestine ones (Lianos *et al.* 1996), though things have changed significantly since then (Labrianidis and Lyberaki 2001). Turning to the link with the informal sector, it is obvious that the fact that most immigrants are found there does not mean that they are responsible for its existence—the underground economy predated them. Nevertheless, at a time when restructuring was pushing activities from the underground to the 'formal' economy, the availability of relatively cheap migrant labour has been a way to evade this process.

The short-run alleviation of competitive pressures can be a mixed blessing. It may help firms enjoy some breathing space in order to pursue modernising strategies in the future. But it may also reinforce zero-change strategies on the part of some firms ('low-wage temptation') while at the same time 'punishing' their competitors who pay higher wages, and thus undermine the emergence of the 'healthy' companies in the formal economy. Even so, the positive short-term effects should not be overlooked: the employment of immigrant workers and the consequent lowering of costs may help SMEs to survive and, in some cases, increase their competitiveness and profits, contributing thus to an overall positive effect in the growth of the Greek economy as a whole (Fakiolas 2000; Linardos-Rylmon 1993; Lyberaki and Pelagidis 2000).

The Predominance of Albanian Immigrants, and Greek Reactions

The concentration on the Albanian element sharply distinguishes migration to Greece from the equivalent phenomenon in the rest of Southern Europe. Close links between Greece and Albania (flows of goods, services, capital and people) combine with the *size* of these flows (important in national macro terms for both countries) to form a picture of a two-way relationship where what happens in Albania feeds back to Greece in the spheres of the economy, society and international relations. In other words, from the point of view of growth dynamics, Greece and Albania constitute elements of a closed circuit.

However, in the current lore of TV reports and café talk, a negative picture of Albanians dominates. 'The Albanian' is immediately and implicitly characterised as: 'casual work', 'marginalised, unemployed, homeless', often 'illiterate with no skills', of low potential and ability, 'doomed to hard and badly-paid jobs'. In the radical variant of this stereotype, deprivation justifies the images of someone 'desperate enough to take *any* job' or 'despairing in conditions of squalor'. The xenophobic version has no qualms of talking of 'cross-border welfare scroungers who contribute nothing', and 'freeloaders who burden our hospitals', concluding with blanket condemnation of Albanians as 'criminals' or 'hardened *Mafiosi*' (Constantinidou 2001; Karydis 1996).

This leads to a triptych of economic alarmism:

1. 'They take away our jobs.'
2. 'They bring down our wages.'
3. 'They use up social benefits and services.'

In the next section—our case-study of Albanians in Thessaloniki—we confront these simplistic and largely erroneous constructions of Albanian immigrants with research evidence.

Table 2. Legal status of Albanian immigrants in Thessaloniki

	Men		Women (legal entry only)	Total
	Arrived legally	Arrived illegally		
Remained illegally	49	39	125	213
Remained legally	155	236	56	447
No reply			69	69
Total	204	275	250	729

Source: Authors' survey, 1999.

Albanians in Thessaloniki: a Case Study

This section draws on empirical material contained in an already-published (in Greek) study of Albanians in Thessaloniki (Labrianidis and Lyberaki 2001). The sample consists of 500 households (1,297 persons) who migrated from Albania during the 1990s and settled in Thessaloniki. Additional interviews were carried out with employers, labour unions and representatives of the Albanian community. In view of the fact that the total number of Albanians in the city is not known, the only methodology available was the construction of a snowball sample starting with the place of work, but using the household as a unit. The methodology can be expected to 'bias' the sample towards the more settled parts of the Albanian community. Given the specific features of the target population (illegal status, casual work, frequent changes of address), a methodologically 'correct' method of a fixed sampling frame was not available. The fieldwork survey was conducted in the Albanian language in summer 1999, just *after* the first legalisation.

In what follows we give an outline of the main empirical findings, starting with the sample's background characteristics and then moving on to issues relating to employment, financial situation, social exclusion/integration, and overall economic effects.

- Despite the fact that around 60 per cent entered the country illegally, there is a clear tendency over time towards acquiring legal status. Only 18 per cent of the sample was 'without papers' at the time of the survey. See Table 2 for further details on legal/illegal status and male/female contrasts.
- Nevertheless, arrests by the police are a relatively common phenomenon. One in three men had been arrested at least once, while half of those arrested were held more than once. This signifies conditions of relative insecurity and obstacles to social inclusion.
- Greece is not a casual choice. For the majority of migrants, Greece was the original desired destination (Table 3). The mean length of stay was 6.2 years for the men and 5.2 for women. The usual case is for the original (male) immigrant to bring his family and settle down long-term.
- Even though the proportion of men who emigrate on their own is high, the majority of immigrants live with their family.

Table 3. Greece as the intended final destination and future plans

	Greece as final destination		Intention to return to Albania	
	Men	Women	Men	Women
Yes	212	64	244	45
No	133	32	79	39
Don't know or No reply	134	254	156	266
Total	479	350	479	350

Source: Authors' survey, 1999.

- Network factors and chain migration are strongly evident: 64 per cent of men and 87 per cent of women had friends or relatives already working in Thessaloniki; 55 per cent declared that the main way of finding a job is through the help of friends and relatives.
- A common practice is for Albanians to alter their name in order for it to sound less foreign (34 per cent of respondents) as a strategy for facilitating their integration and acceptance by the locals.
- The sample appears well adjusted in terms of linguistic skills (more so for men rather than women), though this refers only to the spoken language. In contrast, despite the generally long stay, writing and reading skills were very limited.
- The overall educational achievement was *higher* than the indigenous population of working age and of comparable age. Even granted the point that exact equivalence in educational levels is not feasible, the belief that the Albanian immigrant population is uneducated is clearly disproved.
- As expected, the Albanian immigrant community is dynamic in a demographic sense, as younger age groups are over-represented.

Conditions of Employment and Skills

As far as work prior to migration is concerned, only 10 per cent of the sample had previous work experience in the agricultural sector, 6 per cent were unemployed before emigration, while 30 per cent had no previous work experience (mainly because they were students of tertiary or secondary education). The majority of respondents who had worked in Albania did not hold a casual job—the overwhelming majority (82 per cent) held a steady job, and only 9 per cent engaged in seasonal or temporary work. It is indicative of the 'regularity' of their employment in Greece that fully 57 per cent regularly pay social security contributions—a high figure given the prevalence of contribution evasion in sectors such as construction.

In the case of men, 30 per cent were employed in construction, 9 per cent were apprentice technicians, and 24 per cent worked in small industrial enterprises. The same people's *previous* employment in Greece was in agriculture (41 per cent), and in casual work—a clear progression over time towards 'better' jobs. The majority work in dependent wage employment; only 8 per cent rely on self-employment. Of these latter, about half were technicians and painters, while the rest are occupied with trade, usually with Albania.[3] In two-thirds of the sample, immigrants had a job previously held by a Greek worker. However, these cases appear to be situations where the previous job occupant moved on to a better job rather than being 'priced out' of the labour market into unemployment.

The work experience of women is slightly different. A significant proportion (27 per cent) worked as domestic helpers (daily-paid cleaners in houses), 9 per cent work as cleaners for specialised companies, while 17 per cent work in small firms (mainly the garments sector). A sizeable (and rising) proportion (28 per cent) were housewives.

It is important to note that many immigrants work in small and medium-scale enterprises and a significant percentage, especially among women, is engaged in personal services. For Albanian men, 93 per cent of their employers are companies employing fewer than 5 people and (almost exclusively immigrants), while for the women the figure rises to 99 per cent. The fact that most remained under clandestine status until the legalisation programme of 1998–99 (60 per cent entered the country illegally and many of the rest extended their stay illegally after their visas had expired) points to a link between illegal status and irregular employment.

Finally, a significant finding is the importance accorded by many employers to the supply of specialised and skilled work by Albanian immigrants. This emerged both from interviews with representatives of the Albanian community in Thessaloniki and from employer interviews. The IT employers' association as well as the Northern Greece Industrialists' Association stressed the positive effects of the possibility of employing highly-skilled Albanian migrants.[4] The Metal Workers' Union claimed that Albanians filled jobs in labour-shortage occupations (machinists and foundry workers). Commercial enterprises found Albanians' language skills useful, particularly if engaged in trading with neighbouring countries. It would thus appear that Albanians have played a part in the transformation of the city into a regional centre.

Financial Situation

Household income does not confirm the hypothesis of widespread social exclusion. Average annual household income at the time of the survey was 3.24 million Greek drachma (9,500€), when the poverty line for one person for 1999 was 1.3 million GDR (3,800€). Earnings were comparable to the indigenous population at large. Wages of immigrants were not always significantly lower than those of the indigenous population. A concentration around the minimum wage showed that labour protection legislation is not (as is usually assumed) ignored.

Expenditure, on the other hand, is considerably lower: evidence of a high savings propensity. Average household total expenditure is of the order of 1.9 million GDR (5,575€). Table 4 shows spending on durables and other household goods: the picture is that Albanian immigrants, when compared to the native urban population, reach quite high levels of material comfort, although they are much less likely to own a car or to enjoy central heating. Slightly under half (48 per cent) remitted money

Table 4. Durables and other household goods

	% in sample	% in urban areas in Greece (natives)
Heating		
Central	10.4	65.9
Electricity	14.6	11.1
Diesel	71.0	14.5
None	4.0	0.8
Telephone	76.4	90.8
Radio/Hi-Fi	92.2	71.0
Electric cooker	96.6	99.5
TV	97.8	92.3
VHR	46.2	45.2
Washing Machine	84.2	87.2
Motorcycle	19.6	12.2
Car	16.2	55.1

Source: Authors' survey, 1999.
Note: Data for native urban population are derived from the national Household Expenditure Survey (1999).

to Albania, which on an annualised basis approximated 17 per cent of family income. Those remittances mainly supported the family (94 per cent) but sometimes were destined to buy or build a house (9 per cent) or to invest (1.7 per cent).

Social Exclusion versus Integration

Summarising the key findings, *the overwhelming impression is of an improvement of the Albanian migrants' overall situation with time*.[5] Their financial situation is vastly improved compared to their immediate post-arrival situation. Their housing conditions also improve as the length of stay in Greece is extended. The percentage of those living in basement flats is reduced from 27 per cent to 7 per cent and those in ground-floor flats similarly from 40 to 26 per cent.[6] Housing conditions such as overcrowding (though certainly inferior compared to the indigenous population) can no longer be described as intolerable: 72 per cent lived at a density of up to two people per room, while 26 per cent up to one person per room. The majority (82 per cent) lived with their families. Those housed in accommodation provided by employers and the homeless steadily decreased from the time of first settlement: from 42 per cent at the initial period to only 6 per cent at the time of our survey. Albanians are not concentrated in one district but are spread throughout the city, usually occupying the older housing stock, frequently without central heating and elevators.

Their career structure shows definite upward mobility. Normalisation of the employment situation (remuneration, 'papers') has proceeded visibly: 65 per cent are covered by health insurance. Very few are paid less than the minimum wage. Their consumption profile is also on a rising trend: 76 per cent have a telephone, 98 per cent a TV, 46 per cent a video, 16 per cent a car (Table 4).

In contrast to the general view in Greece emphasising the marginalisation and destitution of migrants, our analysis of a sample of Albanians in Thessaloniki comes to an altogether different conclusion. Over time, the majority of immigrants managed to improve their lot and to integrate in local society.

Economic Effects of Immigration

Our study of Albanian immigrants in Thessaloniki suggests that immigration entails *five* positive features for the host country:

- A creation of new jobs: more jobs are being created than are displaced.
- An acceleration of growth.
- A bulwark for sectors and regions under threat. Immigrants prop up sectors that otherwise would not have withstood competitive pressures.
- Easing of bottlenecks and of skill shortages in the labour market.
- An increase in the quality of services offered, especially in tourism.

In contrast, immigration may also entail *two* counterproductive temptations—where the gift of migration may turn into an alibi for inertia:

- Abundance of low-cost labour could serve as an excuse not to modernise.
- The flourishing of the informal economy.

Weighing the various factors, insofar as that is possible, yields the following conclusions about the economic effects of immigration.

First conclusion: the overall economic and social balance of factors in our study of Albanians in Thessaloniki is positive. It is positive both for the local economy and for the community of Albanians.

The *second* conclusion arises through comparing our findings with earlier studies. The key difference is that our study came *after* the first legalisation exercise. It appears that regularisation facilitated the equilibration of wages without leading to substitution of foreign for local workers.

Third conclusion: not all effects and consequences are positive, though this depends more on the receiving structures than on the immigrants themselves. Let us take, for instance, the two temptations mentioned above.

Doubtless, many small enterprises survive competitive pressures thanks to cheap labour. This has a *positive* side, in the sense that the survival of firms and even sectors is prolonged; yet in the long term these sectors may be doomed. However, the exact operation of the cheap labour palliative depends on the use the Greek economy puts it to and not on the intentions or characteristics of migrants.

Turning to the relationship with the ‘grey sector’, the link is clear. Nevertheless, the *causality* implied is not so clear. The grey economy pre-dated the arrival of immigrants and was always widespread in the very activities where immigrants now concentrate. Even so, the increase in the grey economy is due to the illegal status of the migrants. Illegality in general marginalises them from organised sectors of production (in the formal economy) and feeds them into the informal sector, which is thus enlarged.

Trade and Capital Flows towards the Balkan Countries

The flow of people towards Greece coincided with an increase in the flows of commerce and capital in the *opposite* direction—from Greece to the Balkans. This could be due to adjusting to the opening up of borders long blocked by geopolitical factors. An examination of the trends and characteristics of these flows may illustrate that these flows reflect the course of economic development and the interrelationship of Greece with its hinterland—a facet of the same transformation characterising migration.

Trade Flows

Greece's trade relations with the Balkans have increased rapidly since the opening of the Central and Eastern European Countries' (CEEC) markets (Labrianidis 2000b; Wallden 2000). However, as their trade relations started from a very low point, they still constitute a secondary trade partner of Greece. In 1997, trade (imports and exports) with the Balkans constituted 6 per cent of the total Greek trade compared to 61 per cent of trade with the European Union countries. Greek trade with the Balkans in the 1990s was highly dynamic and its share in the total increased steadily, principally due to exports increasing fourfold since 1989. This increase in the *relative* importance of the CEECs coincided with a deterioration of Greek exports to the EU. Indeed, the share of Greek exports to the EU decreased by around 20 per cent during the same period.

Moreover, the structure of Greek trade conducted with the CEECs has changed quite dramatically. During the period 1988–96 the share of intra-industry trade (IIT) with the CEECs tripled, while the respective share with the EU remained more or less steady, at levels which are the lowest among all EU members (Labrianidis and Kalogeresis 2000). IIT is the simultaneous import and export of similar (or identical) products between two countries; it has been used quite extensively, inter alia, as a proxy for the similarity of the industrial structures of countries. In this context, there are significant indications of an on-going reconfiguration of the Greek economy, which will enable the country to re-establish the broken links with neighbouring countries. In other words, what appears to be emerging—this is a quite tentative comment—is a greater resemblance of the Greek economy to those of the CEEC than to those of the EU countries. Trade thus appears to be part of a more intricate pattern of interdependence. It is to that, and to Greek foreign direct investment, that we now turn.

Table 5. Greek investments in the FR Yugoslavia, Romania, Bulgaria, Albania and FYROM, 1999

	Total investment		
Company	USD m.	%	Sector
OTE SA	1,097	45.6	Telecommunications
3E Hellenic Bottling Company	177	7.3	Beverages
DELTA SA	62	2.6	Food
TITAN	46	1.9	Cement
Eurobank	38	1.6	Bank
Mitilinaios Holdings	32	1.3	Mines
Athenian Brewery SA	28	1.2	Brewery
Intracom Group	26	1.1	Telecommunications
Alpha Credit Bank	21	0.9	Bank
Chipita SA	15	0.6	Food manufacturing
Commercial Bank	13	0.5	Bank
Flourmill Loulis SA	8	0.3	Food manufacturing
Flourmills Ag. Georgiou SA	8	0.3	Food manufacturing
Thrace Papermill	6	0.3	Paper mill
Veropouloi Bros	6	0.3	Commerce
Other companies	821	36.0	
TOTAL	2,408	100.0	

Source: YPETHO (Greek Ministry of National Economy), 1999.

Foreign Direct Investment

Historically, the number of Greek-based companies with production abroad was relatively insignificant, the two main exceptions being shipping and the trading of oriental tobacco leaves. A further exception was the activity of some construction companies in the Middle East in the 1960s and 1970s. Indeed, until the opening of the CEECs there were fewer than ten Greek companies with investments abroad. The expansion of Greek enterprises abroad is a phenomenon of the last decade or so, with a large number of diverse investment projects being initiated abroad in a very short space of time (Kamaras 2001; Labrianidis 2000b).

At the time of writing there is flourishing international production activity, primarily, though not exclusively, in the CEECs. Though official data are not published by destination, we estimate that in 1998 there were around 1,270 investment projects of Greek companies in 20 of the 27 CEECs—a number which must have increased since. The great majority (82 per cent of projects) were concentrated in the three countries from which immigration is greatest (Bulgaria 41 per cent, Albania 20 per cent and Romania 20 per cent). The majority of Greek investment projects in the CEECs were in commerce (47 per cent) and industry (36 per cent), while there was also a significant presence of service companies (13 per cent). Industrial companies are mainly in garments and textiles (48 per cent) and food and beverages (25 per cent): see Labrianidis (2000a). It is worth mentioning that these four branches carry great weight in Greek manufacturing (40 per cent of value-added and 44 per cent of the labour force. In terms of *value*, the Greek

Ministry of National Economy estimated Greek FDI in April 1999 as 2.4 billion USD. Though that data is not comparable to the estimates of the numbers of projects, the value shares were estimated as concentrated in the Federal Republic of Yugoslavia (47 per cent), Romania (37 per cent), Bulgaria (8 per cent), FYROM (5 per cent),[7] and Albania (3 per cent).

Though there are numerous investment projects in the CEECs *the bulk of capital invested is owned by a handful of companies.* Specifically, ten companies account for more than 64 per cent of total Greek investments in five Balkan countries (Table 5). The few publicly-owned Greek firms account for more than half of the total capital invested (OTE on its own has 46 per cent). For example in Bulgaria at the end of 1998 there were 1,282 Greek companies registered with a total capital of 68.6 million USD invested; 12 firms invested 85.4 per cent of the total amount. On the other hand, the vast majority of investment projects reflect the activities of small Greek enterprises, with or without a parent company in Greece. These firms move to the Balkans in order to overcome competitive problems at home, and hardly fit the usual image of multinational companies.

Thus, the picture is of two kinds of direct investment. In volume terms large companies with 'lumpy' investments dominate. In terms of numbers, the dominant influence is that of smaller enterprises representative of the average Greek SME.

The Three Phases of Development

Labrianidis (2001) analysed Bulgarian records of Greek companies, and was able to trace three distinct phases in the development of investment activities:

- *1989–93—the 'El Dorado' period.* During the first period of the opening of the CEECs these countries were seen as areas where one could reap high and easy profits. The majority of the interest from Greece came from micro-SMEs or individual 'entrepreneurs' who thought that they could enjoy quick profits with no long-term investment perspective. There were, indeed, examples of entrepreneurs who enjoyed for a time extremely high profit rates. However, in most of the cases it was soon realised that the going was tougher than they expected; many quit and returned home.
- *1994–97—'The Mafia period'.* The internal situation in the country of destination was characterised by the proliferation of illegal practices in the economic sphere, the lack of market institutions, lack of intra-state agreements for the protection of investments, etc. Greek businessmen became conscious of the hardships of investing in a country with socio-political instability (high rates of inflation, wide use of semi-illegal practises), in many cases through the bankruptcy of their own businesses.
- *1997 to the present—'normalisation'.* This is a period where one can notice a 'rationalisation' of the internationalisation process on the Greek side. Characteristic now are large investments with long-term prospects, mainly by established Greek companies. This opening included, belatedly, Greek public-sector firms,

such as the Hellenic Telecommunications Organisation (OTE), Hellenic Petroleum (ELPE) and the National Bank of Greece.

Typologies of Firms

A further matter which deserves attention is whether Greek interest companies have a parent company in Greece. A two-fold typology can be observed, each with subdivisions (Labrianidis 2001).

First, *companies with a parent company in Greece* appear to be differentiated both according to the size and the activity of the parent company:

- There is a large number of *small companies* with activities in the CEECs, most of which are mainly commercial or subcontracting companies. A significant proportion of the *industrial* companies in the CEECs belong to industrial companies in Greece, operating exclusively as subcontractors on behalf of large foreign firms, mainly in the garment industry.
- The *medium size* Greek companies exhibit the smallest mobility regarding penetration of the CEEC markets. It appears that they feel quite safe in the home market and do not want to take risks.
- There are some *large companies* in Greece that have invested in the CEECs. They fall into *three* groups. (a) A few Transnational corporations (TNCs) have assigned to their subsidiaries or their trade agents in Greece the task of 'penetrating' the Balkans, given that this is a rather small market and therefore not yet of interest to them. In contrast, the Greek agent can benefit from economies of scale in distribution. Furthermore, the Balkans is a difficult market in which 'informal' relations and practices are predominant and the Greek businessman is experienced in operating in such an environment. Finally, geographic proximity is of great importance. (b) A significant proportion of the productive companies in the CEECs belongs to companies in Greece that have foreign capital in their structure. (c) A number of large companies operating in the Balkans had previously strengthened their positions through the Athens Stock Exchange or through a process of mergers and acquisitions.

The majority of large companies investing in the CEECs belong to the wider public sector (banks, OTE, etc.). This is the result of a change in the strategy of the Greek government towards the Balkans. From the mid-90s Greek interests were identified in supporting stability and democratisation in the Balkans. Security, socio-political stability and economic development of the Balkans, with a view to these countries' eventual accession to the EU, became key concerns of Greek foreign and economic policy. Greece thus encouraged investments from publicly-owned firms and was the first developed country that decided to support the reconstruction of the Balkans financially. Additionally, the Greek government promoted the idea of public companies investing in the Balkans with the co-operation of Greek private capital. Already, there are quite a few such examples.

Secondly, there are *companies with no parent company in Greece*. Many companies of Greek interests do not have a parent company in Greece. Thus a significant proportion of firms appear not to have an immediate connection to the Greek economy. In Bulgaria it was possible to examine thoroughly the total number of firms linked to Greek interests that had been registered since 1993 with the Bulgarian National Statistical Institute (where all firms have to register). Up to 1999 2,475 companies of Greek interests were registered in total; 12 per cent of them are no longer in operation, while another 65 per cent were registered but never operated. Moreover, of the companies that were still in operation, 62 per cent are of Greek interests, yet they declared not to have a parent company in Greece (Labrianidis 2001).

Firms with no parent company in Greece could have been established in *four* ways:

- by entrepreneurs who left Greece because they failed there (they had a company that went bankrupt; they ceased operating due to low profits, etc.);
- by emigrant entrepreneurs who decided to find their fortunes abroad; i.e. businessmen who migrate carrying with them their skills and, sometimes, capital;
- by Greeks—mainly students or political refugees—who had previously lived there; this group operate there mostly as subcontractors for garment manufacturing firms in Greece or in import/export (they import fruits from Greece, etc.);
- finally, a significant number of them may consist of affiliates of Greek companies which for legal reasons are registered under different ownership.[8]

As a result, companies which arrive '*sans familles*' are considerably smaller, in terms of capital invested, presumably because of capital intensity.[9] Nevertheless the average payroll of companies without a parent was *larger*—49 persons, as opposed to 36 for those with a parent.

Enterprises with no parent company exist in conditions of greater informality and may be expected to draw more on the potential of host-country nationals. It is plausible that those with immigration experience in Greece will play some role. In contrast, such companies' links to the Greek economy are likely to be less direct: the benefits to Greece are likely to consist mainly of the repatriation of profits. The *net* size of these benefits would be linked to the relative profitability in Greece as compared to that in the country of the investment.

Finally, *location* and in particular proximity to the Greek border plays a role in Greek FDI. In Bulgaria (excepting investment in the capital), whereas non-Greek FDI concentrated in the *north* of the country, Greek companies focused overwhelmingly in the south. One-third of Greek investment went to the south, as opposed to only 10 per cent of overall investment. The geographic dispersion in some very small villages is also noteworthy.

An Interpretation

Greece is an important player in FDI in the Balkans. The development of Greek enterprises abroad can be understood in the context of three developments of *general* applicability (Labrianidis 2000a, 2000b, 2000c):

- the increasing importance of FDI at a global level;
- the increasing trend towards the internationalisation of SMEs during the 1990s; and
- several coincidental developments, like the radical changes after 1989.

To these must be added factors relating to the Greek development pattern. These changes made these countries a relatively 'easy' target for Greek investment.

The basic factors *pushing* Greek companies away from the domestic market, and leading them to initiate projects in the CEECs, were the saturation of the Greek market and the intensification of competition, mainly caused by import penetration in specific sectors, as well as the high costs in labour-intensive industries.

There are a number of possible motives for Greek companies undertaking FDIs in the CEECs. These can be regarded as *pull factors*:

- The opportunity to reduce labour costs, especially in labour-intensive industries.
- The opportunity to exploit natural resources.
- Entry was seen as an investment. Many companies entered these markets knowing that they would operate at a loss for a period, but hoping that these losses would be compensated by the strong positions they would achieve once the markets started improving.
- The avoidance of tariff or non-tariff impediments.
- The exploitation of existing relations within CEECs (in the sense that an investment in one CEEC could be used as a base for expansion into other CEECs, taking advantage of reduced tariffs, existing traditional trade channels, etc.).
- The fact that they were markets at an early stage of development, in the sense that competition was still based on prices and not on quality/differentiation of the product.
- Many large firms used the prospect of expansion into a CEEC as a 'promotion mechanism', often in their prospectus for a Stock Exchange flotation.
- The prior existence of Greek companies, as well as Greek communities, in some of these countries encouraged the establishment of other Greek companies—banks, insurance companies, labelling products, packaging products, etc.

The expansion of Greek firms beyond their borders is, at first sight, a sharp break with precedent. It must be remembered that the firms participating have no history of FDI or international experience on which to draw. This is even more so since a significant part of Greek FDIs in the CEECs are set up with Greek ownership, but without a parent company in Greece. In addition the modal type of company participating would count in Greece as a small or medium enterprise. SMEs are held to be subject to two crucial disadvantages: shortage of capital and shortage of management skills. Such companies have only weak connections with their parent company.

As we saw earlier in the paper, Greek industry was faced with a double challenge: competition for high-quality products from developed countries, and for low-cost products from less developed countries. The opening of the Balkan countries—characterised by a weak development of the consumer products sector, and by a demand for products without particular regard to quality—was thus considered to be '*manna from heaven*' that could solve the problems of Greek industry. However, as has been noted elsewhere (Labrianidis 1996), the opening of the Balkan markets should really have been seen as a period of grace in which to confront the deeper problems facing Greek industry, which are related to technological and organisational restructuring and a shift to sectors involving more specialised labour (Lolos and Papagiannakis 1993; Pitelis and Antonakis 1998).

The relatively 'strong' position of Greek firms relative to other potential entrants to the Balkans could be due to investors in the developed countries maintaining a 'wait and see' attitude. This attitude is related to the perceived instability of the region—economic but also political. If this is so, once the situation improves, investment may flow from those countries which are at the moment deliberately holding off. If by that time Greek firms have not managed to produce internationally competitive products, it is probable that they will lose these markets. Greece is in danger of succumbing to the widespread fallacy that the Balkans is 'our hinterland', and that it is sufficient to be competitive on a *local* scale only. When a company is competitive on the international scale, it is also competitive on the local scale, but this does not work the other way around. There is, thus, the danger that companies see expansion in the Balkan region and access to cheap labour as substitutes for investment in long-term competitiveness at home.

The Balkan Expansion of Greek Capital and Immigration

The influx of immigrants from the Balkans coincided with the expansion of Greek businesses to the Balkans countries. Are these phenomena linked?

In the new European geopolitical conjuncture Greece might seek a new role, *to play the function of the 'North' in the Balkans, while at the same time remaining the 'South' for the 'North' of developed world regions such as Europe and the United States.* Greece is surrounded by countries with economic problems as well as socio-political instability. Furthermore, the situation is expected to become harder for the Balkan countries now that the first wave of CEECs has entered the EU. Greece could find itself surrounded by a 'poverty fence'. Moreover, as the parallel of the US and Mexico shows, as long as the development gap between Greece and its neighbouring countries persists, the influx of economic migrants into Greece will continue.

In certain instances, as Sassen (1999) argues, internationalisation processes may contribute to new migration, mainly when FDIs assume the form of export-led industrialisation. Such FDI may draw new strata into the labour market, such as women, and, by doing so, may disrupt traditional work structures. This can promote further emigration. Furthermore, emigration is facilitated by FDI in the form of export-led industrialisation creating links with the countries providing this capital. These workers are applying their labour to goods or services that are geared to foreign countries and hence feel capable of using their labour power effectively in the foreign markets as well. The presence of foreign plants not only brings the 'Western' country closer, but also 'Westernises' the less developed country and its people. Emigration then emerges as an option.

Acting in the opposite direction, the presence in the *FDI origin* country of immigrant workers who are nationals of the *FDI destination* countries constitutes a comparative advantage for investment originating from these countries. Immigrants can act as a conduit back into the markets they came from. Familiarity with the language, with local market conditions and the existence of an informal network of contacts will all be useful. Indeed, in our interviews the Thessaloniki employers stated that one of the skills they were looking for in immigrant labour was the potential to facilitate business with the Balkans. In this way, the presence of immigrants will act, first to 'open up' new markets for exports, and then to smooth the way for investment. The fact that most of the Greek investment in the Balkans originates from SMEs with no parent Greek company increases the likelihood that this is the crucial mechanism at work. Cultural affinities will also play a part in carving a permanent niche for Greek investment in the Balkans.

Furthermore, the prevalence of intra-industry trade with Greece gives a lease of life for these industries in the Balkans. However, it may perpetuate an international division of labour, whereby the low-cost, cheap end of the market remains there, possibly blocking other development alternatives.

At the same time, Greek investment is quantitatively important in the Balkan context and is large enough to have macro-economic implications of its own. This is certainly true for the countries to which the investment flows are directed; the relative importance of Greece as an investor in Albania or Bulgaria is evidence to that effect. However, the increasing importance of the Balkans as an export market testifies that the favourable effects are not limited to the transition countries. Additionally, Greek investment in a highly uncertain environment could act as a 'facilitator' through which funds from *other* sources could flow in. Playing a part in the initial opening of the market as the 'first-comer' will facilitate the more mature phase later on; the period in which this role will remain relevant is naturally limited. Yet, during that period a more permanent niche can be secured.

Greek investment to the Balkans does not resemble the 'threatening' large transnational corporations originating from the developed countries, and hence may pose fewer adjustment problems. In macro terms, there is a medium-term complementarity between the development path of Greece and the Balkans.

Investing in a neighbour's economic development is thus in many respects a case of internalising a number of externalities. The multiplier effects of investing in a neighbouring country, particularly one where the web of economic exchanges is already dense, has the potential for being important. The importance arises due to what, in the *general* case of FDI in a distant country, are thought to be second-order, feedback effects, of little quantitative importance. The links between migration (flows of labour), trade (flows of goods) and investment (flows of capital) are just the kind of effect which is usually overlooked. The case of the Balkans is one where such links may *not* be ignored—where the feedbacks constitute an important part of the overall story.

Conclusion

The transformation of Greece into a migrant-receiving country reflects both the dynamics of domestic socio-economic change as well as the changing nature of the global migration phenomenon. The Greek experience of migration reinforces King's (2000) identification of a distinct Southern European immigration model. However, there are differences: immigration to Greece is overwhelmingly related to geographical proximity; it is linked to the process of transition of Eastern Europe; it originates from countries aspiring to the European Union. Thus, the host and destination countries are engaged in a process of *long-term convergence*. Whatever the differences in the immediate past, Greece and its migrant-origin countries share a *common future*.

In an increasingly globalised environment, the mobility of people is linked to the mobility of capital, goods and services. For Greece, which historically has been neither an immigration country, nor a net investor abroad, new opportunities were created in the aftermath of severe ruptures in the Balkan peninsula. Our main argument has been that the two major structural changes that occurred at the turn of the century in Greece (namely inflow of migrants and outflow of direct foreign investment) are closely connected.

We have argued that both are directly related to the responses of the Greek business sector to the competitive challenges of the opening up of markets. A productive structure of small family-run enterprises has had to invent ways of coping with increased competition and pressures to produce innovative products at a competitive price. The predominant response was to adopt labour-intensive strategies as a way out, either by using easily available cheaper labour in Greece (usually migrants from the Balkans), or by exploiting lower labour costs abroad (by direct investment, mostly in Balkan countries). In that sense, FDI in the Balkans by Greeks functions partly as a substitute and partly as complement to immigration from the Balkans into Greece. Both processes offer the opportunity to Greek enterprises to remain competitive as they overcome, temporarily at least, their crisis by satisfying their increased demand for cheap labour.

The two processes—flow of capital one way, flow of labour the other—create important mutual externalities. These externalities exist at the *micro* level: the Albanian migrant acting as a representative for the aspiring Greek entrepreneur, familiarity with Greek products for exports, Greek financial firms 'following their customers' in the Balkans. They also exist at the *macro* level—through multiplier effects and increasing synchronisation of the economies. There may also be diplomatic interconnections—the Greek advocacy of Balkan membership of multilateral institutions and of the EU foremost among them. The density of relations leads to the evolution of a form of *political* interdependence, in that Balkan *stability* must build on sound economic relations.

Re-establishment of historical trading and economic patterns is part of the process of reintegration of the Balkan region. The Balkans, after more than half a century of enforced separation (Mazower 2000), are again gradually becoming a unitary economic space. In this process, the movement of goods, capital and people all play a part.

The evidence examined in this paper points to the following 'lesson': migration and foreign investment constitute potentially positive developments which can turn either into a blessing (both for the economy and the society) or into a Pandora-box trap (in the form of providing an alibi for inertia). *Which* view ultimately predominates depends not so much on economic, as on social and political factors: building multicultural societies tolerant of differences and developing attitudes conducive to open economies. The *economic* challenge is how to build open *societies*.

Notes

[1] This group has its historical roots in the Southern shores of the Black Sea. Many, after their expulsion from Turkey in the 1920s, migrated to the Soviet Union (Georgia mainly). Many were further relocated to the Central Asian republics in the Stalin years. The Georgian civil war of 1991–93 led to urgent calls for their repatriation.

[2] The German pension system directed 54,000 pension payments to Greek residents in 2000. Large numbers of Greeks also returned from other emigration countries, such as Australia, Canada and the US.

[3] This refers most usually to small-scale trade mainly in clothes, footwear, cosmetics and textiles that feed into Albanian retail businesses frequently owned by relatives.

[4] In the field of IT Albanians work as external associates, offering the advantages of lower wages in a sector experiencing severe skills shortages in the Greek market.

[5] This conclusion is reinforced after comparison with findings of earlier studies, according to which Albanians tended to live and work at the margins of society—see, for instance, Psimmenos (1998) on Albanians in Athens in the mid-1990s.

[6] Generally in urban Greece ground-floor and basement flats are accorded low social status: the better flats and living conditions are on the upper floors.

[7] The relatively small investment activity in FYROM is mainly due to the embargo imposed by the Greek government from 1994 to 1995. Investment has since taken off, led by large investments in the banking sector and in petrochemicals.

[8] Firms which put-out parts of the production process outside the national boundaries are not allowed to have ownership stakes in the subcontractors.

[9] The data are dominated by a few large investments—as a result the average exceeds 1 million USD.

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