UNIVERSITY OF CRETE – DEPARTMENT OF ECONOMICS

M.Sc. ECONOMIC THEORY AND POLICY

Master's thesis

ALIGNMENT OF INVESTMENT TRENDS IN GREECE WITH THE EU DIRECTIONS TOWARDS SUSTAINABLE FINANCE

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ABSTRACT

The thesis examines the current status of Foreign Direct Investment (FDI) in Greece and assesses the alignment of investments with the European Union trends. The study aims to understand what types of investments Greece attracts and which investment sector is currently promoted by the Greek state. The study also includes a short overview of the growth pillars promoted by the European Union and the tools created to direct investments towards projects aligned with them. The study includes an analysis of the announced investment projects included in the Greek recovery and resilience plan and how these can be actually used to increase FDI in Greece. The dataset used for the FDI in Greece (from 2002 onwards) was from the Bank of Greece and important details about the FDI in Greece, which were not available from the website of the Bank of Greece, were drawn by the Ernest Young´s (EY) attractiveness surveys for 2021 and 2022. All information related to regulations, communications of the European Commission and the Recovery and Resilience plan of Greece were taken from the official websites of the European Union. Finally, important information regarding the promotion of investment opportunities in Greece by the Greek government was extracted from the website www.enterprisegreece.gov.gr. The quantitative and qualitative analysis of the data described above led to the conclusion that Greece follows the trends of the European Unioni's strategy showing an increase in FDI activity in the finance sector and ICT (digital transformation). At the same time, the introduction of sustainability (green transition) as the main pillar of the European Union's growth strategy boosted investments in the energy and construction sector. Moreover, the planned investments funded by the Recovery and Resilience Fund (RRF) will further support Greece in aligning with the transformation path of the European Union's economy and institutions.

ΠΕΡΙΛΗΨΗ

Η παρούσα διπλωματική εργασία εξετάζει την τρέχουσα κατάσταση των Άμεσων Ξένων Επενδύσεων (ΑΞΕ) στην Ελλάδα και αξιολογεί την ευθυγράμμιση των επενδύσεων με τις τάσεις της Ευρωπαϊκής Ένωσης. Η μελέτη στοχεύει να κατανοήσει τι είδους επενδύσεις προσελκύει η Ελλάδα και ποιες προωθούνται σήμερα από το ελληνικό κράτος. Η μελέτη περιλαμβάνει επίσης μια σύντομη επισκόπηση των πυλώνων ανάπτυξης που προωθούνται από την Ευρωπαϊκή Ένωση και των εργαλείων που δημιουργήθηκαν για να κατευθύνουν τις επενδύσεις σε έργα που ευθυγραμμίζονται με αυτούς. Η μελέτη περιλαμβάνει ανάλυση των ανακοινωθέντων επενδυτικών σχεδίων που περιλαμβάνονται στο ελληνικό σχέδιο ανάκαμψης και ανθεκτικότητας και πώς αυτά μπορούν πραγματικά να χρησιμοποιηθούν για την αύξηση των ΑΞΕ στην Ελλάδα. Το σύνολο δεδομένων που χρησιμοποιήθηκε για τις ΑΞΕ στην Ελλάδα (από το 2002 και μετά) προέρχεται από την Τράπεζα της Ελλάδος και σημαντικές λεπτομέρειες για τις ΑΞΕ στην Ελλάδα, οι οποίες δεν ήταν διαθέσιμες στον ιστότοπο της Τράπεζας της Ελλάδος, αντλήθηκαν από τις έρευνες ελκυστικότητας της Ernest Young (EY) για το έτος 2021 και 2022. Όλες οι πληροφορίες που σχετίζονται με κανονισμούς, ανακοινώσεις της Ευρωπαϊκής Επιτροπής και το σχέδιο Ανάκαμψης και Ανθεκτικότητας της Ελλάδας ελήφθησαν από τις επίσημες ιστοσελίδες της Ευρωπαϊκής Ένωσης. Τέλος, σημαντικές πληροφορίες σχετικά με την προώθηση επενδυτικών ευκαιριών στην Ελλάδα από την ελληνική κυβέρνηση αντλήθηκαν από την ιστοσελίδα www.enterprisegreece.gov.gr. Πραγματοποιήθηκε ποσοτική και ποιοτική ανάλυση των δεδομένων που περιγράφηκαν παραπάνω η οποία οδήγησε στο συμπέρασμα ότι η Ελλάδα ακολουθεί τις τάσεις της στρατηγικής της Ευρωπαϊκής Ένωσης που δείχνουν αύξηση των ΑΞΕ στον χρηματοπιστωτικό τομέα και στις ΤΠΕ (ψηφιακός μετασχηματισμός) ενώ ταυτόχρονα η εισαγωγή της βιωσιμότητας (πράσινη μετάβαση) ως βασικό πυλώνα της αναπτυξιακής στρατηγικής της Ευρωπαϊκής Ένωσης ενίσχυσε τις επενδύσεις στον τομέα της ενέργειας και των κατασκευών. Επιπλέον, οι προγραμματισμένες επενδύσεις που χρηματοδοτούνται από το RRF θα στηρίξουν περαιτέρω την Ελλάδα στην ευθυγράμμιση με την πορεία μετασχηματισμού της οικονομίας και των θεσμών της Ευρωπαϊκής Ένωσης.

Contents

1. Introduction

There is a considerable number of studies on the Foreign Direct Investment (FDI) in Greece and abroad as well as significant literature on the positive and negative effects of FDI on the host and origin country's macroeconomic indexes and overall growth.

The present study aims to give an overview of Foreign Direct Investment trends in Greece compared to the directions of the European Union in an effort to answer the following key questions:

i. Has Greece a friendly investment environment right now?
ii. In the past, have they been investments in sectors that are among the pillars on which European Union currently bases its growth strategy and funding opportunities?
iii. Is there room for investments in the above-mentioned European Union pillars currently in Greece?

The aforementioned questions aim to understand how Greece can use the financial and institutional tools developed by the European Union in an effort to strengthen its economy and prepare for the transition phase. By the term transition phase, the author describes the transition of the European Union through the adoption of the Green Deal growth strategy and the recent policies and strategies employed for the recovery and resilience of European economies. These new policies were introduced due to the effects of the COVID-19 pandemic and the recent geopolitical instability which had important effects on the economy of the European Union.

To identify the answers we need, a literature review was performed for a summary presentation of the historical evolution of FDI in Greece. The analysis of the trends of GDP and FDI data revealed specific cycles and the analysis of the available dataset from the Bank of Greece focuses on the last three circles which cover the early 2000s, the period of recession from 2007 to 2016 and the post – 2016 period.

Moreover, a literature review was performed on the key texts and announcements of the European Union. Among the most important of which are the Annual Sustainable Growth Strategy reports, the Green Deal growth strategy, the Sustainable Finance Action Plan, the EU's Multiannual Financial Framework, the Recovery & Resilience facility together with the national plans and the EU Taxonomy.

The analysis of the available data was primarily focused on the sectors the investments are made in since it is a key parameter for comparing the type of investments Greece attracts compared to the sectors promoted by the European Union.

Furthermore, for a better understanding of how investors see Greece as a host country for foreign investments, a literature review was performed on key indexes and studies published by international consultancy firms on FDI attractiveness.

To support the findings of the previous, a sample of investments in Greece was used together with an analysis of the Recovery and Resilience Plan of Greece.

The present study concludes with a summary presentation of the analysis of the data on FDI in Greece and some conclusions which can answer the questions set in the first part of this introduction.

2. Foreign Direct Investment

2.1 Definition of Foreign Direct Investment

An investment is "the current commitment of money or other resources in the expectation of reaping future benefits", a "commitment of current resources in the expectation of deriving greater resources in the future" (Bodie et al., 2021: 1, G-7).

For the case of Greece, the present study will be focused on Foreign Direct Investments (FDI). Foreign investments may take two forms: foreign direct investment (FDI) or foreign portfolio (foreign indirect investment).

i. Foreign direct investments: A direct investment is "the category of international investment that reflects the objective of an entity resident in one economy obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the investor on the management of the enterprise. Direct investment covers the cross-border transactions of entities that are in a direct investment relationship—in other words, direct investment covers the cross-border transactions with the subsidiaries, associates and branches either directly or indirectly owned by a direct investor, as well as the cross-border transactions among the affiliated group of direct investment enterprises" (Montanjees, 2004).

   According to the "Balance of Payments Compilation Guide" (IMF, 1995: 150), Direct investment is a category of international investment in which a resident entity in one economy (the direct investor) acquires a lasting interest in an enterprise resident in another economy (the direct investment enterprise). Direct investment implies a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence (or the potential for such influence) by the investor on the management of the direct investment enterprise.

   According to the OECD Benchmark Definition of Foreign Direct Investment (OECD, 2008: 234), a foreign direct investment (FDI) is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term

relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. Some compilers may argue that in some cases ownership of as little as 10% of the voting power may not lead to the exercise of any significant influence while on the other hand, an investor may own less than 10% but have an effective voice in the management. Nevertheless, the recommended methodology does not allow any qualification of the 10% threshold and recommends its strict application to ensure statistical consistency across countries.

The key terms that distinguish FDI from portfolio investments are the "Significant degree of influence" and the "long-term relationship". Foreign Portfolio Investments (FPIs), as described below in point ii, are short-term activities undertaken by institutional investors through the equity market. Investors in FPIs A doesn't have a "lasting interest" in foreign entity compared to the investors in FDI.

For clarity and usability of the dataset of the Bank of Greece, it should be highlighted that Foreign Direct Investments as described in this paragraph are under the title "Direct Investment – Flows" on the Bank of Greece documentation. The description of the Bank of Greece for the Direct Investment – Flows may be found below:

"Direct investment flows comprise all transactions (payment of initial capital, total/partial takeovers or sales, capital increases or decreases, reinvested earnings, deposits, loans, debt securities, trade credits and other accounts) between a direct investor and an enterprise with which the investor is linked by a direct investment relationship, according to the OECD's Framework for Direct Investment Relationships (FDIR). Direct investment flows also include investment in real estate.

The statistical presentation of direct investment flows follows the "extended directional principle", whereby transactions between a resident direct investor and a foreign direct investment company are recorded under "direct investment abroad", while transactions between a non-resident direct investor and a direct investment enterprise resident in Greece are recorded under "direct investment in Greece.

To compile the direct investment component of the Balance of Payments, the alternative "asset/liability" criterion is used, whereby the compiling economy reports for resident institutional units classified under the FDIR as direct investors, direct investment enterprises or as fellow enterprises, all assets and all liabilities to non-residents." (Bank of Greece)

ii. Foreign portfolio investment (FPI) *or* Foreign indirect investments: Foreign portfolio investment is the purchase of securities of foreign countries, such as stocks and bonds, on an exchange (Investopedia, J.B. Maverick, 2022). "Portfolio investment includes investments by a resident entity in one country in the equity and debt securities of an enterprise resident in another country which seek primarily capital gains and do not necessarily reflect a significant and lasting interest in the enterprise. The category includes investments in bonds, notes, money market instruments and financial derivatives other than those included under direct investment, or in other words, investments which are both below the ten per cent rule and do not involve affiliated enterprises. In addition to securities issued by enterprises, foreigners can also purchase sovereign bonds issued by governments. According to the IMF's 1996 Coordinated Portfolio Investment Survey Guide, the essential characteristic of instruments classified as portfolio instruments is that they are traded or tradable" (UNCTAD, 1999: 4). "Portfolio investment refers to the investment in a company's stocks, bonds, or assets, but not for the purpose of controlling or directing the firm's operations or management. Typically, investors in this category are looking for a financial rate of return as well as diversifying investment risk through multiple markets" (Carpenter et al., 2011).

For clarity and usability of the dataset of the Bank of Greece, it should be highlighted that foreign portfolio investments as described in this paragraph are under the title "Direct Investment – Stocks" on the Bank of Greece documentation. The description of the Bank of Greece for the Direct Investment – Stocks may be found below:

"Direct investment stocks refer to the outstanding level of all investments (equity capital contributions, reinvested earnings, deposits, loans, debt securities, trade credits and other accounts) by a direct investor, at a given point in time, in an enterprise with which the investor is linked by a direct investment relationship, according to the OECD's Framework

for Direct Investment Relationships (FDIR). Direct investment stocks include investments in real estate.

The statistical presentation of direct investment stocks follows the extended directional principle, whereby transactions between a resident direct investor and a foreign direct investment company are recorded under "direct investment abroad", while transactions between a non-resident direct investor and a direct investment enterprise resident in Greece are recorded under "direct investment in Greece.

For the purpose of compiling the direct investment component of the International Investment Position, the alternative "asset/liability" criterion is used, whereby the compiling economy reports for resident institutional units classified under the FDIR as direct investors, direct investment enterprises or as fellow enterprises, all assets and all liabilities to non-residents." (Bank of Greece)

iii. Other flows (e.g. bank loans)

2.2 Types of Foreign Direct Investments

There are many different ways of categorizing the types and forms of FDI. In the following chapter, a series of these will be presented not only for a more thorough literature review but also for a more complete understanding of the way FDI works in an economy.

2.2.1 Categorization based on business expansion in the supply chain

The first way to categorize FDI is by describing the way it expands the business in the supply chain. Based on this categorization, there are four types of Foreign Direct Investments:

i. Horizontal FDI
ii. Vertical FDI
iii. Conglomerate FDI
iv. Platform FDI

Horizontal FDI is the most common type of FDI and involves the investment of funds in a foreign company belonging to the same industry as that owned or operated by the FDI investor (Types of FDI, n.d.). Typical examples of horizontal FDI are Zara, Starbucks and MacDonald's since all their companies internationally belong to the same industry.

“A vertical FDI occurs when an investment is made within a typical supply chain in a company, which may or may not necessarily belong to the same industry. In vertical FDI, a business expands into another country by moving to a different level of the supply chain. Thus, business undertakes different activities overseas but these activities are related to the main business. As such, when vertical FDI happens, a business invests in an overseas firm which may supply or sell products. Vertical FDI is further categorized as backward vertical integrations and forward vertical integrations”. A backward vertical FDI is when an investing firm purchases, a supplier in the supply chain; e.g., a manufacturer in the home country will invest in raw material supply in the host country. “For instance, the Swiss Coffee producer Nescafe may invest in coffee plantations in countries such as Brazil, Columbia, Vietnam, etc.” A forward vertical FDI is less common and involves a company investing in another foreign company which is ranked higher in the supply chain; e.g., a manufacturer in the home country will invest in the distribution in the host country. For example, Volkswagen’s acquisitions of dealers in the US.

A Conglomerate FDI is when investments are made in two completely different companies of entirely different industries. Under this type of FDI, a business undertakes unrelated business activities in a foreign country. For instance, the US retailer Walmart may invest in TATA Motors, the Indian automobile manufacturer. Conglomerate FDI is uncommon as it involves the difficulty of penetrating a new country and an entirely new market.

Finally, a Platform FDI is when a business expands into a foreign country, but the products manufactured are exported to another, third country. For instance, the French perfume brand Chanel set up a manufacturing plant in the USA and exported products to other countries in America, Asia, and other parts of Europe (What Are the Different Types of FDI?, n.d.).

2.2.2 Categorization based on the goal which the business entering a country wants to achieve

Another way to categorize investments is based on the goal which the business entering a country wants to achieve. Having this in mind we have the following categories of FDI:

i. Resource seeking
ii. Market seeking
iii. Efficiency seeking
iv. Strategic asset seeking

Resource seeking is when an investor enters a new market (a new country) in order to keep the lower minimum cost for the resources needed.

An investor may seek three different types of resources:

i. Natural resources such as mineral resources, energy resources and agricultural products. This type of FDI requires usually an increased capital investment for the development of the infrastructures.
ii. Human Resources. With this type of FDI, an investor seeks human resources in countries where the labour cost is competitive compared to the country of origin.
iii. Service-related resources. For investments related to the service sector, there is a wide variety of resources that are needed for the development of the business. For example, for the tourism sector, the destination of an investment is provided by the overall infrastructure and the location of interest. Another example is medical or educational services where again the host countries resources will have a significant role to play.

Market-seeking FDI is focused on producing goods and providing services not only for the host country of the investment but also for neighbouring countries. With moving a business to a new country, the main benefits are having a more visible role in the market there and entering neighbouring markets becoming easier. Moreover, being established in the country helps in customising with more ease the products or services to the local consumer standards.

Efficiency seeking FDI is when a mother company aims to improve the efficiency of the business by establishing headquarters in local areas of interest for better management.

Finally, strategic asset-seeking FDI is when companies decide to enter new markets because they want to keep or improve their international competitiveness mainly by acquiring other competitors.

2.2.3 Categorization based on the type of the commercial agreement

This categorization based on the type of commercial agreement actually tells us how an investor enters a new country. Eight ways by which an FDI can be made in a market are described below:

The first two ways actually provide an understanding of the different strategies an investor may choose to enter a new country:

i. Greenfield strategy

ii. Brownfield strategy

Greenfield investments are when investors set up a new company “from the ground up” in the foreign country, this company may be a subsidiary company. The investor instead of buying an existing facility in the host country, begins a new venture by constructing new facilities and buying equipment. Construction projects may include more than just a production facility. They sometimes also entail the completion of offices, accommodations for the company's staff and management, as well as distribution centres.

Brownfield investments, on the other hand, occur when an entity purchases or leases an existing facility to begin new production. Companies may consider this approach a great time and money saver since there is no need to go through the motions of building a brand-new building. The building the investor buys or leases may be refurbished or developed into a new production unit.

The rest of the categories are closer to the meaning we try to give to this categorization since they all describe a commercial agreement which allow a new investor to enter a new market.

iii. Wholly owned subsidiary

A wholly owned subsidiary is a company wholly owned by the mother company which is the sole shareholder. The subsidiary is either a new company or an already established company which is acquired by a mother company.

iv. Joint venture

A joint venture is the collaboration of one or more foreign companies with one or more local companies for the development of a new company or the acquisition of an already established local company. The local companies usually help towards a smooth entry of the foreign companies and the foreign ones with capital and resources.

v. Partial acquisition

A partial acquisition is when a mother company acquires shares of a local company.

vi. Offshore company

An offshore company is when a mother company creates a new company in a foreign country, which is a “Tax heaven country”. According to the law in these countries, there are tax incentives for investors who are only active in these countries.

The last two categories do not require a company to have a physical presence in the host country but the investment is made through a commercial agreement of technology and/or knowledge sharing.

vii. Licensing

Licensing is when a company grants permission to a local company to use a patent or a technology for example which is owned by it.

viii. Franchising

Franchising is when a company sells the right to use its trademark to a local company.

2.3 Effects of FDI on the host country

“It has been recognized that the benefits of FDI for the host country can be significant and such benefits include technology spillovers, human capital formation support, enhancement of a competitive business environment, contribution to international trade integration and improved enterprise development (Kastrati, 2013)” (Nunthirapakorn, 2020)

FDI always brings certain benefits to national economies. It can contribute to Gross Domestic Product, Gross Fixed Capital Formation and balance of payments. There have been empirical studies indicating a positive link between higher GDP and FDI inflows.

FDI can also contribute toward debt servicing repayments, stimulate export markets and produce foreign exchange revenue. Foreign direct investment (FDI) is increasingly being recognized as an important factor in the economic development of countries (Kamath, 1990; Lemoine, 2000).

Besides bringing capital, it facilitates the transfer of technology, organizational and managerial practices and skills as well as access to international markets. More and more countries are striving to create a favourable climate to attract FDI. In addition to reducing the restrictions on the entry of FDI, they are actively liberalizing their FDI regimes. FDI is a major source of economic development in developing and under-developing countries (Lall, 2000; OECD, 2000; Zhang, 2001).

Fillipas (2016) summarizes the positive effects of FDI on the host country in the following list:

i. Economic growth for the host countries, especially in developing countries which also face liquidity issues.
ii. Creation of new jobs (also for specialized jobs).
iii. Sharing of knowledge and technology.
iv. Increase of productivity and innovation.
v. The role of FDI is particularly important in times of economic recession, of high unemployment and of limited market liquidity.
vi. FDI is the healthiest way of financing.

However, a number of negative effects have also been raised by researchers. “In small economies, large foreign companies can, and often do, abuse their dominant market position” (Kurtishi – Kastrati, 2013: 32). The adverse effects can be found on the following, according to Kurtishi – Kastrati (2013)

i. Employment

Many people argue that the new jobs created are actually the consequence of the substitution effect of job losses due to the entry of a new company and the withdrawal of local ones. Moreover, there is also the quality aspect of whether high-paid or low-paid and/or unskilled jobs are created. In most cases of FDI as described also in chapter 2.2 the goal of the investor is the reduction of the cost seeking to minimize the labour cost.

ii. Competition

Local businesses are more at risk since their economic and market power in lower than that of the foreign companies. “If it is a part of a large international organization, the foreign MNEs may be able to draw on funds generated elsewhere to subsidize its costs in the host market, which could drive local companies out of business and allow the firm to monopolize the market” (Kurtishi – Kastrati, 2013: 32).

iii. Balance of payments

“There are two main areas of concern with regard to the adverse effects of FDI on a host country’s balance of payments. First, set against the initial capital inflow that comes with FDI must be the subsequent outflow of earnings from the foreign subsidiary to its parent company.

Such outflows show up as a debit on the capital account. Some governments have responded to such outflows by restricting the amount of earnings that can be repatriated to a foreign subsidiary's home country.

A second concern arises when a foreign subsidiary imports a substantial number of inputs from abroad, which results in a debit on the current account of the host country's balance of payment. In the case of Nissan's investment in the UK, Nissan responded to concerns about local content by pledging to increase the proportion of local content to 60 percent, and subsequently raising it to over 80 percent (Hill, 2021).

The net benefits from FDI do not accrue automatically, and their importance differs according to the host country and condition. The factors that hold back the full benefits of FDI in some developing countries include the level of general education and health, the technological level of host-country enterprises, insufficient openness to trade, weak competition and inadequate regulatory frameworks. On the other hand, a level of technological, educational and infrastructure achievement in a developing country does, other things being equal, equip it better to benefit from a foreign presence in its markets" (Kurtishi – Kastrati, 2013: 33). Once a foreign investment becomes profitable, capital really begins to flow out of the host country and to the investor's country.

When assessing the effects of an FDI we should also assess its effects on the environment and the working conditions; two aspects which are not easily quantifiable.

iv. Environmental impact

It has been noted that especially in sectors with significant environmental impact FDI creates adverse effects on the host countries. The exploitation of mineral resources for example has a significantly negative – and long-lasting- impact, especially if strict protocols and ways of preventing and mitigating these effects are not followed.

v. Sweatshops

"The working conditions of workers in firms sponsored by FDI have also been a concern. The presence of sweatshops in some countries, which subject labourers, who are sometimes child labourers, too dangerous, sub-human working conditions, often in violation of local workplace regulations, is a serious issue" (Kurtishi – Kastrati, 2013: 33). This situation is often facilitated

when governments minimize the enforcement of workplace regulations in order to attract FDI (Kurtishi – Kastrati, 2013: 33).

2.4 Effects of FDI on the home country

As host countries are getting advantages of FDI, the investors are also not far behind in terms of their benefits (Bose, 2012). FDI assists the investing company in a number of ways. FDI enhances the domestic competitiveness, provides the opportunity of taking significant advantage of international trade technology, contributes toward increasing sales and profit, extends sales potentials of the existing products, maintains cost competitiveness in the domestic market set-up, enhances possibilities of business expansion, helps in the process of obtaining global market share, reduce the dependency on existing markets, and also stabilize seasonal market fluctuations (Oman, 2000; Rajan, 2005; Rao et al., 1999). The advantages of FDI have been successfully utilized by the global pioneer companies in almost every sector. In doing so the companies always look for the best possible destinations where they can put their money safely and also those places have the highest possibility of generating profits (Sharma, 2000; Smarzynska, 2002). Talking about suitable destinations for FDI reminds us of a few emerging countries in this 21ST century. Talking about emerging economies automatically shifts our focus toward two particular countries which are India and China. The advantages of FDI in China and India are the main theme and discussion point of this article (Thompson, 2002; Luo, 1998)

Regarding the replacement or complement effect on the exports of these countries, bibliography presents arguments for both cases leading to the conclusion that it is a question that needs to be answered per case according to the conditions and circumstances present. In general, it can be said that the output of one country is higher when FDI outflows are directed to least developed counties rather than when they are directed to developed countries (Antonakis, 2018).

“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 labour and the parent company increases its exports” (Antonakis, 2018: 34).

Another effect is in the employment index. The type of FDI (Chapter 2.2) helps us understand the impact of outward FDI on the employment of the domestic economy. “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 labour intensity they require. With this in mind, the stages of production requiring unskilled labour can be done in low-cost labour 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 profitable FDI, 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 labour-intensive. For example, the Greek industrial enterprises relocating to the Balkans were mostly labour-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 labour 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 labour relations in the country of origin, the size of the domestic economy and the size of the multinational enterprise" (Antonakis, 2018: 35-37).

Finally, another effect, although tending to be more short-term, is how an FDI can increase the demand for professionals who will work in the new location. These are usually expert professionals who will support the company to transfer knowledge and support the company with highly specialized skills which are not available in the new location. These jobs are usually short-term, although senior management positions are kept for longer and have a longer effect while being highly paid. Moreover, when a company decides to invest in a new market usually the competitors follow creating in the original market a decrease in the competition levels. Finally, surveys have shown that if a company invests in a country with reduced growth, the state of origin will increase its exports (Lipsey, 2004).

2.5. Factors attracting foreign direct investments: The case study of Greece

According to data from actual investments made in Greece in 2020 we see that in 2020 a significant leap in attracting direct foreign investment was recorded. "According to the EY European Investment Monitor data (EIM), an extensive database that is processed by EV and monitors investments in projects that create new facilities and new jobs, Greece attracted 39 FDI, compared to 22 in 2019 and 11 on average per year for the previous year twenty years (2000-2019). This year's performance represents 0.70% of total FDI in Europe, compared to an average of 0.28% for the previous twenty years, and ranks it, for the first time, the 23rd position among 51 countries included in the database of EIM" (EY, 2021: 6).

Greece is one of the most attractive investment destinations according to EY's attractiveness survey for Greece published in July 2021 (Figure 1). "The image of the country as an investment destination continues to improve. According to the pan-European survey of Ernest Young (EY),

Greece is ranked for the first time among the 10 most attractive destinations for foreign investment, in the 8th position, with 10% of respondents mentioning Greece among the three countries they consider to be the most attractive for 2021, right after its six strongest economies of Europe and Belgium" (EY, 2021: 7).

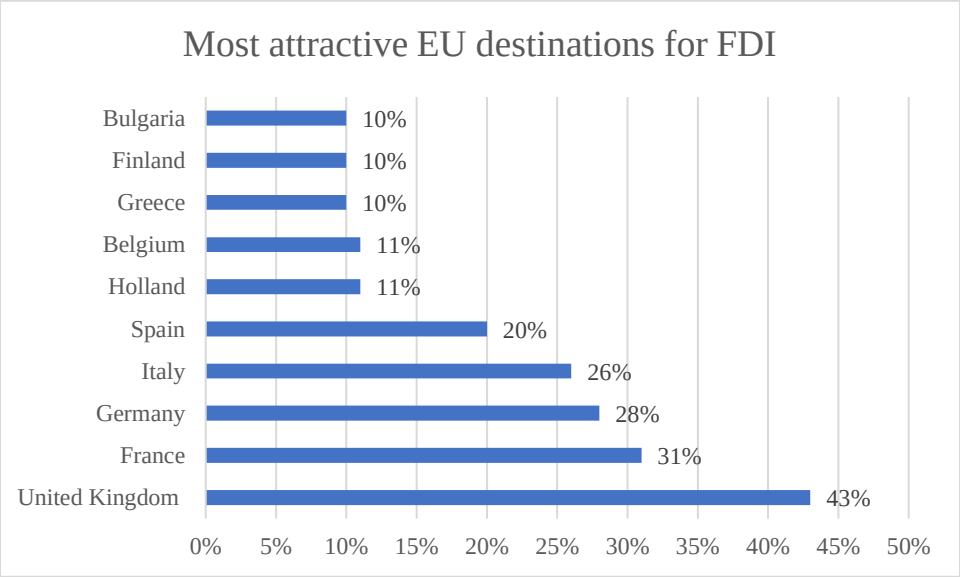

Figure 1 Most attractive EU destinations for FDI (Source: EY, 2021)

What is also really important is the positive outlook as registered in the same survey where 75% of the participants estimate that the country's image will improve in the next three years and 71% of the investors that participated in the survey assessed that the current national strategy makes Greece an attractive destination for FDI.

The comparative advantages of Greece, according to the survey, are the quality of life (78%), the transport infrastructure and logistics (76%), the communication infrastructure and digital infrastructure in general (73%) and the skills of the human resources (70%) (Figure 2).

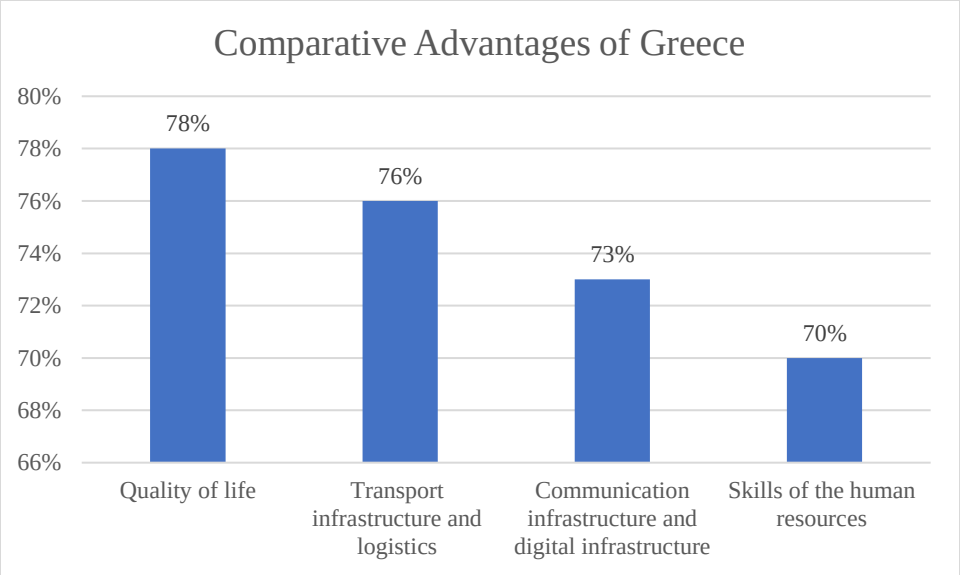

Figure 2 Comparative Advantages of Greece (Source: EY, 2021)

The things that need to be improved according to the participants of the survey are the educational system and skillset of the human resources (38%), the support of cutting-edge technology and innovation (33%) and the reduction of the tax and insurance cost (33%) (Figure 3). At this point, it is worth mentioning that the comparative advantages and the areas that need to be improved reveal an overlap regarding the skillset of the human resources.

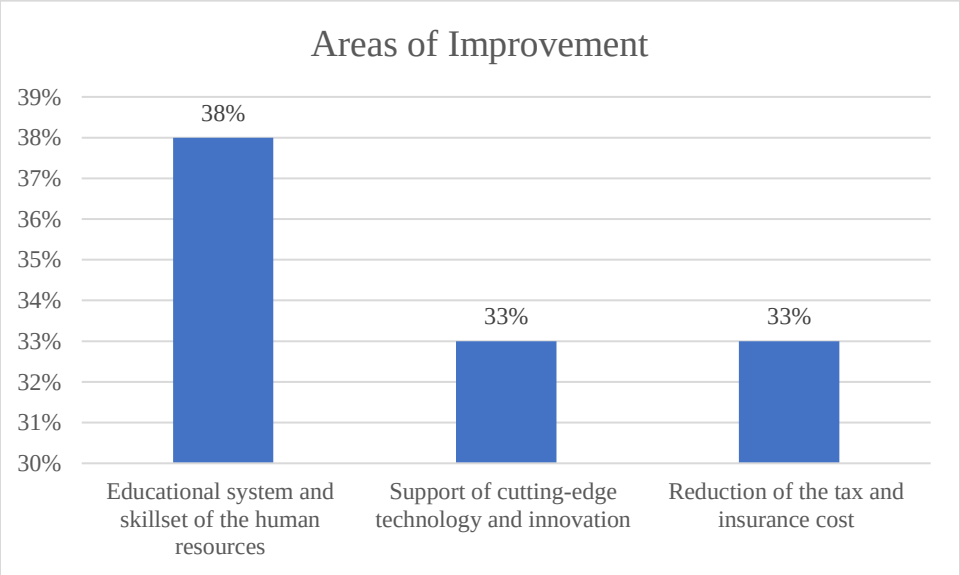

Figure 3 Areas of Improvement (Source: EY, 2021)

The sectors the participants of the survey mentioned as targets for their future investments are sales and marketing (33%), research and development (R&D) (18%), industry (18%), supply chain and logistics (13%), services to businesses (8%) and back-office services (8%) (Figure 4).

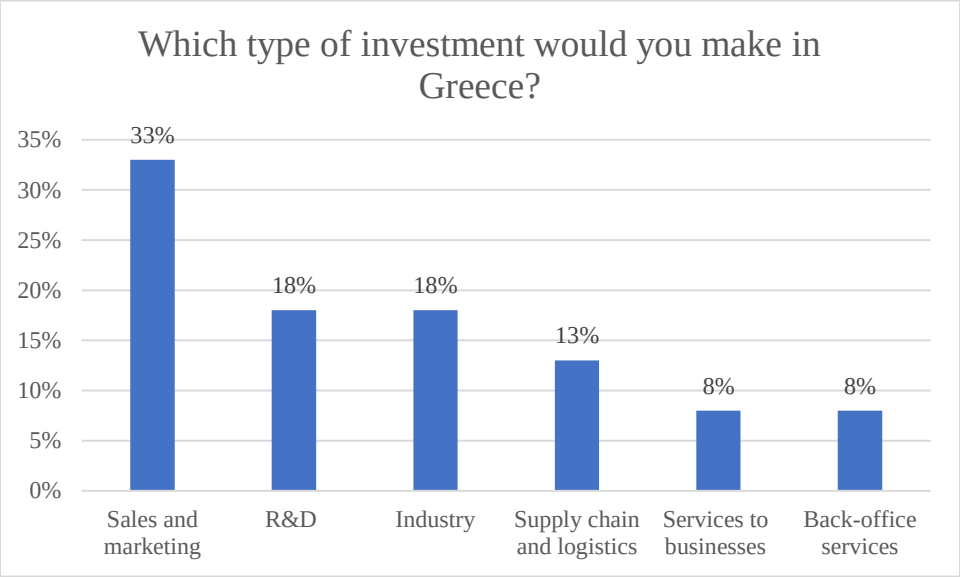

Figure 4 Which type of investment would you make in Greece? (Source: EY, 2021)

According to the opinion of the participants of the survey, the sectors that will support the growth of Greece in the next years are mainly tourism (51%), digital economy (26%) logistics and supply chain (25%) and energy and services of general interest (21%) (Figure 5).

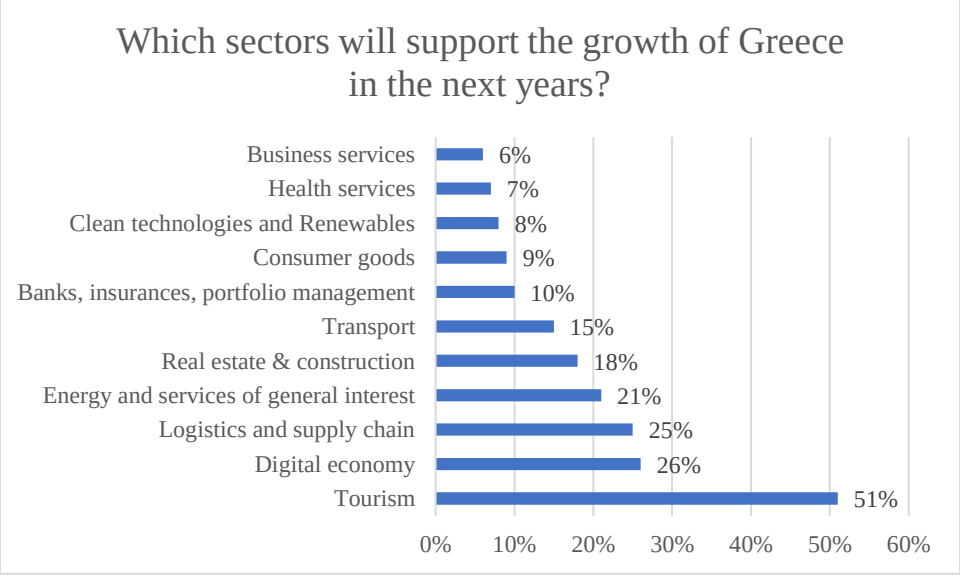

Figure 5 Which sectors will support the growth of Greece in the next years? (Source: EY, 2021)

Finally, a series of critical indicators and indexes give a clear sign of the encouraging course of Greece, however, there is still important room for improvement. The position of Greece in the most important indexes can be found in Figure 6 below.

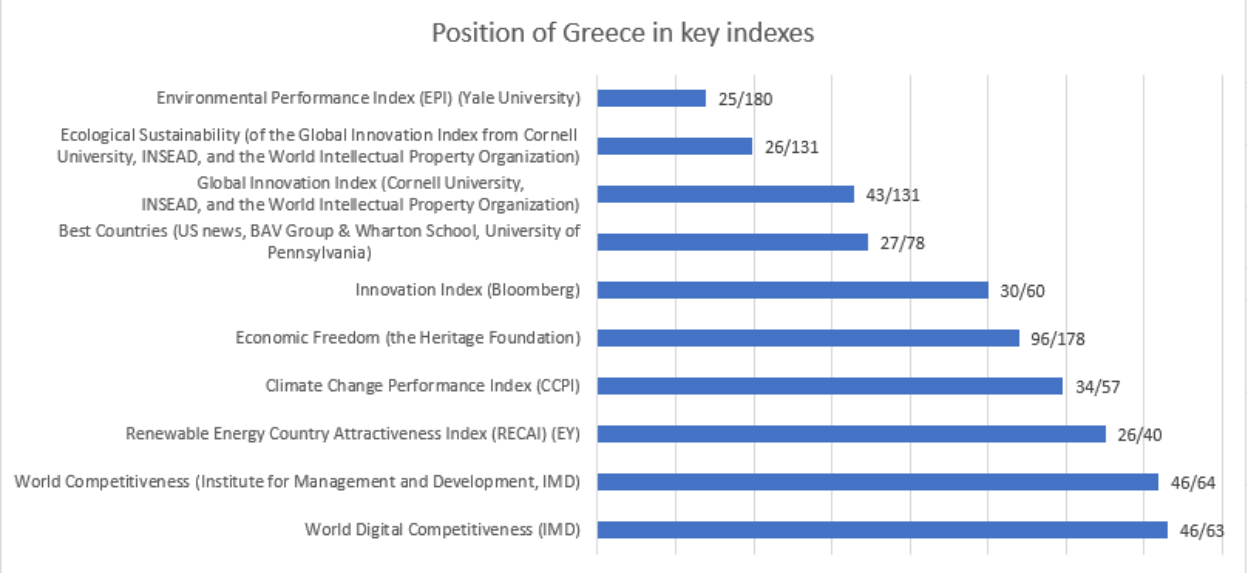

Figure 6 Position of Greece in key indexes (Source: EY, 2021)

Finally, the last parameter which is going to be presented in this chapter is the international investment position (iip) of Greece which is a statistical measure of the developments of the Greek economy relative to the rest of the world.

"The international investment position (iip) reflects the stocks of Greek residents' assets and liabilities vis-à-vis non-residents at a specific moment in time (quarter-end and year-end) (bankofgreece.gr).

Assets and liabilities are classified into the main categories of direct investment, portfolio investment, other investment, and reserve assets, and are broken down by resident sector, i.e. Bank of Greece, other monetary financial institutions (OMFIs), general government, and other sectors. The difference between assets and liabilities is the net investment position, which, depending on its positive or negative sign, characterises the country as a net creditor or debtor, respectively, vis-à-vis the rest of the world (bankofgreece.gr). The difference between assets and liabilities defines the Net Investment Position (NIP) which, when positive characterises a country as a net creditor, while when negative characterises a country as a net debtor vis-à-vis the rest of the world.

Changes in the international investment position arise not only from transactions (monetary flows) of the financial account of the balance of payments but also from changes in the market valuation of the financial instruments included in the stocks of assets and liabilities (bankofgreece.gr)."

"Based on the Balance of Payments and International Investment Position Manual, sixth edition (BPM6), the IIP is a statistical statement that shows, at a point in time, the value of:

i. financial assets of residents of an economy that are claims on non-residents and gold bullion held as reserve assets and
ii. the liabilities of residents of an economy to non-residents." IMF *source*

The net IIP of Greece based on the data of the Bank of Greece is presented below in Figure 7.

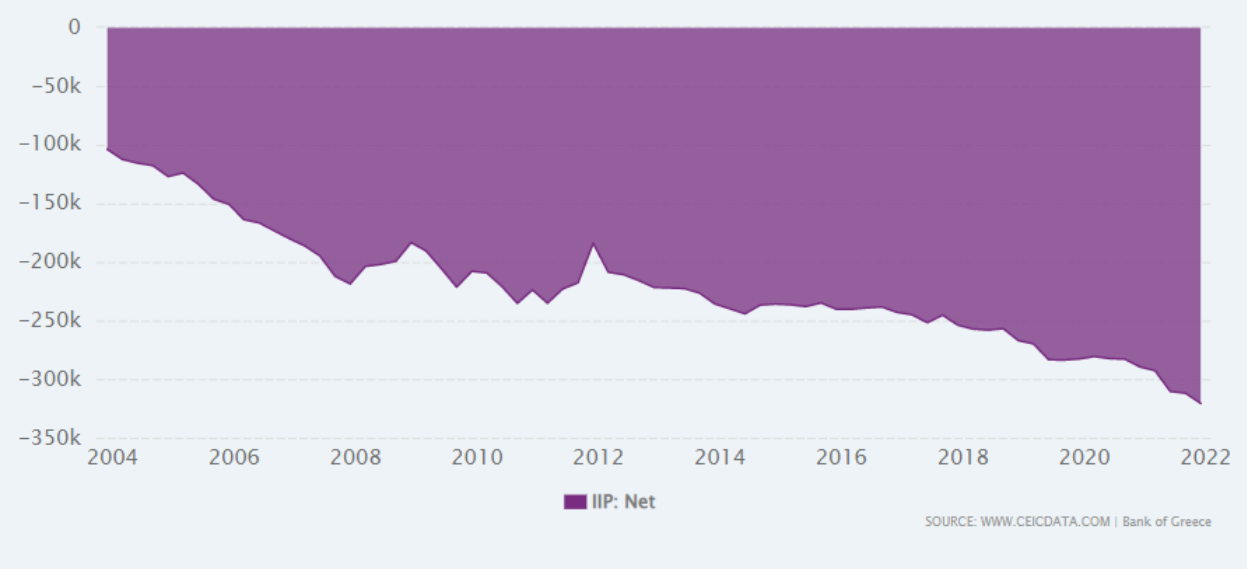

Figure 7 Greece IIP: Net from Dec 2003 to Dec 2021, (Sources: www.ceicdata.com, Bank of Greece)

In the table below (Table 1) a list of countries according to their IIP (in descending order) as percentage of the Gross Domestic Product (GDP).

Table 1 Net international investment position, ordered by NIIP (% GDP) (Source: wikipedia.org)

Countries and regions	Date	GDP	Date	NIIP	Date	NIIP
		(US$MM)		(US$MM)		(%GDP)
Hong Kong	2021	368,633	2021Q1	2,163,155	2021	586.80
Singapore	2021	374,934	2021Q1	1,035,082	2021	276.10
Norway	2021	444,519	2021Q1	1,175,781	2021	264.50
Taiwan	2021	759,104	2020	1,371,420	2020	205.10
Netherlands	2021	1,012,598	2021Q1	959,049	2021Q1	102.30
Switzerland	2021	824,734	2021Q1	808,373	2021	98.00

Germany	2021	4,319,286	2021Q1	3,055,922	2021Q1	78.40
Denmark	2021	392,570	2021Q1	278,307	2021Q1	76.30
Saudi Arabia	2021	804,921	2021Q1	587,883	2021	73.00
Kuwait	2021	126,930	2020	89,847	2019	69.70
Japan	2021	5,378,136	2021Q1	3,375,849	2021	62.80
Malta	2021	16,476	2020Q3	9,100	2021Q1	60.90
Canada	2021	1,883,487	2021Q1	1,105,744	2021	58.70
Luxembourg	2021	84,077	2021Q1	40,328	2021Q1	52.50
Belgium	2021	578,996	2021Q1	263,132	2021Q1	49.50
Israel	2021	446,708	2021Q1	190,555	2021	42.70
Uzbekistan	2021	61,203	2021Q1	18,494	2021	30.20
South Africa	2021	329,529	2021Q1	97,342	2021	29.50
Russia	2021	1,710,734	2021Q1	458,533	2021	26.80
South Korea	2021	1,806,707	2021Q1	477,517	2021	26.40
Argentina	2021	418,150	2021Q1	128,627	2019	26.30
Iceland	2021	24,155	2021Q1	8,466	2019(Q1)	21.00
Sweden	2021	625,948	2021Q1	116,427	2021Q1	20.30
Austria	2021	481,796	2021Q1	58,662	2021Q1	13.40
People's Republic of China	2021	16,642,318	2021Q1	2,140,041	2021	12.90
Thailand	2021	538,735	2021Q1	36,251	2019	11.00
Finland	2021	300,484	2021Q1	24,303	2021Q1	8.70
Malaysia	2021	387,093	2021Q1	25,589	2020	5.90
Italy	2021	2,106,287	2021Q1	40,176	2021Q1	2.10
Philippines	2021	402,638	2021Q1	-15,322	2020	-5.60
Chile	2021	307,938	2021Q1	-28,989	2021	-9.40
Czech Republic	2021	276,109	2021Q1	-24,507	2021Q1	-9.60
Slovenia	2021	59,132	2021Q1	-4,876	2021Q1	-12.50
Ukraine	2021	164,593	2021Q1	-21,613	2021	-13.10
Bangladesh	2021	352,908	2021Q1	-44,673	2019	-13.50
Lithuania	2021	62,198	2021Q1	-7,821	2021Q1	-13.50
India	2021	3,049,704	2021	-379,300	Mar-20	-14.00
Nigeria	2021	514,049	2020	-85,211	2019	-16.30
Estonia	2021	35,187	2021Q1	-6,872	2021Q1	-21.30
Bulgaria	2021	77,782	2021Q1	-17,228	2021Q1	-24.00
United Kingdom	2021	3,124,650	2021Q1	-802,202	2021	-25.70
Indonesia	2021	1,158,783	2021Q1	-268,597	2019	-30.40
France	2021	2,938,271	2021Q1	-889,171	2021Q1	-32.70
Latvia	2021	37,720	2021Q1	-11,806	2021Q1	-34.20
Turkey	2021	794,530	2021Q2	-280,624	2021	-35.30
Kazakhstan	2021	187,836	2021Q1	-74,204	2019	-36.20
Peru	2021	225,918	2020Q2	-86,078	2018	-37.40

Brazil	2021	1,491,772	2021Q1	-460,181	2019	-39.60
Australia	2021	1,617,543	2021Q1	-664,900	2021	-41.10
Democratic Republic of the Congo	2021	55,088	2018	-19,779	2018	-42.00
Poland	2021	642,121	2021Q1	-254,623	2021Q1	-43.00
Pakistan	2021	262,799	2021Q1	-116,935	2021	-44.50
New Zealand	2021	243,332	2021Q1	-112,488	2019	-46.20
Hungary	2021	176,543	2021Q1	-74,450	2021Q1	-47.80
Romania	2021	289,130	2021Q1	-121,438	2021Q1	-48.00
Croatia	2021	65,217	2020	-31,558	2021Q1	-50.00
Mexico	2021	1,192,480	2021Q1	-586,528	2019	-51.40
Belarus	2021	60,725	2021Q1	-31,417	2021	-51.70
Colombia	2021	295,610	2021Q1	-171,915	2019	-51.70
Albania	2021	17,138	2021Q1	-9,028	2019	-52.10
Egypt	2021	394,284	2021Q1	-209,599	2021	-53.20
Uganda	2021	41,271	2019	-18,640	2019	-60.80
Slovakia	2021	117,664	2021Q1	-67,785	2021Q1	-63.00
United States	2021	22,675,271	2021Q1	-14,320,275	2021Q1	-64.90
Armenia	2021	12,251	2021Q1	-10,124	2019	-73.10
Spain	2021	1,461,552	2021Q1	-1,096,594	2021Q1	-84.10
Serbia	2021	60,435	2021Q1	-49,970	2019	-88.50
Cambodia	2021	27,239	2021Q1	-25,658	2021	-94.20
Bhutan	2021	2,480	2021Q1	-2,585	2021	-104.20
Portugal	2021	257,391	2021Q1	-246,961	2021Q1	-104.90
Zambia	2021	18,955	2020Q3	-28,177	2019	-116.50
Nicaragua	2021	12,283	2020	-14,456	2019	-119.90
Panama	2021	59,377	2020	-64,857	2020	-122.50
Cyprus	2021	26,479	2021Q1	-35,545	2021Q1	-145.60
Tunisia	2021	44,265	2019	-63,678	2019	-162.60
Ireland	2021	476,663	2020Q3	-705,962	2021Q1	-168.70
Montenegro	2021	5,651	2018	-9,044	2018	-178.80
Greece	2021	209,857	2021Q1	-352,272	2021Q1	-182.70
Sudan	2021	35,827	2018	-85,180	2018	-248.50
Mongolia	2021	14,233	2021Q1	-37,419	2021	-262.90
Mozambique	2021	13,957	2021Q1	-59,996	2021	-429.90

3. FDI in Greece

3.1 Historical review of FDI in Greece until the early 2000s

From the foundation of the Greek State until the 1950s there was minimum activity in FDI. The main investors came from Great Britain and France. The most important sector especially until the first decade of the 20th century was the financial services and most specifically the banking sector. In general, the role of FDI in that period was significant for the infrastructure, extraction/metal activities and up to a point to trade (processing). For more information regarding this time period information can be found on the studies of Giannitsis (1977), Kalogeresi (2004), Gerokostopoulou (2005).

The main flow of FDI in Greece started post-war. Greece began to attract foreign investments in the early 1950s aiming at the reconstruction of its economy and the development of the industrial sector (Zairis, 2016). The entry of foreign investors into the Greek economy after World War II was part of the country's strategy to enter the international market through the gradual liberalization of the economy which started in 1953 (Kirkilis, 2010: 104). "The inflow of foreign capital would finance the industrialization of Greece without resorting to the limited national capital, and thus without decreasing the consumption in favour of the investment. In addition, there would be technology transfer, which was necessary for the Greek manufacturing sector, without having to pay the increased cost of domestic technology production. Finally, it would contribute to the distribution of investments according to the international comparative advantages of the Greek economy, which at that time were considered to be the advantage in the processing of agricultural products and the production of consumer goods" (Kirkilis, 2010: 104).

In the 1950s, as part of the country's strategy to join the international market, Decree Law 2687/1953 on investment and protection of foreign capital was adopted; a legislative framework for the Attraction and Protection of Foreign Capital in Greece. With this Decree-Law, foreign investors were given additional incentives compared to local investors. The law regulated favourably the protection of capital imported into the country for the purpose of investment could not be revoked or modified.

The incentives included:

i. "The exemption of taxes and customs duties for 10 years starting from the investment realization regarding the introduction of capital equipment, spare parts, raw and auxiliary materials
ii. The freedom of employing foreign personnel for administrative, as well as technical job positions
iii. The repatriation of earnings, as well as part of the initial capital
iv. The reinvestment of the earnings which have not been repatriated
v. The resolution of any type of dispute between the Greek State and the foreign investor by a foreign arbitrage authority
vi. Specific facilitating measures in foreign investments depend on these investments' contribution to the substitution of imports, increase in employment and so on. Such measures included the banning of the establishment of new production units by competitive enterprises or the charging of electricity at lower prices than the average value charged for the industrial sector" (Theodoropoulos, 2018)

However, despite the Decree-Law of 1953, the flow of FDI in Greece during that decade was limited especially due to the negative attitude of the state towards any FDI with no clear export character in an effort to support Greek industries re-establish after WWII and the civil war. The FDI that was realized in Greece during that decade was focused on sectors where the presence of Greek investors was minimum such as infrastructure, basic metals, petroleum products, chemicals, plastics – tires and to a lesser extent to the textiles, tobacco and paper sectors (Tosounidis, 2016).

"Additional incentives were introduced by newer laws in the 1960s and 1970s. Legislative Decree 89/67 offered tax exemptions to foreign companies operating in the SE Mediterranean, which would establish their regional offices in Greece. By 1979, 375 foreign companies, of which 209 were American, established their regional administrations in Greece, making use mainly of the provisions of the above legislation. However, Law 2687/53 was until the end of the 1980s the basic institutional framework under which foreign capital was introduced to Greece for the purpose of productive investments" (Kirkilis, 2010: 105).

From the 1960s onwards we can identify five periods. The four periods presented below are from the presentation of PwC under the title "From recession to anaemic recovery" published in June 2017 (Figure 8).

"The first period spans from 1961 to 1979. During this period Greece experienced growth in investment as a percentage of GDP (excluding 1974-1975) of 13.3 pps (Purchasing Power Standards), while GDP growth rate over the same period rose by 1.2 pps.

The second period spans from 1979 to 1995 when investment in total economy squeezed to 15.5 pps, while the annual change in GDP declined by 7.86 pps over the same period.

During the third period spanning from 1995 to 2007 investment as a percentage of GDP rose by 6.1 pps, while GDP growth rate sattled at 0.25 pps.

The fourth period covers the recent recession period from 2007 to 2016. During this period, the total investment substantially decreased by 13.9 pps with GDP following this negative trend by dropping by 7.3 pps. "(PwC, 2017: 13)

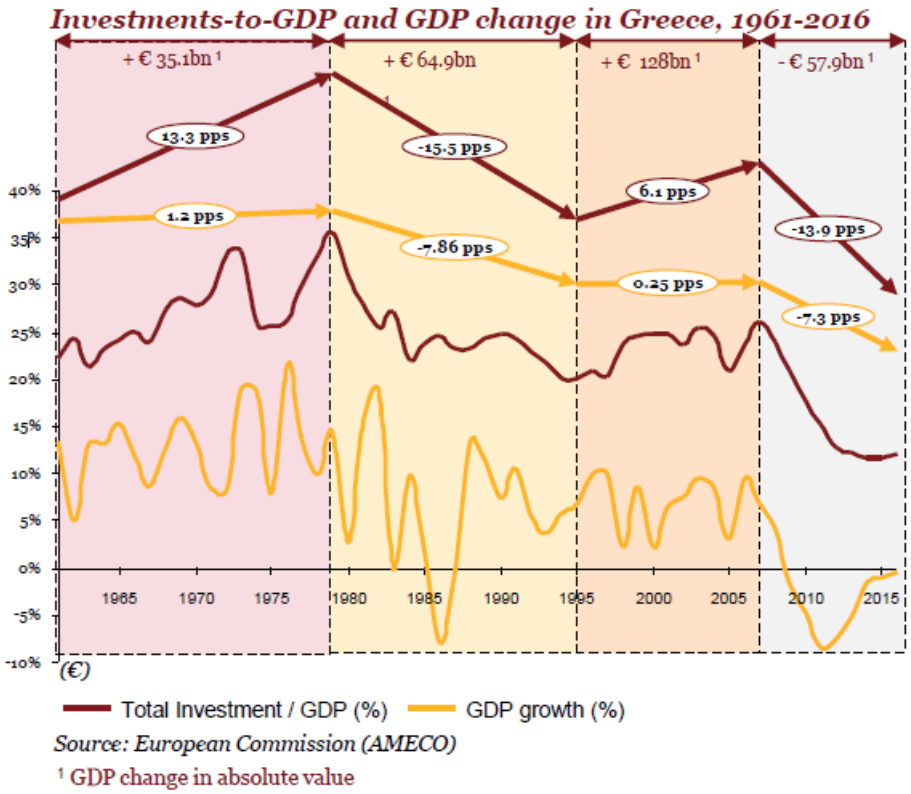

Figure 8 Investment-to-GDP and GDP change in Greece, 1961 - 2016 (PwC, 2017)

The fifth period, as described in the present study, covers the period from 2016 to 2022 where both investments as a % of the GDP was increased with the exception year 2020 with the COVID-19

outbreak and for the same period the GDP follows the same trend (data from IMF and CEIC) (Figure 9, Figure 10).

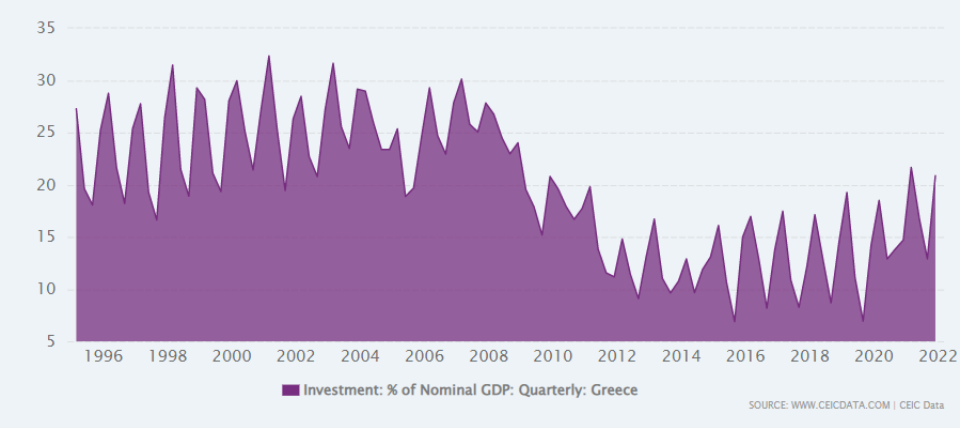

Figure 9 Investment as % of Nominal GDP; quarterly data from Greece from 1995 - 2022 (Source: www.ceicdata.com)

Figure 10 GDP of Greece in current prices from 1987 to 2027 (in billion U.S. dollars; source IMF)

In the 1960s, the Greek government introduced a series of laws giving incentives to foreign investors (L. 4171/1961, L. 4231/1962 and L. 4256/1962). Moreover, the Association Agreement

between Greece and the European Economic Community (EEC) had a positive effect on the inflow of FDI due to the decrease in possible obstacles regarding international transactions. As a result, the inflow of FDI in Greece during that decade had an annual increase of 40.4% and an important industrial transformation was performed with new activities and products produced in Greece and many investments in vertical production units. “The biggest shares belonged to the sectors of basic metals, chemicals, and transportation (Theodoropoulos, 2018; Tosounidis, 2016; Zairis, 2016).

“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” (Antonakis, 2018).

From the 1970s there is a significant increase in the FDI in the food, drinks and textile sectors, which collectively increased as a percentage of the total FDI from 5% to 13%. In the first part of the decade, international subcontracting was used to take advantage of the competitive labour cost and the possibility of exporting freely from Greece to EEC countries (Tosounidis, 2016). “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 channelled 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” (Antonakis, 2018).

“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” (Antonakis, 2018).

The increase of FDI in the food, beverage, and textile sectors in the 1970s “is linked to the internationalization phase of the capital, which is characterized by the search for efficiency on a

global scale. In the first years of the decade, there is the phenomenon of the installation of units of the type "international subcontracting" from West Germany in order to take advantage of the comparatively cheaper labour costs and the possibility of free export from Greece to EEC countries" (Kottaridi, 2014: 5). For the latter half of the 1970s, the country's FDI/GDP ratio was constantly one of the three highest in the OECD area, which in turn raised the investors' confidence in its economy (OECD, 1998; Zairis, 2016: 17).

"In the two decades that followed Greece's accession to the European Union (in 1981), there was a shift towards other sectors on FDI inflows such as consumer electronics, textiles, food, and drink. Meanwhile, the government provided fiscal and financial incentives through revised and improved investment laws (e.g., Law 2601/1998) in an attempt to simplify procedures, and enchase competitiveness (Kokkinou and Psycharis, 2004; Filippaios, 2006). But at the same time the negative impact that Greece's macroeconomic environment and variables (e.g., prices, wages, and income) had on its ability to draw FDI, was pointed out by researchers (e.g., Apergis and Katrakylidis, 1998)" (Zairis, 2016: 17). At this point, it is worth mentioning that for FDI after 1981, we don't have good quality data since they were registered under the category "other venture capital" (Tosounidis, 2016).

"The period after 1981 presents problems in recording the capital introduced by companies. The inflows began to be recorded in the account "Other venture capital" of the balance of payments, which, however, also records portfolio investments and business loans in foreign currency by financial institutions abroad. Thus, it is difficult to monitor FDI from Greek sources.

Greece's accession to the EEC contributed to a dramatic increase in the country's FDI stock in the first five years, while in the 1990s, on the other hand, there was a significant de-escalation.

The 1980s saw the dominance of the food industry in FDI inputs. [However, while the agricultural sector played an important part in the 1980s from the early 1990s there was a decline in the market share and by the end of the decade it was completely decreased to zero (Kirkilis, 2010).] It is particularly noteworthy that the importance of the United States as a country of origin is gradually losing its importance, as US FDI inflows fell from 13.5% in 1988 to just 2% in 1998-1999" (Kottaridi, 2014: 5).

"It should be emphasized at this point that Greece has not been able to take advantage of the completion of the single market in the European Union […] and to further increase the number

and absorption of FDI in Greece compared to other peripheral countries despite the fact that from 1980 onwards it achieved a significant overall increase. In addition, the last two decades of the 20th century saw a lead in the secondary and tertiary sectors, while the primary sector may have increased in the early 1980s, but then declined significantly, especially since the mid-1990s. Foreign investors continued to invest in the manufacturing sector and after the 1990s [however] the centre of attention shifted to the service sector and mainly to tourism and transport (Kyrkilis 2010, pp. 241 - 245).

The 1980s and 1990s could generally be considered stagnant in terms of foreign direct investment as many other countries, mainly in Eastern and Central Europe [as well as Asia], began to claim their place in the international trade and economic system at the beginning of the second phase of globalization. During these two decades, there was an annual decrease in the growth rate and the creation of foreign direct investment in Greece in contrast to the rest of the world, but also at the regional level, the percentages of Greece were much lower (1.6%), compared to those of the European Union (26.5%), of which it was now a member. Also, at the same time there a change in the investment sectors was observed. The focus was now on services, tourism, and finance while the number of mergers and acquisitions was increasing (Kottaridis and Giakoulas, 2013).

If we sum up the evolution of FDI in Greece from 1954 to the end of the 20th century, we can see as already analyzed by Kirkilis (2010) that 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 a downward trend, with the exception of 1980 (Figure 11).

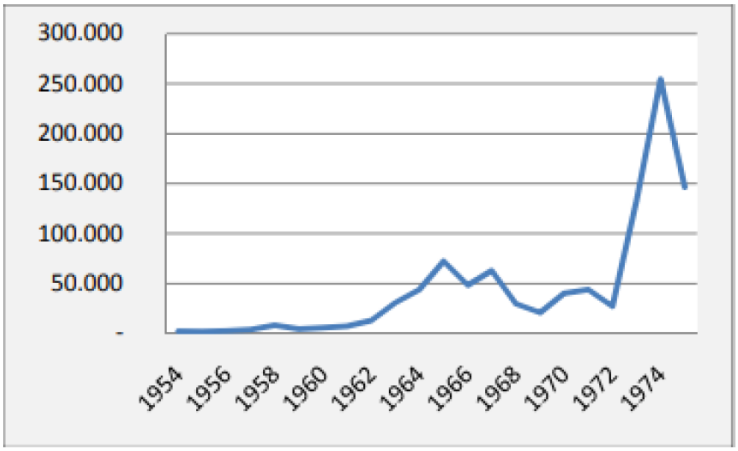

Figure 11 Annual inputs of FDI in Greece for the period from 1954 to 1975 (in thousands of dollars) Source: Antonakis (2018); (Kyrkilis, 2010)

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 with 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%" (Table 2) (Antonakis, 2018).

Table 2 FDI in Greece from 1954 to 1990 per sector, Kirkilis (2010)

	1954-1981	**1954-1962**	**1963-1973**	**1974-1981**	**1982-1990**
Manufacturing sector	0.00%	0.00%	0.00%	0.00%	0.00%
Food	2.90%	1.62%	0.86%	4.45%	28.50%
Drinks	2.73%	0.17%	1.01%	4.08%	5.80%
Tabaco	0.40%	3.44%	0.43%	0.09%	0.60%
Textile	3.22%	3.33%	2.93%	3.42%	0.50%
Clothing	0.47%	0.26%	0.38%	0.55%	0.90%
Wood	0.62%	1.24%	0.82%	0.42%	2.90%
Furniture	0.04%	0.00%	0.06%	0.02%	0.00%
Paper	1.30%	7.82%	1.12%	0.70%	0.30%
Editing	0.02%	0.14%	0.02%	0.00%	2.70%
Leather	0.04%	0.00%	0.06%	0.03%	0.01%
Plastics	2.32%	8.16%	3.78%	1.10%	0.40%
Chemical	11.47%	9.86%	22.01%	4.38%	8.70%
Oil	31.85%	17.51%	21.54%	40.43%	14.30%
Non-metallic minerals	3.06%	2.65%	5.02%	1.64%	4.80%
Basic metals	22.75%	13.90%	23.74%	22.90%	10.10%
Metal products	1.94%	1.88%	1.60%	2.10%	0.01%

Engines	0.36%	0.18%	0.36%	0.38%	1.10%
Electrical engines	6.89%	3.39%	6.91%	6.92%	7.20%
Transportation	7.39%	24.40%	6.99%	6.24%	10.00%
Miscellaneous	0.16%	0.02%	0.23%	0.12%	0.90%

About the country of origin of FDI for the period between 1953 and 1973, the main country of origin was the United States of America, however, as Greece entered into the EEC, European Union member states start having a more important role. According to Kirkilis (2010), FDI from member states 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 (Antonakis, 2018).

"Between 1980 and 1988, the average annual inflow of FDI in Greece was equal to 560, 2,22 million US dollars (Figure, 2018). 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 are followed by volatility. The situation seems to change since 1999 when Greece enters a period of a 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" (Antonakis, 2018).

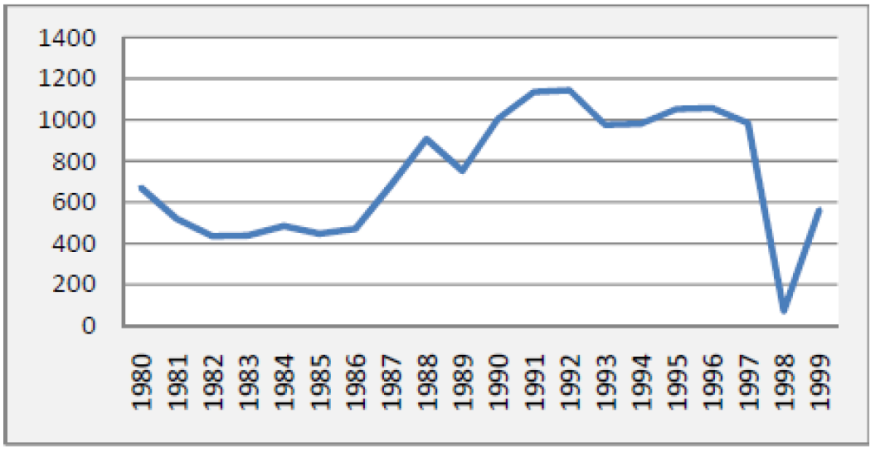

Figure 12 Annual inputs of FDI in Greece for the period from 1980 to 1999 (in thousands of dollars) Source: UNCTAD; Antonakis (2018)

“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” (Antonakis, 2018).

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 its geographic location to attract increasing foreign direct investment relative to other countries of similar size and the peripheral countries of the European Union.

On the other hand, there was a shift and a great increase in FDI inflows to Greece since 1999 and especially with the entry of Greece into EMU. This is due to the fact that there was no longer the exchange rate factor, which was considered especially important in previous years, and there was an additional liberalization of capital flows. From 2000 onwards, Greece began to rely heavily on foreign direct investment, coming mainly from the US but also from European Union countries, with which the Greek economy now had closer cooperation and contact (Dimitriadis, 2018; Kottaridis and Giakoulas, 2013). In Greece, from 2001 to 2008 the increase was 160%. However, from 2009 onwards there was a steep decline due to the international financial crisis which had severe effects on the Greek economy. The main sectors of disinvestment are financial services and the food industry. These two before the crisis were among the top to attract FDI. On the other hand, there were sectors with significant increase, however, not significant enough to balance the effect of the disinvestment. These sectors were trade, entertainment, energy, and utilities (gas, water). The countries with a strong FDI presence in Greece were Germany, France, the U.K., Belgium, Luxemburg, the Netherlands, Italy and Cyprus.

However, we can say that despite the economic crisis, Greece managed to attract FDI except for the year 2015 when the effect of capital controls decreased the inflow of FDI and the general political and economic instability led to disinvestment.

If we have a look at historical data we can come to the following conclusions:

3.2 Summary of FDI in Greece from 2000 to 2022

The data used for the purposes of this study are taken from the Bank of Greece. Important for the scope of this study is the study of the non-residents' direct investment in Greece by sector of economic activity (annual data). The data are attached as Appendix 1 of the present.

Figure 13 shows the number of FDI in Greece for the period from 2000 to 2020 (Source of data: EY, 2021: 52). "In 2020, despite the decline in investment in Europe by 13%, the number of investments in Greece increased by 77%, reaching 39, from 22 last year. This number is three times higher than the one in 2018 and more than the average of the last twenty years. With this performance, Greece ranked in the 23rd position among the 51 countries included in the EY's database - the highest position achieved in all the years in which the survey is conducted.

The foreign investments directed to [Greece] represent 0.70% of the total FDI in Europe, compared to an average of 0.28% in the previous two decades (2000-2019). Despite this significant improvement, this percentage is still lower than in countries with the corresponding population, but in some cases with higher GDP, such as Sweden (1.34%) and Austria (1.36%), or compared to some of our neighbouring countries, such as Romania (1.02%) and Serbia (1.25%). At the same time, however, it has surpassed the Czech Republic (0.38%) and Norway (0.52%) while Greece is close to Hungary (0.86%) and Latvia (0.77%)" (EY, 2021).

Figure 13 Number of FDI in Greece Source: EY, 2021

For the period from 2002 to 2021 (Figure 14), we notice that the total inflow of FDI significantly decreased in 2005 and 2010 registering a decrease of 70% and 86%, respectively. It is worth noting that this number is a result of the international methodology of registering losses of foreign investors as disinvestment. The net inflow of FDI registered a negative value also indicating disinvestment, as well. Finally, the difference between total and net FDI in Greece for 2015, depicted mainly the payment of loans to the parent companies and to a lesser extent outflows for acquisitions and mergers abroad.

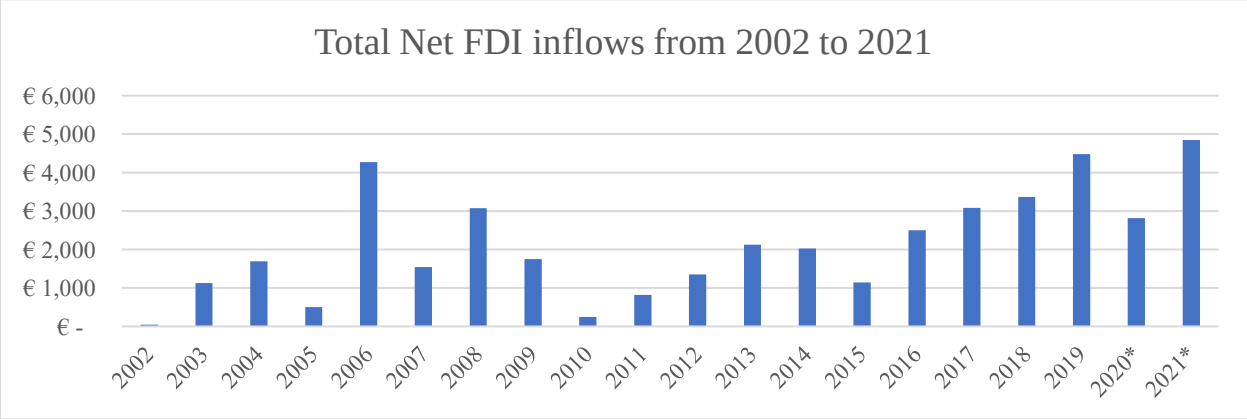

Figure 14 Inflow of FDI in Greece from 2002 to 2021, in million euros Source: Bank of Greece

The huge increase in FDI inflows in the early 2000s worldwide also led to an increase in the FDI stock in the Greek economy, which cumulatively increased by 160% but this does not seem to be the case later in that decade despite the fact that in the European Union as a whole the corresponding increase was 197.3%. The first half of the 2000s saw an upward trend in inflows in the country, a trend which did not continue in the future. However, the same has happened in other countries, such as Portugal, Italy and Ireland (Tosounidis, 2016).

The first half shows the increasing importance of the high-tech industries compared to the previous period, which was characterized by the concentration on manufacturing and processing.

2008 is the first year in which a significant decrease (-23.3%) in the FDI in Greece is recorded, after 2002. In 2009 and 2010 there are increases of 1.65% and 7.15% respectively. In 2011 there is an equally large decrease from 2009 of 24.14% (Tosounidis, 2016).

During the crisis period, the countries with the largest disinvestment trend are Luxembourg, the Netherlands and France, while the countries with the largest increases in invested capital are

Germany, Austria and Belgium. In 2010 the marginal increase of the total FDI in Greece is 7.1% (Tosounidis, 2016).

Finally, in 2011 the effects of the crisis are felt like almost all investing countries in Greece reduce their presence resulting in the total FDI stock being reduced within a year by 25% (Tosounidis, 2016).

When reviewing the sectoral analysis of FDI in the country we can conclude the following:

It seems that the decrease of FDI in Greece is due exclusively to the divestment in two sectors: the financial and the food industry.

These sectors before the crisis (in 2007) were the first two in terms of raising capital. The metal products and plastics sectors also show significant reductions. On the contrary, the significant increase registered in some sectors was not able to compensate for the reductions of the previous ones, which were trade, entertainment, energy, gas and water (Tosounidis, 2016).

The financial sector has already shown a large decrease in 2007 by 39.03%. The same year saw the largest decrease in FDI in the food sector with a decrease of 49.87%, as well as in other sectors.

The effects of the crisis are clearly visible in the years 2010 and 2011, where there are continuous and significant reductions in FDI in almost all sectors, with 2011 being observed as a sharp decline (Tosounidis, 2016).

In 2012, FDI in Greece showed a net inflow of 2.3 billion euros. In the same year, there was a decrease in reinvested funds (ie losses) in the balance sheets of companies that accept foreign direct investment in Greece (Tosounidis, 2016).

The main inflow concerns the participation of Credit Agricole (France) in the increase of the share capital of Emporiki Bank. The level of FDI in Greece remains very low, due to the strong structural conditions. It is noteworthy that 94.7% of FDI inflows came from bank share capital increases (Tosounidis, 2016).

The main investing country if we look at the period of and around the crisis in Greece is Germany followed by France. In general, we see that in Greece there was a strong presence of European countries and to a lesser extent North American ones. It is worth mentioning that Germany and France are the top two for this period due to the investment in OTE by Deutsche Telecom and the acquisition of Greek banks by French ones during the crisis (Figure 15).

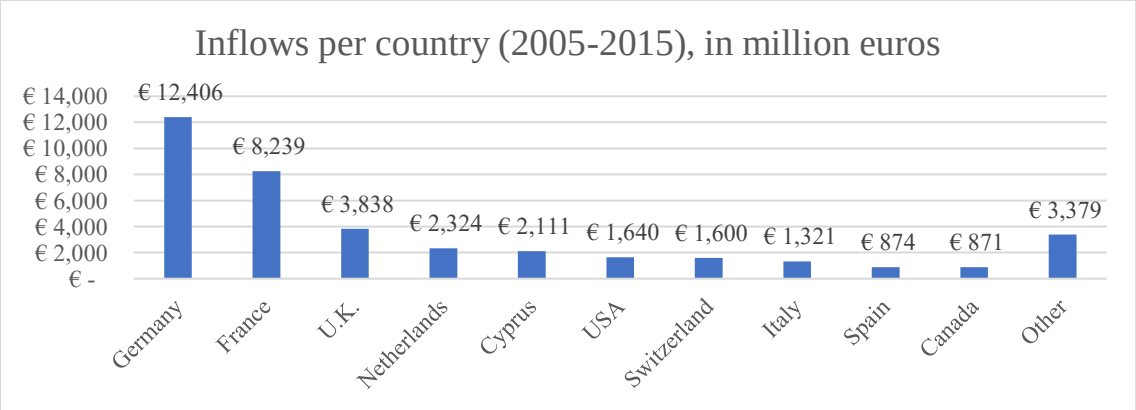

Figure 15 Inflows per country (2005-2015), in million euros Source: Bank of Greece

However, when we examine the period from 2015 to 2021 the list is somewhat different indicating the important role of new players such as China (we should also consider the adding effect of investments from Hong Kong together with China) and Cyprus both of which from 2016 onwards increase their investments in Greece (Figure 16).

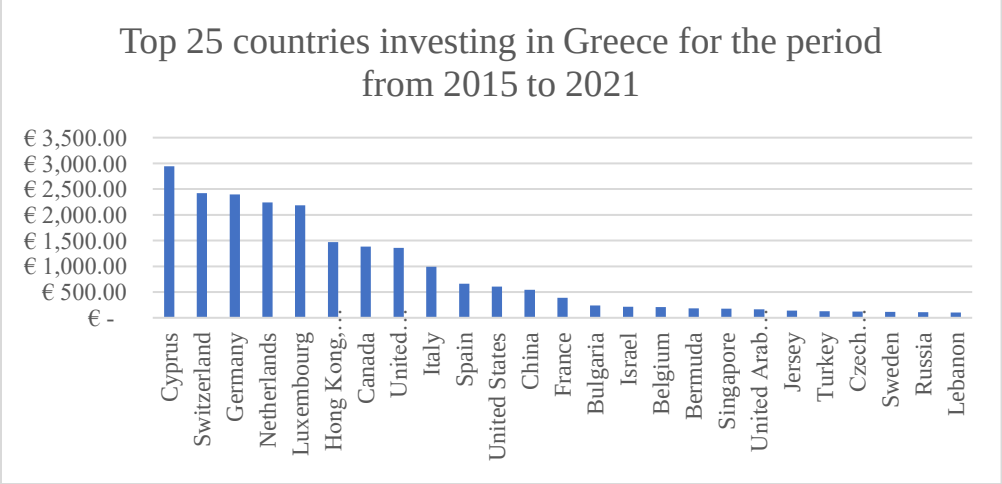

Figure 16 Top 25 countries investing in Greece for the period from 2015 to 2021, in million euros Source: Bank of Greece

So, when assessing the data collectively from 2002 to 2021 we notice that the main inflow of FDI in Greece comes from Cyprus, Switzerland, Germany, Luxemburg, Netherlands, Hong Kong and China, the U.K, Canada, Italy and the USA. This highlights the important role of European and North American countries as well as China (Figure 17).

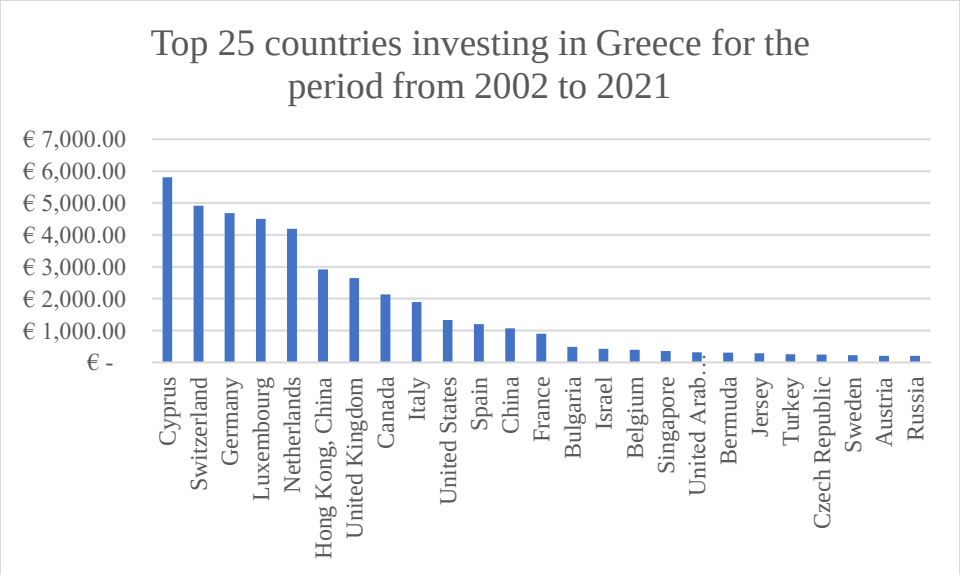

Figure 17 Top 25 countries investing in Greece for the period from 2002 to 2021, in million euros Source: Bank of Greece

Finally, in Figure 18, we can see that in 2021 the investments from European countries seem to return to pre-crisis levels following an upward trend from 2016 with the exception of 2020 due to the international pandemic COVID-19.

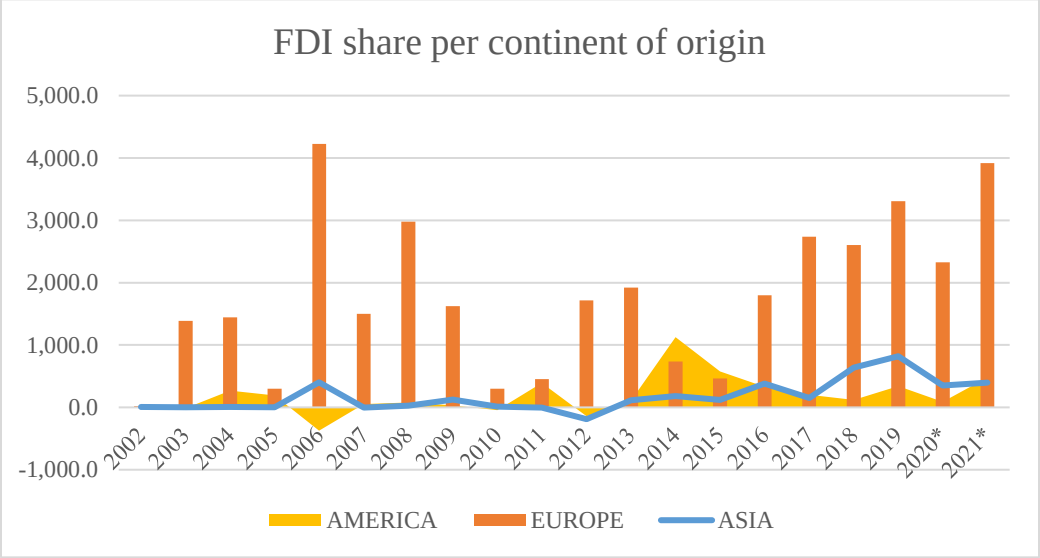

Figure 18 FDI share per continent of origin from 2002 to 2021, in million euros Source: Bank of Greece

Table 3 below presents the Foreign Direct Investments in Greece for the period 2002-2021, in million euros (The complete dataset can be found in Appendix 1). From the data, we can draw some basic conclusions regarding foreign direct investments in Greece from 2002 to 2021. Total FDI in Greece totalled 42,804.94 million years during the period 2002-2021. 74.77% of total foreign direct investments in Greece were made in the services sector. Second in line is real estate

activities which amount to 4,632.27 million euros (10.82% of the total FDI for the same period). The third most important sector of FDI is manufacturing with a total of 3,063.97 million euros (7.16% of the total FDI for the same period). However, it is worth mentioning that the manufacturing sector has seen an important withdrawal of FDI in 2002 (-225.74 million euros), 2013 (-252.93 million euros) and 2014 (-324.94 million euros). “Total services” was by far the most important sector of foreign direct investments, except for the years 2010 and 2011 -during the economic crisis, where the energy sector and manufacturing took the lead, respectively. The sector that never registers more than 0.07% of the total share is Sector E “Water Supply, Sewerage, Waste Management and Remediation Activities” for which only 4.33 million euros were invested through FDI during the period 2002-2021 (0.1% of the total FDI for the same period). Sector NAL “Unallocated” until 2007 used to be part of the sectors with active FDI however from 2008 onwards the highest percentage was in 2010 (1.73%) and the average for the same period was 0.51% highlighting the decrease of such activities.

Table 3 Net FDI inflows from 2002 to 2021 (in million euros) Source: Bank of Greece

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2021*	Total	Total %
Total Primary Sector	7	1	33	-265	23	6	-12	4	79	8	19	141	138	143	121	123	47	-112	48	15	566	1
Manufacturing	-226	461	496	-168	647	-255	-229	50	25	656	450	-253	-325	7	45	276	309	336	239	521	3064	7
Electricity, Gas etc	5	-6	7	9	-27	128	20	76	103	116	95	118	1	-32	18	413	73	49	67	392	1624	4
Water Supply, Waste Management etc	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	1	0	1	4	0
Construction	10	14	52	128	106	88	72	95	61	45	26	29	-35	20	35	-14	-65	37	80	-37	745	2
Total Services	178	557	1008	592	3265	1621	3064	1422	-85	-76	653	1949	2042	854	2088	1952	2335	3424	1934	3227	32003	75
Unallocated	30	60	20	103	103	-266	-6	8	4	8	-1	1	21	13	13	6	10	0	21	16	166	0
Priv. purchase & sales of real estate	37	42	76	102	153	221	163	99	63	66	112	138	180	137	178	328	655	749	423	710	4632	11
TOTAL	42	1130	1692	501	4269	1543	3071	1754	249	822	1354	2122	2022	1143	2498	3085	3364	4484	2813	4846	42805	100

Table 4 Net FDI inflows in Greece from 2002 to 2021 annually as % of the year's total. Source: Bank of Greece (with green the maximum value and with red the lowest value)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2021*
Total Primary Sector	17	0	2	-53	1	0	0	0	32	1	1	7	7	13	5	4	1	-3	2	0
Manufacturing	-537	41	29	-33	15	-17	-7	3	10	80	33	-12	-16	1	2	9	9	7	9	11
Electricity, Gas etc.	12	0	0	2	-1	8	1	4	41	14	7	6	0	-3	1	13	2	1	2	8
Water Supply, Waste Management etc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction	25	1	3	25	2	6	2	5	24	5	2	1	-2	2	1	0	-2	1	3	-1
Total Services	424	49	60	118	76	105	100	81	-34	-9	48	92	101	75	84	63	69	76	69	67
Unallocated	72	5	1	21	2	-17	0	0	2	1	0	0	1	1	1	0	0	0	1	0
Priv. purchase & sales of real estate	89	4	4	20	4	14	5	6	25	8	8	6	9	12	7	11	19	17	15	15
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Regarding the sectoral distribution of the FDI, we notice that for the last twenty years FDI are mainly in the tertiary sector (74.77) followed by the secondary sector with a significantly lower share (23.53%). The primary sector is almost absent with only 1.32% of the market share (Figure 19).

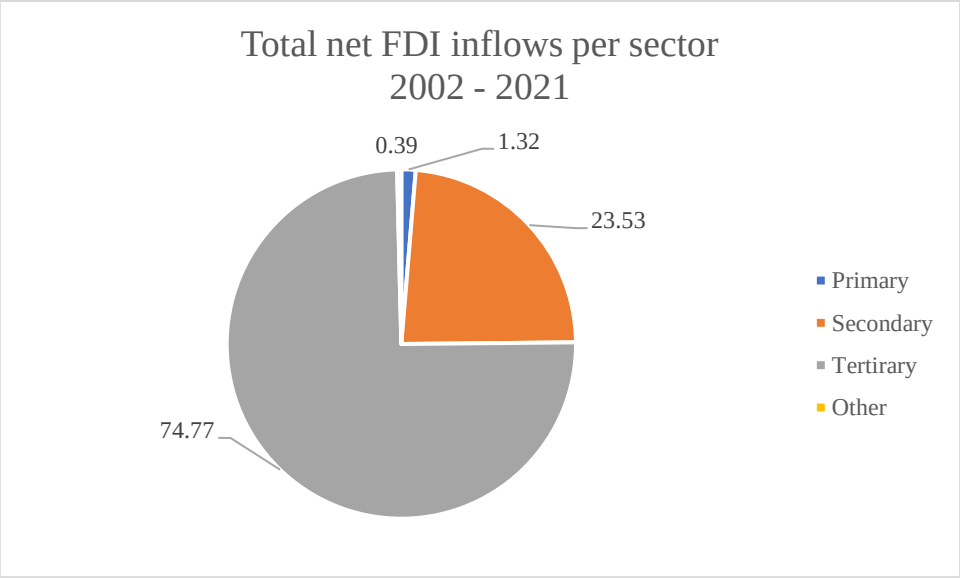

Figure 19 Total net FDI inflows per sector 2002 to 2021 Source: Bank of Greece

The concentration of FDI in the tertiary sector is governed by two steep trends one before and one after the crisis. The trend is due to investments in the financial sector, telecommunications and trade while at the same time there is an increase in real estate management, especially after the crisis (Figure 20, Figure 21). The percentage of the secondary sector is lower compared to the market space that exists in Greece where manufacturing is limited although petrochemicals and pharmaceuticals are already established industries in Greece with significant infrastructure and expertise which allow for brownfield and greenfield investments. The primary sector is almost absent in the FDI sectoral break down although Greece has the natural resources (diversity of soil, climate, water resources, sunshine).

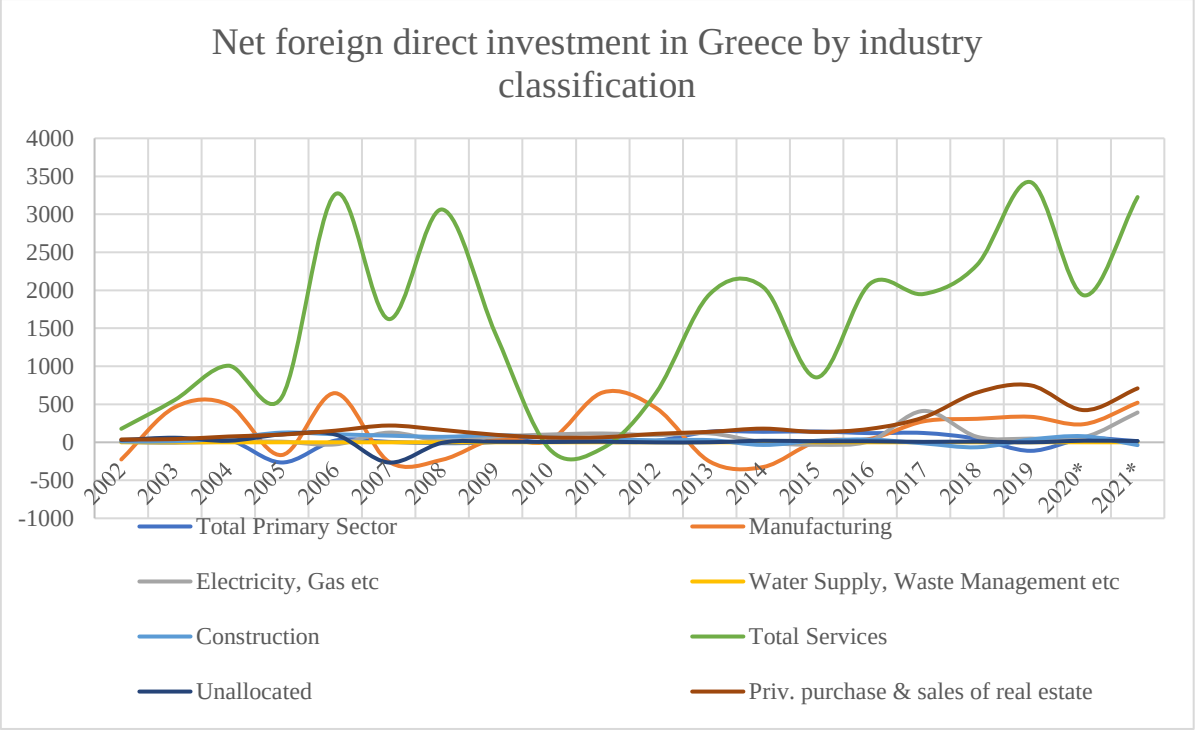

Figure 20 Chronological chart (2002-2021). Net foreign direct Investment in Greece by industry classification. (In million euros) Source: Bank of Greece

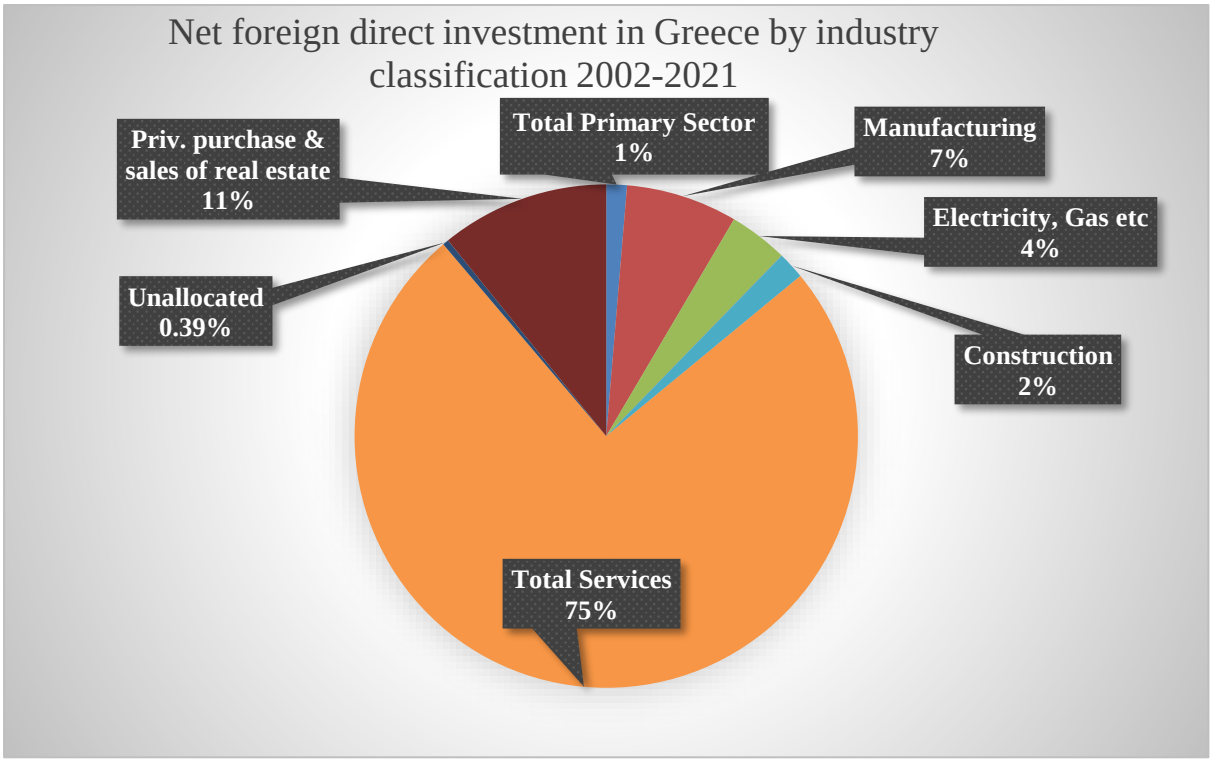

Figure 21 Pie chart of the Net Foreign Direct Investment in Greece by industry classification. Average data for the period 2002-2021. Source: Bank of Greece

In Figure 22, we can see the FDI in Greece for the period from 2002 to 2021. The arrows represent the range from the minimum to maximum value and the dot is the average value in million euros. We see the significance of the tertiary sector compared to the rest. Moreover, from Table 4 (p.45) we can see that services did not have the most market share and actually had disinvestment trends, only in 2010 and 2011. In 2010, the biggest market share was in energy-related investments (41% of the year's total FDI) and in 2011 in manufacturing (80% of the year's total FDI). A major disinvestment trend is seen in 2002 in manufacturing probably related to the closure of many small industries and factories due to the entry of international companies and the movement of many to neighbouring countries with lower running costs. The second in magnitude disinvestment trend is in the primary sector in 2005, -53% of the year's total FDI, which is a greater share even than the maximum recorded in 2010 (32% of the year's total FDI). In general investments in water supply and waste management have the lowest attraction of FDI (-0.42 - 1.11 million euros, an average of 0.24 million euros, data from Table 3).

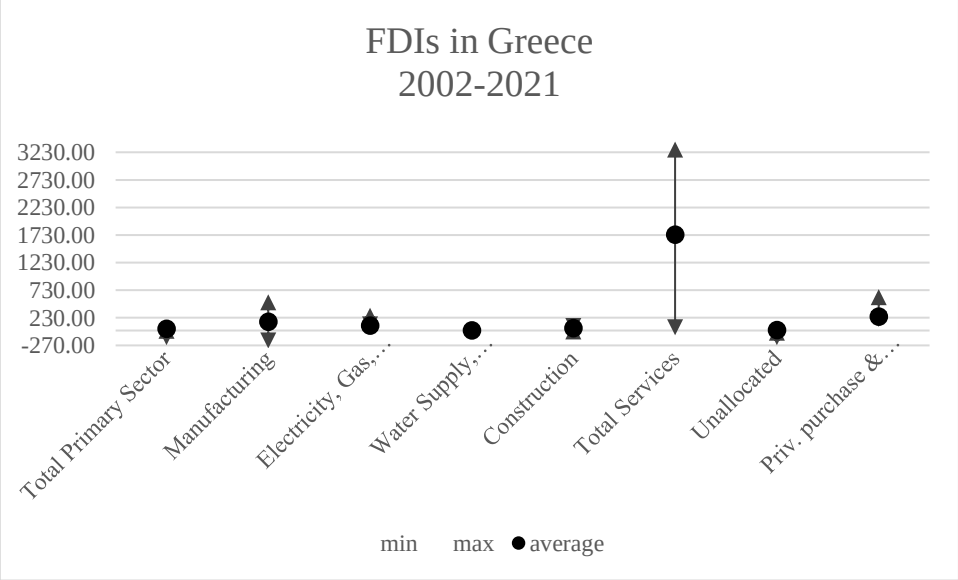

Figure 22 FDI in Greece for the period 2002-2021, in million euros (min, max, average) Source: Bank of Greece

If we omit the service sector, we can see the FDI in Greece for the period from 2002 to 2021 for the rest of the sectors (Figure 23). From the graph, we conclude that the disinvestment trend is mainly found in the primary sector and the manufacturing industry. However, manufacturing is still one important industry for FDI in Greece together with real estate management an activity that had been increased from an average of 118 million euros in the period from 2002 to 2016 to an average of 573 for the period from 2017 to 2021 (487% increase; Table 3).

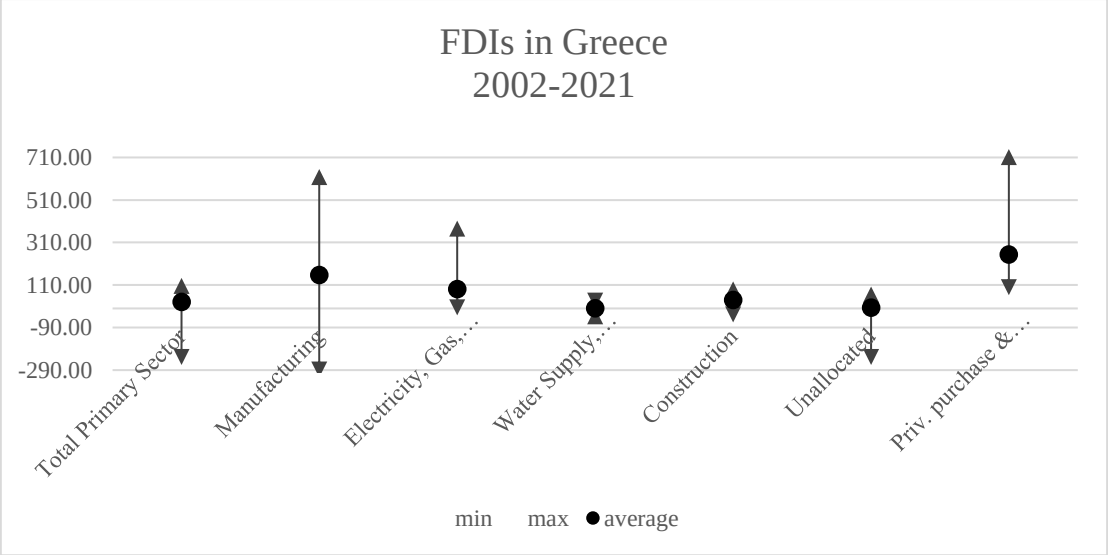

Figure 23 FDI in Greece, without Services, for the period 2002-2021, in million euros (min, max, average) Source: Bank of Greece

In Figure 24, we can see the FDI in Greece (without services). In the graph, we see the upward trend of real estate management after 2015, the important disinvestment in the manufacturing sector at the beginning of the crisis in 2007 and again in 2013 (showing signs of recovery from 2017 onwards) and the effect of investments in the energy sector in 2017 and 2021.

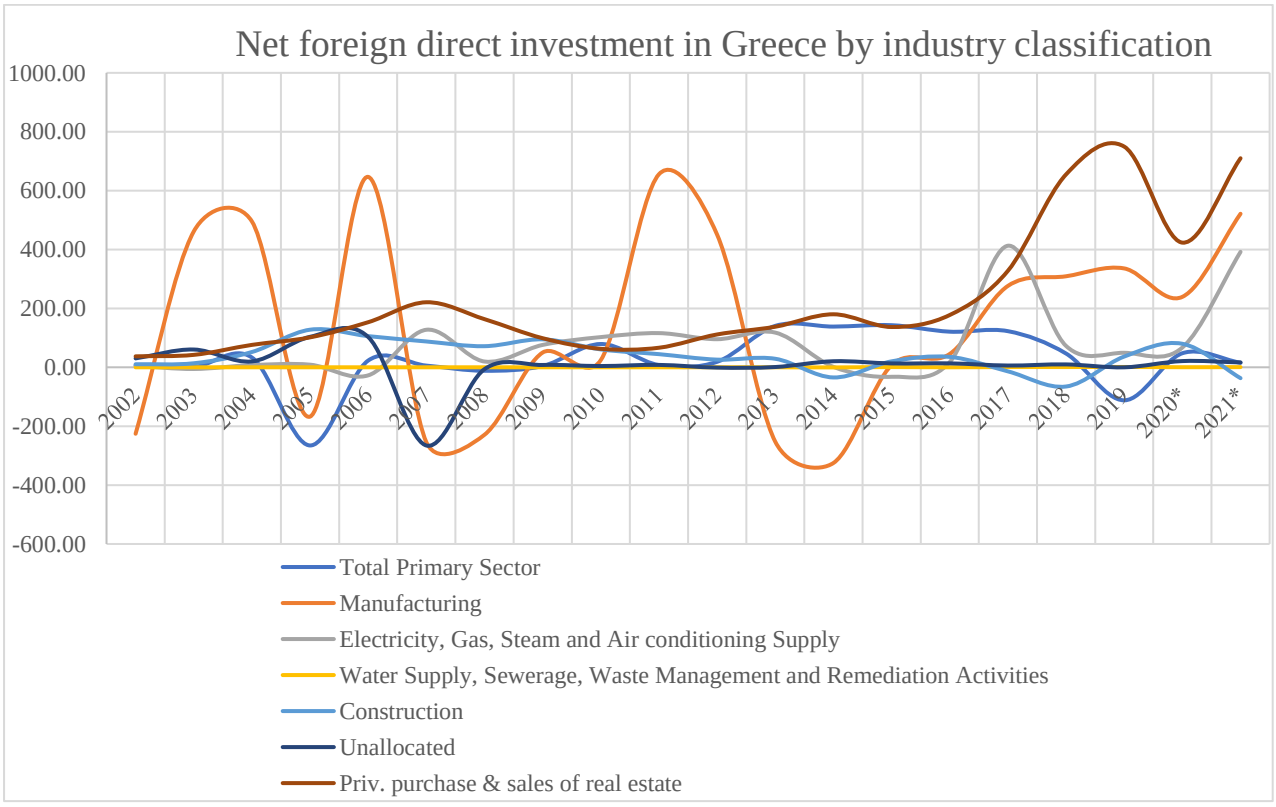

Figure 24 Chronological chart (2002-2021). Net foreign direct Investment in Greece by industry classification without services. (In million euros) Source: Bank of Greece

If we take a closer look at the distribution of FDI in the service sector for the period from 2002 to 2021 (Figure 25). We notice that the top four activities with a significant difference are financial and insurance activities, real estate activities, information and communication activities and transportation and storage activities (Figure 26).

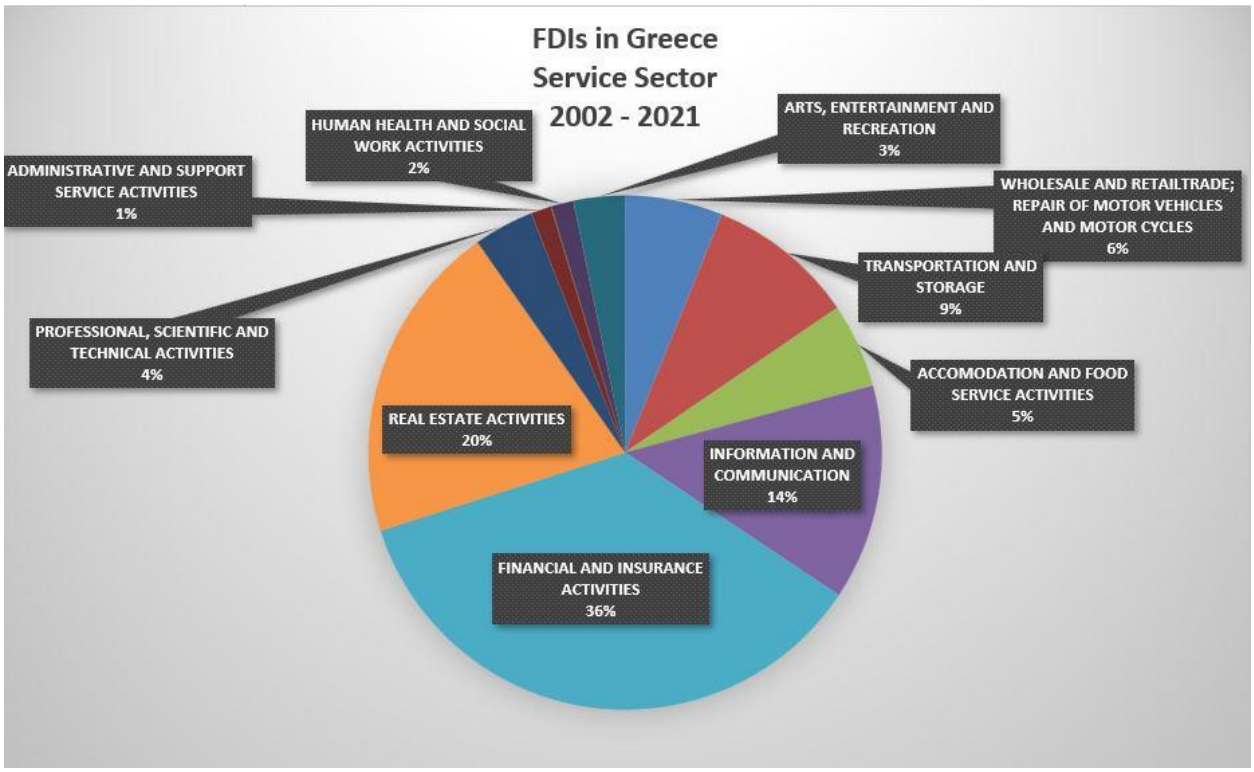

Figure 25 Pie chart of Foreign Direct Investments (FDI) in Greece in the Service Sector. Average data for the period 2002-2021 Source: Bank of Greece

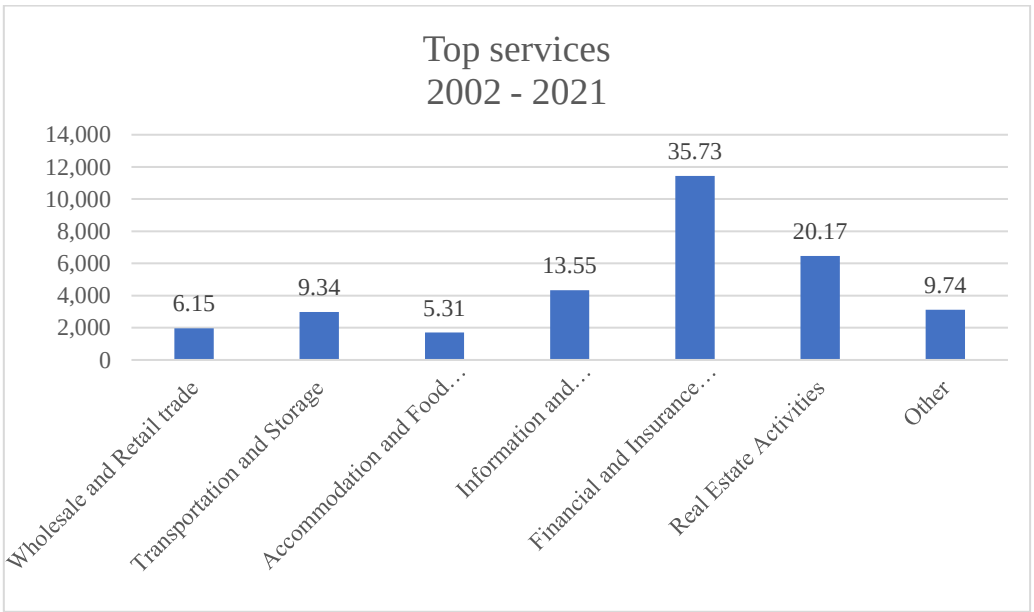

Figure 26 Distribution of Total Services from 2002 to 2021 in million euros (call-outs are in % of the total service sector) Source: Bank of Greece

When evaluating the time series of the service sector it is convenient to do it by splitting the data into the activities that have a market share below 5% of the total service sector and the ones above that threshold.

In Figure 27, we can see the FDI in Greece in service sectors that have a market share above 5% of the total services. We notice that before the financial crisis there was a significant inflow of FDI in the financial and insurance activities almost three times more that the average record values for this time period. A similar record value is registered in the Information and Communication services in 2008 with it being more than 4.5 times greater than any other record value registered in this type of activity. Finally, we can see that the privatization initiatives of the government in 2017 (i.e., ports, airports) also had an important impact on the total market share together with a significant increase in real estate activities from 2018 onwards.

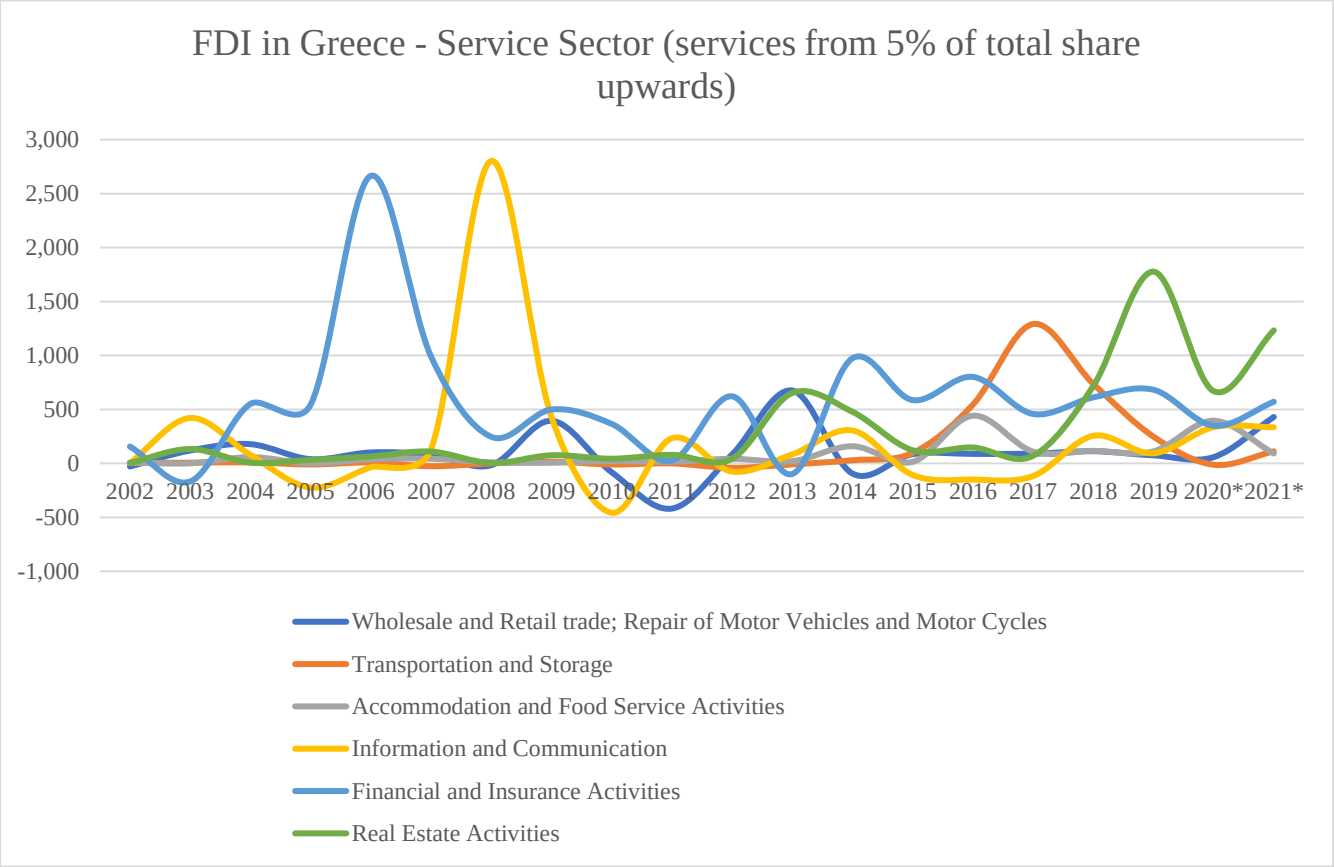

Figure 27 Chart of FDI in Greece in the Service Sector. It includes services with an average equal of higher of 5% share of the total sector)

Taking a closer look at the services that have up to 5% of the total market share of the services sector (Figure 28), we conclude that the most important FDI of this dataset is 2006 and 2007 in the professional, scientific and technical activities, which was again recorded in 2019 and 2021. Moreover, it is worth noting that tourism which can be inferred indirectly from the

categories “Arts, entertainment and recreation” and “Accommodation and food services” has a limited market share compared to popular belief.

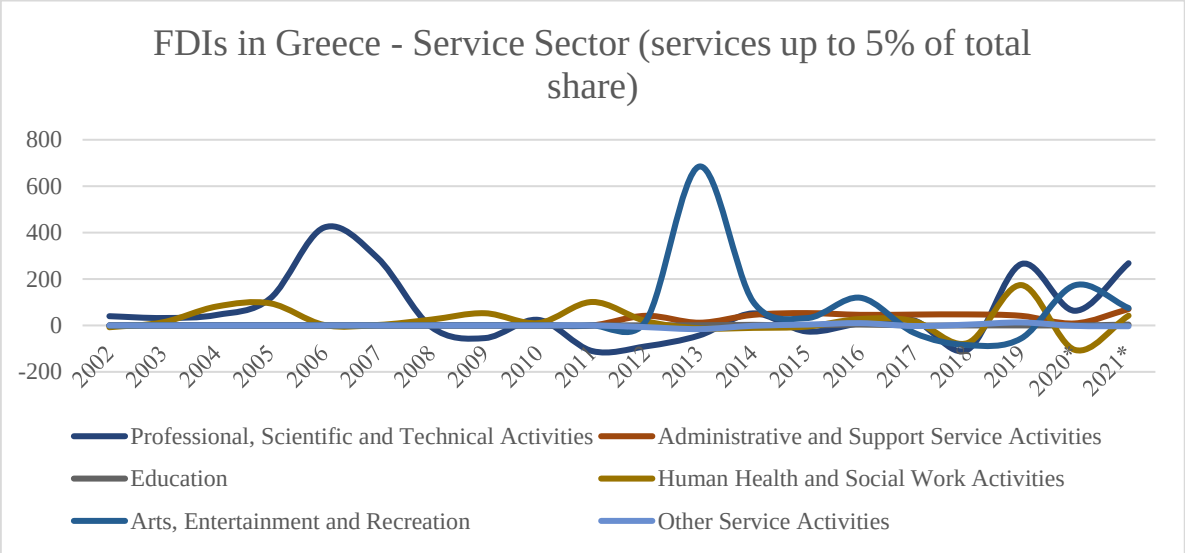

Figure 28 Chart of FDI in Greece in the Service Sector. It includes services with an average up to 5% share of the total sector)

3.3 A closer look in the Foreign Direct Investment in Greece in the last two years

In the present chapter, we would like to assess how the Greek economy performed in 2020 and 2021. In this chapter, we do not have any data from 2022, where we would have the data from the effect of the military operation of Russia in Ukraine and the subsequent international diplomacy initiatives which had a strong political and financial part and for which it is still unclear how they will affect the countries’ economies and markets as well as the political objectives and milestones. The period from 2021 to 2022 signifies the adoption of important initiatives by the European Union and Greece while at the same time how the aforementioned handled the international sanitary crisis, the pandemic COVID-19. The above framework shaped the way forward toward the growth strategy adopted by European countries. In Greece, we see from the data that in 2020 FDI dropped by almost 40% (Table 5). The sectors showing growth in 2020 are energy-related investments increasing from 49 million euros to 67 million euros, the construction sector and the amount for unallocated investments (Table 5). The increase in energy-related investments can be associated with the green transition initiatives in the European Union in the context of the Green Deal. Moreover, this upward trend in energy investments is also recorded in 2021 with net inflows of 392 million euros. Construction activities can also be considered in the same framework since the renovation and the construction of environmentally friendly buildings is one of the pillars of the growth strategy in Europe. However, construction is also increasing after the crisis since the absence of new

buildings during the crisis led to an increased need for new buildings. All in all, we see that from 2017 onwards the construction, manufacturing and energy-related investments account for on average 44% of the investments in services. Finally, we see that in 2021, Greece managed to return to the pre-covid levels. Actually, according to Enterprise Greece, "in 2021, Greece welcomed an impressive 72.3% increase in Foreign Direct Investment (FDI). According to provisional data from the Bank of Greece, net inflows of Foreign Direct Investment to Greece amounted to more than €4.8 billion (€4,846 million) in 2021 compared with €2.8 billion (€2,813 million) in 2020. This represents a new record (the highest net inflow of FDI since 2002), confirming the positive outlook for the Greek economy as well as the country's successful efforts in attracting foreign investment. Net FDI inflows last year were also 8.1% higher than in 2019 − the year before the onset of the COVID pandemic − which was also a record year with Greece attracting more than €4 billion (€4,484 million) of foreign direct investment" (EY, 2021) (Figure 29).

Table 5 Net inflow of FDI in Greece from 2018 to 2021 Source: Bank of Greece

	2018	**2019**	**2020***	**2021***
Total Primary Sector	47	-112	48	15
Manufacturing	309	336	239	521
Electricity, Gas etc	73	49	67	392
Water Supply, Waste Management etc	1	1	0	1
Construction	-65	37	80	-37
Total Services	2335	3424	1934	3227
Unallocated	10	0	21	16
Priv. purchase & sales of real estate	655	749	423	710
TOTAL	3364	4484	2813	4846

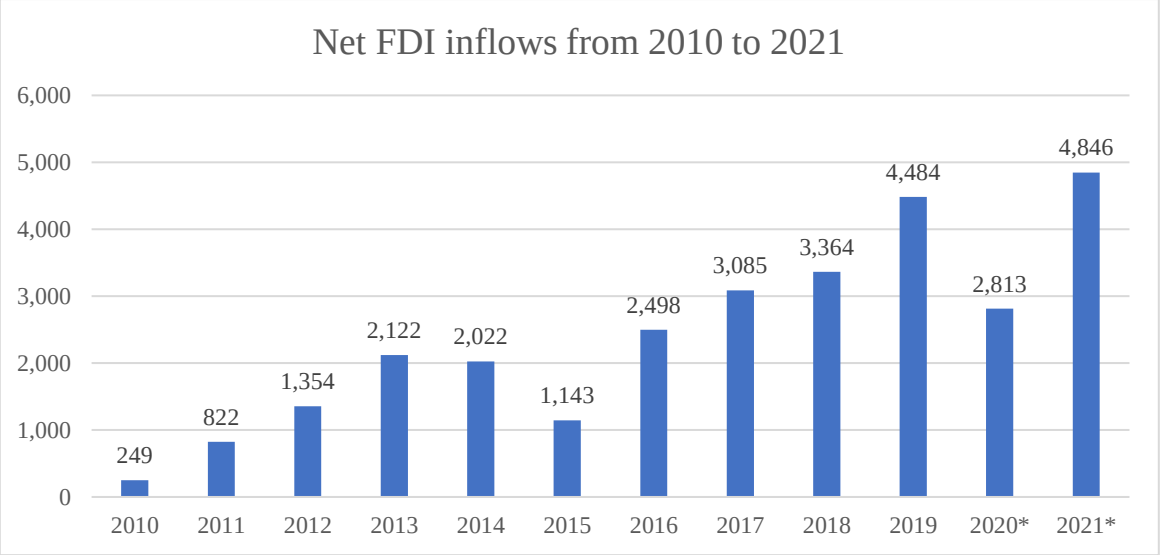

Figure 29 Net FDI inflows from 2010 to 2021 (in million euros) Source: Bank of Greece

The report of EY (2021) mentions also that "more encouraging than the evolution of arithmetic sizes, is the gradual change of qualitative composition of investments. As for the type of activity Greece traditionally had a high investment share with a relatively low added value, an element that usually characterizes economies in the early stages of development" (EY, 2021).

As shown in Table 6, "the sales activities and marketing represented in the period 2000-2019 the 59% of investments. This percentage decreased to 36% in the three years 2018-2020 and to 18% in 2020, below the corresponding percentage for the whole of Europe (24%). The percentage of investments in the industry remains high (18%), an activity with relatively high added value, although marginally reduced compared to the previous twenty years (20%) and lower than the rest of Europe this year (24%).

The business services category, which was first added to the ranking in 2020, had the highest percentage in Greece (28% vs. 21% in Europe) and is an activity with growth prospects, which employs staff with relevant high level of skills. It is extremely encouraging and the high participation of research and development centres (18%, compared to 5% in the period 2000-2019 and 10% in Europe this year). The participation is also a positive development of business headquarters with headquarters at 8%, compared to 3% in the previous twenty years and 7% in 2020 in Europe, confirming that the country can operate as a regional business centre that will serve its wider area Eastern Mediterranean from a safe and stable financial environment.

On the contrary, their zero participation is problematic logistics, compared to 9% in the period 2000-2019 and 11% in Europe in 2020, as it is an activity with excellent prospects, given the geographical location of the country, the upgrade of infrastructure in recent years and the

international upheavals caused by the pandemic. Note that in EIM classification does not include privatization-related investments (such as the Port Authority Thessaloniki) or concessions of roads, etc." (EY, 2021)

Table 6 Market share in 2020 in Greece and in Europe, as well as in Greece from 2000 to 2019 per industry (EY, 2021)

Activity	Market share in Greece (2020)	Market share in Europe (2020)	Market share in Greece (2000 - 2019)
Services for businesses	28%	21%	-
Sales and marketing	18%	24%	59%
Industry	18%	24%	20%
R&D	18%	10%	5%
Headquarters	8%	7%	3%
Contact centers	5%	0%	1%
Internet data centers	3%	1%	0%
Shared services centers	3%	1%	0%
Logistics	0%	11%	9%
Testing & servicing	0%	1%	1%
Education	0%	0%	0%

According to the data presented in Table 7, "significant differences are recorded in 2020 in terms of the sectors of the economy where most investments were directed. The business services sector is in first place in Greece, while it occupies the second place in the rest of Europe (28% vs. 12% respectively). In second place for Greece (23%) and first in Europe (19%), are software and IT services. This is an extremely important development, as this sector is one of the most dynamic in the modern economy and will receive further impetus in the coming years. The utilities (13%) and oil and gas (10%) sectors follow with a double-digit market share, while the picture is completed by the financial sector (5%), the agri-food sector (5%), the health and pharmaceuticals sector (5%), telecommunications (5%), transport equipment (3%) and wholesale and retail trade, including distribution (3%). Absent for 2020, sectors with a relatively strong presence in the past, such as transport and logistics (10% in the period 2000-2019), chemicals and plastics and electronics" (EY, 2021).

Table 7 Market share in 2020 in Greece and in Europe, as well as in Greece from 2000 to 2019 per sector (EY, 2021)

Sector	Market share in Greece (2020)	Market share in Europe (2020)	Market share in Greece (2000 - 2019)

Business services	28%	12%	14%
Software and IT services	23%	19%	11%
Services of general interest	13%	3%	1%
Oil & Natural Gas	10%	1%	3%
Agricultural sector	5%	6%	12%
Financial sector	5%	5%	11%
Health and Pharmaceuticals	5%	5%	3%
Telecommunications	5%	4%	3%
Transportation equipment	3%	5%	4%
Retail and wholesale	3%	4%	3%
Machinery	0%	8%	3%
Chemicals & Plastics	0%	5%	6%
Electronics	0%	5%	4%
Transportation & Logistics	0%	4%	10%
Furniture, wood, ceramics and glass	0%	3%	
Consumer goods	0%	3%	
Construction	0%	2%	2%
Medical equipment/machinery	0%	2%	
Metals & minerals	0%	2%	1%
Textiles, leather	0%	1%	
Social & health services	0%	1%	
Electrical appliances			5%
Leisure, culture, tourism			2%

In Figure 30, we can see that during 2020 and 2021 the main origin country of FDI in Greece was Cyprus followed by Switzerland, Germany and China (if we add to China, investments from Hong Kong). This shows that despite the new framework new entries such as Cyprus, Switzerland and China continued investing in Greece (their presence became significant first in 2017).

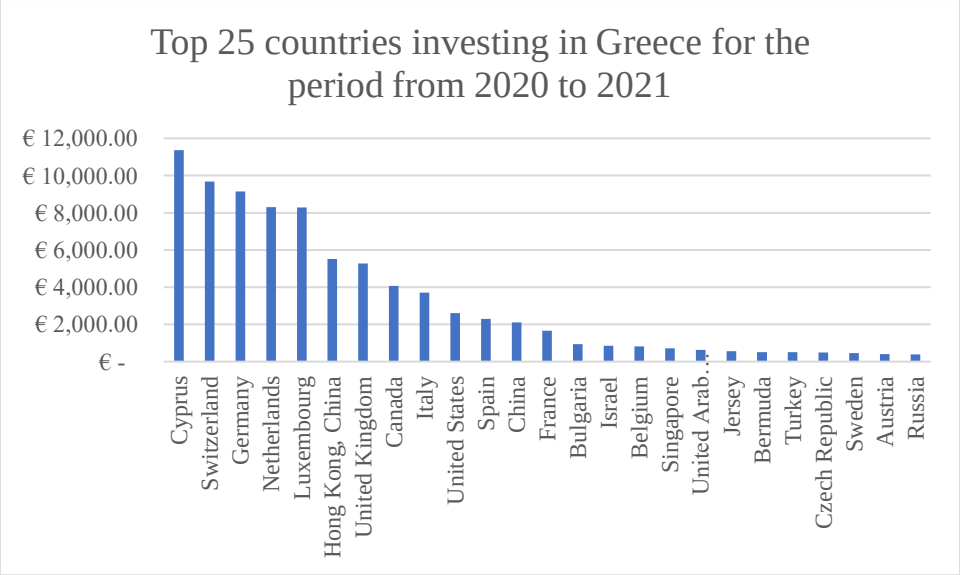

Figure 30 Top 25 countries investing in Greece for the period from 2020 to 2021 Source: Bank of Greece

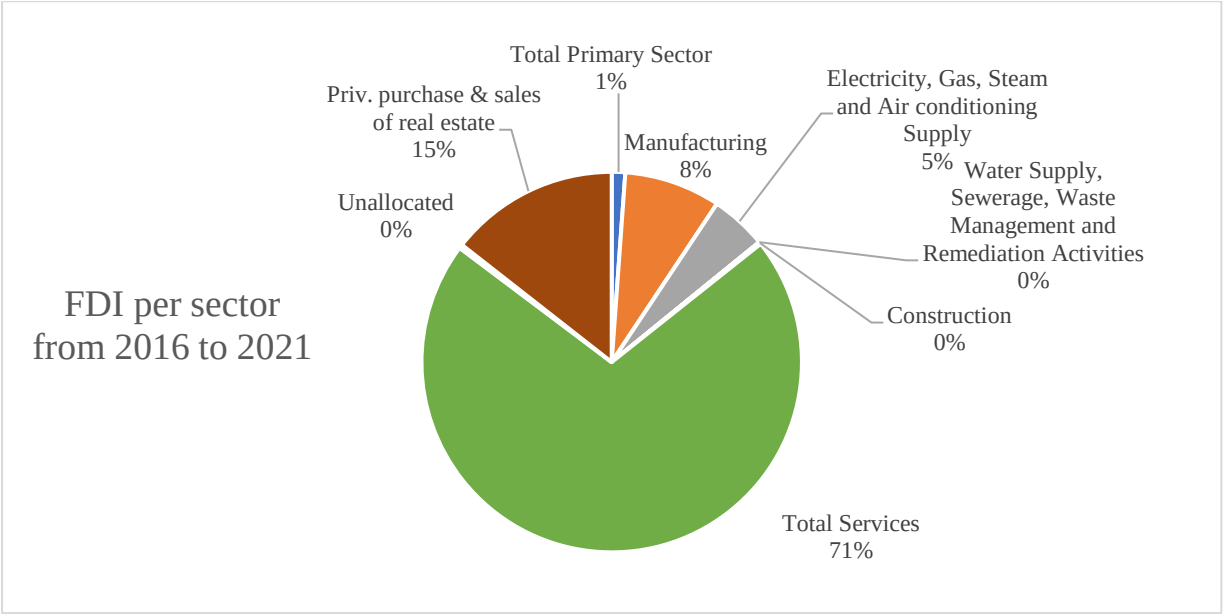

Figure 31 FDI per sector from 2016 to 2021 Source: Bank of Greece

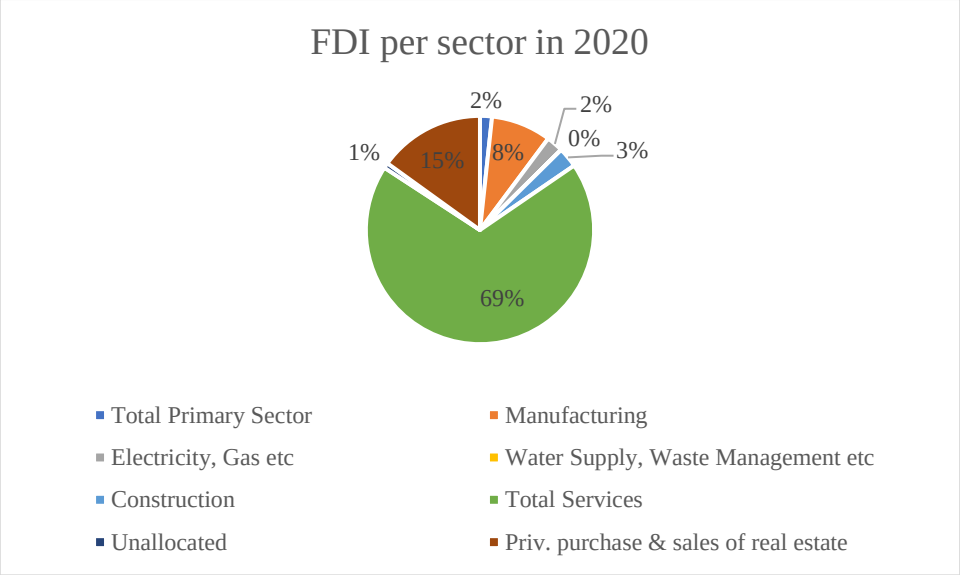

Figure 32 FDI per sector in 2020 Source: Bank of Greece

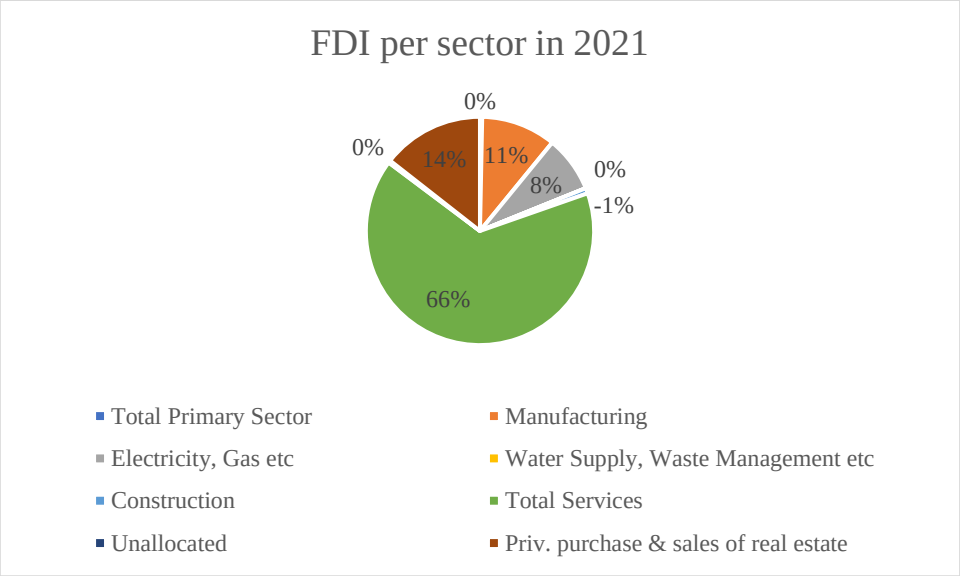

Figure 33 FDI per sector in 2021 Source: Bank of Greece

When comparing the results of average FDI for the period from 2016 to 2021 (Figure 31) with the annual data for 2020 (Figure 32) and 2021 (Figure 33), we can come to the following conclusions:

The manufacturing sector was higher than the average 8% in 2021.

Electricity, gas etc., collectively called as previously in the text “energy-related investments” were higher signifying the green transition.

Total services show a gradual decline in the market share signifying the opening of the Greek market to FDI in more sectors.

The rest activities/sectors have stayed at the same level as the average for the time series used in this study.

Regarding the regional distribution of FDI in Greece "as in previous years, the big concentration of investments is in Attica, which attracted two out of three FDI (67%). This is followed by Thessaloniki (15%), and the regions of Peloponnese (5%), Macedonia (excluding Thessaloniki - 5%), Thrace (3%), Thessaly (3%) and Epirus (3%)" (EY, 2021).

3.4 Key sectors the Greek state is promoting for FDI

3.4.1 Tourism Sector

Greece is one of the top tourist destinations worldwide. "The competitive advantages of Greece, such as rich cultural heritage, natural beauty and geographical variety, have been attracting significant tourism investments in recent years, thus further strengthening Greece's image as an ideal destination both for holidays and tourism-related investments (Enterprise Greece). There is a number of popular holiday destinations in Greece that are included every year among the top holiday destinations internationally. Especially recently, year-round holiday options are promoted such as snowy peaks for winter sports and forests. The country also provides rich history and culture together with modern infrastructure.

From the website of Enterprise Greece, we are informed that Greece is ranked 25th among 140 countries in the World Economic Forum's (WEF) 2019 Travel & Tourism Competitiveness index. Also, in individual indicators, Greece ranks 13th for its health & hygiene, 18th for air transport infrastructure and 18th for tourist service infrastructure.

The tourism subsectors identified and promoted by the dedicated public company "Enterprise Greece" are the following:

i. Sun & Beach Tourism
ii. Nautical Tourism
iii. City Break Tourism
iv. Cultural and Religious Tourism
v. Medical Tourism
vi. Meetings and Incentives (MICE)
vii. Integrated Resorts – Holiday Housing
viii. Sports Tourism

“The tourism industry is currently undergoing a major strategic improvement initiative, focusing on the expansion of the tourist period, the attraction of higher-value tourist segments, the increase of average daily spending and the opening of new tourist markets.

Even during the financial crisis of the last decade, the tourism industry in Greece has been one of the mainstays of economic growth and employment, with a continued growth in tourist arrivals and revenues driven mainly by:

- the determined efforts of Greek tourist authorities and associations to upgrade the tourist product offering
- the development of key, new markets such as Russia, Israel, Turkey and China”.

The key investment opportunities include:

- “[the] Privatization of several key state-owned tourist and transport assets (marinas, regional airports, tourist properties etc.) by the Hellenic Republic Asset Development Fund.
- [the] Development of premium tourist resorts and properties aided by the funding and tax incentives given for such new developments.
- [the] Development of specialized tourist products and facilities focused around specific themes (gastronomy, culture, wellness etc.), categories (medical tourism, MICE etc.), markets (Russia, Israel, Asia etc.) or segments (elderly, couples etc.)”.

3.4.2 Energy Sector

The performance of the energy sector has a direct and indirect impact on the economy as it affects competitiveness and of course, has a significant contribution to added value. Moreover, investments in this sector slowed down the crisis in some way and did not record the vertical decline that other sectors of the Greek economy had (Vettas 2016).

“The strategic position, the generation potential for renewables and the government support and legislation initiatives make Greece a perfect destination for FDI in the energy sector.

The main investment opportunities include:

- “Privatization of state assets
- New infrastructure in natural gas transmission (liquefied natural gas terminals, natural gas pipelines, natural gas distribution systems)
- International public tenders for hydrocarbon [exploration and exploitation]

- Renewable energy projects (wind, solar-thermal, biomass, small hydro, geothermal etc.)
- Energy-efficient businesses and investments
- Main grid interconnectivity with the islands, upgrading and development of cross-border electricity grid interconnections (Maritsa East, EuroAsia InterConnector)" (Enterprise Greece)

Recently a number of important investments in the Greek Energy sector were made. The following list includes the ones mentioned by Enterprise Greece:

- "Chinese Shenhua Group has entered into a co-operation agreement with Copelouzos Group to develop RES projects and upgrade lignite units in a € 3 billion investment plan
- The SENFLUGA Energy Infrastructure Holdings S.A. consortium of Snam S.p.A., Enagás Internacional S.L.U. and Fluxys S.A. acquired 66% of DESFA's equity for a total value of EUR 535 million
- China State Grid has acquired a 24% stake of the Independent Power Transmission Operator (ADMIE), for € 320million
- US York Capital Management has announced €100 million investments in Greece's GEK Terna, acquiring a 10% stake of in the company." (Enterprise Greece)

3.4.3 Information and Communications Technology sector

"The Information and Communications Technology sector is one of the most promising in the Greek economy, driven mostly by the demand for automation and digitalization in the Greek public and private sectors.

According to recent data by the Federation of Hellenic Information Technology & Communications (SEPE) for 2020, the value of the ICT market in Greece is expected to reach € 5,676 billion.

Greece possesses a skilled workforce, educated in high-quality technical institutions with global experience and entrepreneurial talent". The above was also indicated by the results of the EY attractiveness survey (see Chapter 2.5).

The ICT sector in Greece offers several opportunities for private and state-co-funded investment opportunities. The Greece 2.0 National Recovery and Resilience Plan announced by the Greek government has at its core the support of the ICT sector mainly through strong

incentives for private investment and public-private partnerships. The areas of digital transformation that are promoted through the plan are:

- 5G infrastructure, optic fibre infrastructure in buildings, digital interconnection of the Greek islands
- Digital transformation of key archives in the Public Sector (Health, Education, Justice, digital pension system -EFKA, urban planning agencies, etc.), with emphasis on interoperability
- Digitization of tax authorities and online connection with enterprises

Business opportunities such as the establishment of software development labs, or microchips and MEMS design centres, data centres and R&D labs can be established with full state support and staffed with highly qualified available employees, leading to high returns in a very short time.

During the last few years, Greece became the centre of several important investment initiatives announced by some of the largest companies in the global ICT industry such as Nokia-Siemens, Oracle ZTE, Samsung Huawei, SAP, Unisoft and others.

Greece is home to many aspiring entrepreneurs who are working on promising new ideas and innovative business models. Recently, foreign investment funds have invested in three or more Greek startups such as Intel Capital, Index Ventures, Accel, Andreessen Horowitz, Kleiner Perkins, Sequoia, BainCapital, DFJ Greycroft. Greek startups have been acquired by major companies in the industry such as: Microsoft, Apple, Splunk, Amazon, Samsung, Teradata, Daimler, Citrix, Vmware, DellEMC, Salesforce.

The main investment opportunities mentioned on the website of Enterprise Greece:

- Data Centers
- Call Centers/Service Centers staffed by Multilingual staff
- Mobile Marketing & Advertising
- Software Development
- Information Security Services
- Smart cities
- Assembly and distribution of ICT devices

- B2B Cloud Services
- Innovation and Research Activities" (Enterprise Greece)

3.4.3 Life Sciences Sector

The Greek Life Sciences and Pharmaceuticals industry is another sector with significant investment potential. Generic pharmaceuticals is the main sector with important growth potential in the regional market. Moreover, "Greece has established itself as a regional hub for clinical trials and most major international pharmaceutical companies conduct clinical trials in Greece" (Enterprise Greece). Towards this, the new legal framework for clinical trials gives incentives for R&D investment in Greece, where there are well-established research and pharmaceutical manufacturing facilities. Finally, the expertise of local personnel and the presence of medical tourism facilities provide Greece with another comparative advantage by minimizing the initial cost of the FDI.

"The Greek pharmaceutical sector has traditionally been a strong contributor to the Greek economy, focusing mainly on local consumption. However, this shift towards generics can provide a very strong opportunity for the sector to leverage its know-how and capabilities, focusing first on the Greek market where cost pressures are forcing a major shift towards generic drug consumption, but also on European and other markets" (Enterprise Greece).

The pharmaceutical industry spends considerable amounts on R&D, accounting for 8% of total private R&D spending in Greece, while 2,506 independent clinical studies were conducted in 2018 (1,434 completed). The role of the pharmaceutical industry in overall foreign trade is also significant as exports of pharmaceuticals amounted to €1.4 billion in 2018, accounting for 4.3% of all Greek exports in 2018. (Source: 'The Pharmaceutical Market in Greece - Facts & Figures 2018', Foundation for Economic and Industrial Research, SFEE).

The main investment opportunities mentioned on the website of Enterprise Greece:

- R&D investments and start-ups in the biotech and life sciences fields
- Greek pharmaceutical companies seeking investment and trade partners to further expand abroad
- Medical tourism facilities combine Greek healthcare expertise with its attractiveness as a tourism destination

3.4.4 Food & Agriculture Sector

“Greek food and agriculture have traditionally been one of the major export sectors for Greece, with a strong presence in the European and a growing presence in the US food markets. From olive oil to flour products, honey to processed meats and ready meals, Greek companies have leveraged the competitive advantages offered by Greek primary production in order to competitively enter and remain in global markets, making food and agriculture one of the most dynamic and high-growth sectors in Greek manufacturing” (Enterprise Greece).

“It is also an area where Greek companies have managed to innovate and differentiate themselves, both in terms of the product but also in terms of packaging. Over the past 10 years, there are several examples of companies in the food sector who have achieved significant market shares abroad by leveraging the combination of traditional Greek ingredients and innovative marketing and packaging” (Enterprise Greece).

“Given the above environment, Greek food manufacturers can take advantage of their smaller scale, access to high-quality inputs and traditional Mediterranean positioning to differentiate from the global food manufacturers and gain market share value-added product segments and higher price points” (Enterprise Greece).

“Driven by the above opportunities, there are several major Greek and international investors already looking to improve the competitiveness of the Greek food sector, by consolidating smaller holdings, shifting production to higher-value crops and investing in innovative production and packaging technologies” (Enterprise Greece).

Many multinationals “such as Mondelēz, Lays, Barilla, Cadbury, General Mills, Friesland Campina, manufacture a wide range of products and find that local and regional markets are receptive to new product lines as well as established favourites” (Enterprise Greece).

The main investment opportunities mentioned on the website of Enterprise Greece:

- Repositioning and consolidation of primary food production using new technologies (hydroponics, greenhouses etc.) and high-value crops
- Participation in the growth and consolidation of smaller, organic producers with strong export potential
- Investment in the packaging, export and marketing of traditional staples of the Greek diet such as olive oil, herbs and aquaculture

- Investment in boutique and niche market goods, leveraging the abundant high-quality raw materials, the EU-level production standards and the competitive operating costs
- Development of high-value product lines based on the global "Mediterranean Diet" trends and the exploding organic food sector
- Investment in mass-market food production for private-label or branded use, taking advantage of Greek access to the emerging growth markets of Southeast Europe where Greek F&B companies have developed an extensive production and distribution network
- New product development, production and distribution based on the R&D facilities and know-how of Greek research centres and the familiarity of Greek consumers with international food products, brands and tastes

3.4.5 Logistics sector

The geographical location of Greece is a strategic one for transportation among Europe, Asia and Africa. Port infrastructure in Greece can support maritime transport which accounts for 80% of global trade by volume and over 70% by value (data from Enterprise Greece). "[They] are strategically located and could easily be transformed into regional logistics hubs for goods travel from Asia to the European Community" (Enterprise Greece). The location of Greece allows also for competitive freight costs. There is continuous investment in the transport infrastructure of Greece and "under the new European Infrastructure Policy (TEN-T) more than €26bn will be invested in European infrastructure, including railway, road, port, airport and multimodal infrastructure projects in Greece" (Enterprise Greece). Finally, "several global 3PL providers such as Kuhne & Nagel, DHL, Schenker, Geodis, Panalpina, and Express are currently operating in Greece" (Enterprise Greece).

"Piraeus [container port and car terminal, currently acquired by COSCO Pacific,] ranked 1st, in 2019, among Mediterranean commercial ports, and 25th internationally, with a total capacity of 4.9 million TEU. Piraeus' increased capacity and efficiency, its new cargo train connection to Europe and the shorter, more direct access to Asia through established shipping routes, have established Piraeus as the premium import point from the manufacturing countries of Asia (China, Japan, Korea, India) to Europe" (Enterprise Greece).

"Other Greek ports with the capacity to become gateways to Europe include Thessaloniki, Alexandroupoli and Patras" (Enterprise Greece).

“Also, significant is the agreement between the Greek Rail company TRAINOSE, acquired by *Ferrovie* dello Stato Italiane, and HP for the exclusive transport of HP goods coming through Piraeus to the European markets. Following the same path, Huwaei established a pilot distribution centre in the Port of Piraeus whereas ZTE Corp has also developed a logistics centre in the Port of Piraeus” (Enterprise Greece).

“There are several opportunities for investment in the Greek logistics sector, driven mostly by the following:

- The growth of the Greek ports as gateways from Asia to Europe
- The planned privatization of such critical logistics assets as regional commercial ports, motorways and rail infrastructure
- Continued investment in the improvement of rail and road infrastructure,
- The opportunity for major global manufacturers to use Greece as an assembly, logistics and quality assurance centre for their products manufactured in Asia and sold in Europe” (Enterprise Greece).

The main investment opportunities mentioned on the website of Enterprise Greece:

- Investments in Greek ports
- Regional airports
- Athens International Airport
- Rail and road transport investments
- Logistics centers Assembly and quality assurance facilities

3.4.6 Global Business services

“Greece attracts a worldwide interest for the establishment of intra-group service centres offering immense opportunities for centralized middle and back-office functions. Being in a geostrategic location, perfectly accessible in a +/- 2h time zone, Greece is a European Union member state offering a convenient destination for global IT-enabled services.

Greece admittedly offers today a pro-business environment, a modern legal framework for global business services, highly-qualified and multilingual talent, competitive labour cost and office space rentals and incentives to support job creation and professional training. The operating ecosystem for BPOs is currently evolving with recent market entries of leading business process outsourcing providers setting up large-scale operations in metropolitan areas

of Greece, thus creating approximately 5,000 new job positions investing in local top-quality talent.

Leading multinational groups in key global industries choose Greece to centralize back-office activities in the fields of accounting & finance, R&D, technology & engineering and omnichannel customer experience.

Greece holds a very strong position in higher education statistics, 44% of people aged 30-34 years have a higher education degree, compared to the European Union average of 40%. Greek engineers are included in the Economist's global top 20 ICT human resources pool and have topped the ITU/ICT development index. During the recent academic years over 100,000 students were enrolled in ICT sciences and engineering, over 40,000 student outflows in foreign languages and literature, and over 20,000 Master's Degrees and PhDs in natural sciences and engineering. Science & technology are integral parts of the Greek education system and the number of STEM graduates of all education levels is increasing significantly thus creating a rich pool of talent.

Business services are currently evolving in Athens, the capital city of Greece, and Thessaloniki, the second-largest city as well as in other Greek cities listed as top tourism destinations, multicultural communities and grown technological ecosystems. What is more, the Greek telecommunications companies have already adopted leading digital practices across their operations making multimillion investments to improve infrastructure and are ready to invest in big data capabilities and also create an omnichannel customer experience. The same holds for the digital transformation of the Greek banking sector and the emergence of financial technologies and digital payment systems. Cost efficiencies are achieved due to the improvements in the regulatory framework and targeted government policies to support entrepreneurship and employment in knowledge-driven and technological-intensive activities across all sectors of the economy. Labor legislation allows for more flexibility and the Greek office market offers many alternatives from Grade A office space at relatively lower rates to corporate-friendly co-working space.

Greece scores high on all major factors taken into consideration when choosing a new country for relocating, such as quality of life, regulated environment, secure living conditions in urban and rural areas, access to efficient services, strong public health system, residence privileges for family members, multicultural and multilingual cities, and freedom to travel, among others. Despite its relatively small geographic size, Greece features a particularly diverse natural

environment, providing many recreational opportunities. These elements, combined with a lively lifestyle blending both ancient and modern Mediterranean culture make Greece a simply extraordinary place to be - and a wonderful place to call home.

Attractive incentives are in place as part of Greece's legal framework for shared services centres and BPOs since new job creation and vocational training are major priorities for the country. R&D activity is strongly supported by generous tax incentives and Actions targeted to priority sectors of the Greek economy" (Enterprise Greece).

The main investment opportunities mentioned on the website of Enterprise Greece:

- Product Design & Development
- Technical Support & Data centres
- Assembly and distribution of ICT products
- Omni channel contact centres & marketing
- R&D Centres
- Intragroup service centres in accounting, HR and logistics

3.4.7 Audiovisual Productions

After a significant period of no international activity in the audiovisual production industry, Greece is now investing in the sector by "producing new talents, making its presence felt at the international festivals, setting trends, and interacting with the international film scene" (Enterprise Greece). By FDI in this sector, the government aims to improve the GDP and increase employment levels and tax revenues while parallelly making a significant positive impact on the tourism sector of the country.

Greece is for more than one reason an ideal destination for an audiovisual production project providing generous investment incentives, a streamlined licensing procedure and experienced industry experts together with competitive costs and incomparable natural sets.

The main investment opportunities mentioned on the website of Enterprise Greece:

- Feature films
- TV series
- Documentaries
- Animation

- Cultural and educational video-gaming
- Web products
- Software prototyping for computer games
- Computer applications and programs, game machines and mobile phones
- Film tourism development

The investment incentive governed by law 4487/2017 provides a state grant (cash rebate) for an amount of up to 40%. “The incentive regards the reimbursement of a monetary amount covering eligible expenses incurred in Greece, for the purposes of production of audiovisual works in Greece, e.g., feature films, tv series, documentaries, animation as well as digital games.

Moreover, the Greek cash rebate can serve as collateral for producers to obtain funds through the Greek banking system. Financing of the rebate is guaranteed through the Greek Public Investment Programme and amounts to €75 million available for the years 2018 to 2022” (Enterprise Greece). “This rate is increased to 60% of the total cost of the audiovisual production in case of cross border productions and to 80% of the total cost of the audiovisual production in case of a “difficult” audiovisual work” (Enterprise Greece).

4. The direction of the European Union on investment

The last two years (2020 and 2021), signify an important period since they mark the initiation of a new era in the European Union with the adoption of the European Green Deal and the supportive initiatives toward a new growth strategy for Europe. Greece has participated actively in all these initiatives and it is important to understand how this has been achieved. At the same time in this period, there was also an international sanitary crisis, the COVID-19 pandemic, which has been since 2019 an important instability factor that raised inefficiencies, amended priorities and set the whole objectives of the European Union in a new perspective.

Since the early 2000s, we have witnessed a surge in FDI. Between 2000 and 2016, FDI stocks grew from 22% of world GDP to 35%.

"Traditionally, advanced economies have played a major role as both the source and destination of FDI" (ECB, 2018). Until the beginning of the 2008 economic crisis, almost 90% of outward FDI (OFDI) flows came from advanced economies (Figure 34). "European Union countries were particularly prominent, as their share in world OFDI was nearly 50%. At the same time, the European Union and other advanced economies attracted between 60% and 70% of total inward FDI (IFDI) flows" (ECB, 2018).

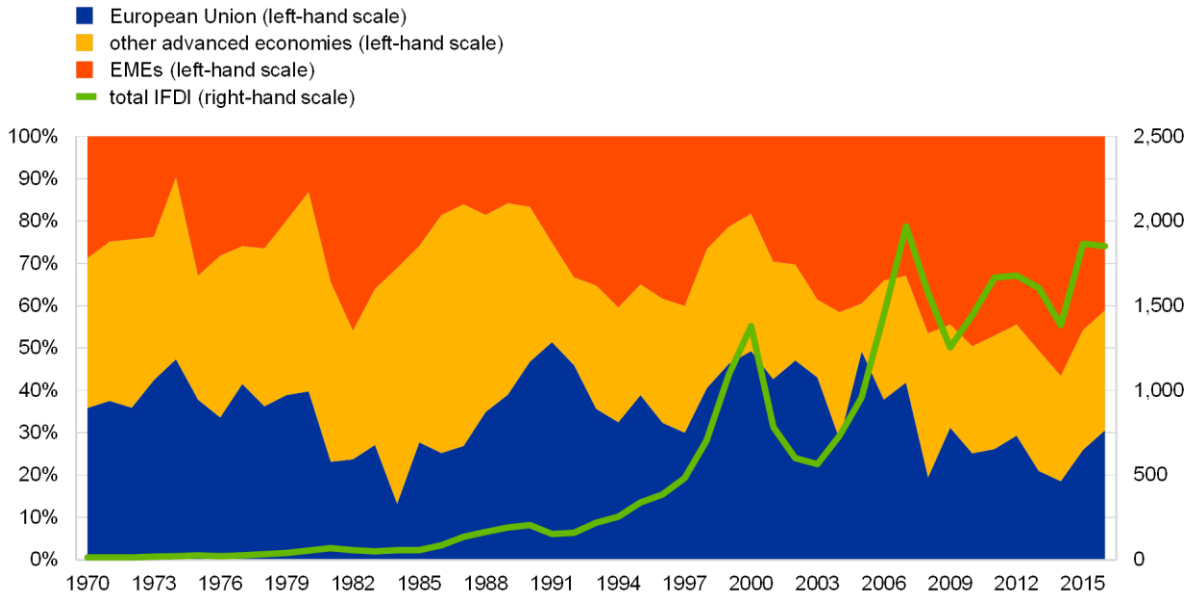

Figure 34 Inward foreign direct investment by destination (left-hand scale: share of advanced and emerging market economies in world IFDI, percentages; right-hand scale: total IFDI, USD billions) Source: UNCTAD (from ECB, 2018)

"Since the beginning of the 2000s, there has been a gradual shift in the global FDI landscape, with emerging market economies (EMEs) gaining in prominence both as a source of and as a destination for such investment. EMEs have attracted a growing share of FDI flows, reaching more than 50% of the world's total inward FDI in 2013. In addition, FDI flows are dominated

by a relatively small number of M&As. In 2016 M&As with a value in excess of USD 1 billion accounted for only 1% of all FDI projects, but they generated 55% of total FDI flows. Moreover, evidence suggests that FDI and exports are not competing but complementary strategies for serving foreign markets. Finally, since 2008 European Union countries are no longer the world's main FDI investors and recipients. Nevertheless, econometric analysis shows that belonging to the European Union dramatically boosts FDI flows in member countries" (ECB, 2018).

From the recent study of EY (2022), we see that the main risks affecting Europe's attractiveness over the next three years (Table 8) as identified by the participants of a survey are: i. the rise of populist/protectionist feelings among politicians and populations (38%), ii. the evolution of the European legislative framework on digital services and markets (33%) and ii. the high volatility in currencies, commodities and other capital markets (33%).

Table 8 Main risks affecting Europe's attractiveness over the next three years? (EY, 2022)

Main risks affecting Europe's attractiveness over the next three years? (EY, 2022)			
	2022	2021	Difference
Rise in populist/protectionist feelings among politicians and populations	38%	41%	-7%
Evolution of European legislative framework on digital services and markets	33%	29%	14%
High volatility in currencies, commodities and other capital markets	33%	27%	22%
Evolution of European environmental legislation and policies	32%	33%	-3%
Political instability in the EU	31%	26%	19%
Uncertainty related to tariff and trade policies/slowdown in global trade flows	22%	33%	-33%
The EU without the UK	22%	20%	10%
Skills shortages	19%	12%	58%
Environmental concerns	16%	13%	23%
Migration flows	15%	15%	0%
Limited innovation capacity in Europe	12%	14%	-14%
Aging population	10%	12%	-17%
Lack of financing	9%	10%	-10%

In 2021, the ranking was slightly different with 41% of the participants replying that the main risk was the rise in populist/protectionist feelings among politicians and populations, followed

by 33% of the participants who answered that the main risks were related to the evolution of European environmental legislation and policies and the uncertainty related to tariff and trade policies/slowdown in global trade flows. In general, from the surveys, we see that from 2021 to 2021, investors became more worried regarding skill shortages, environmental concerns, high volatility in currencies, commodities and other capital markets, while at the same time, they felt less worried about the uncertainty related to tariff and trade policies/slowdown in global trade flows, the ageing population, the limited innovation capacity in Europe and the lack of financing (Figure 35).

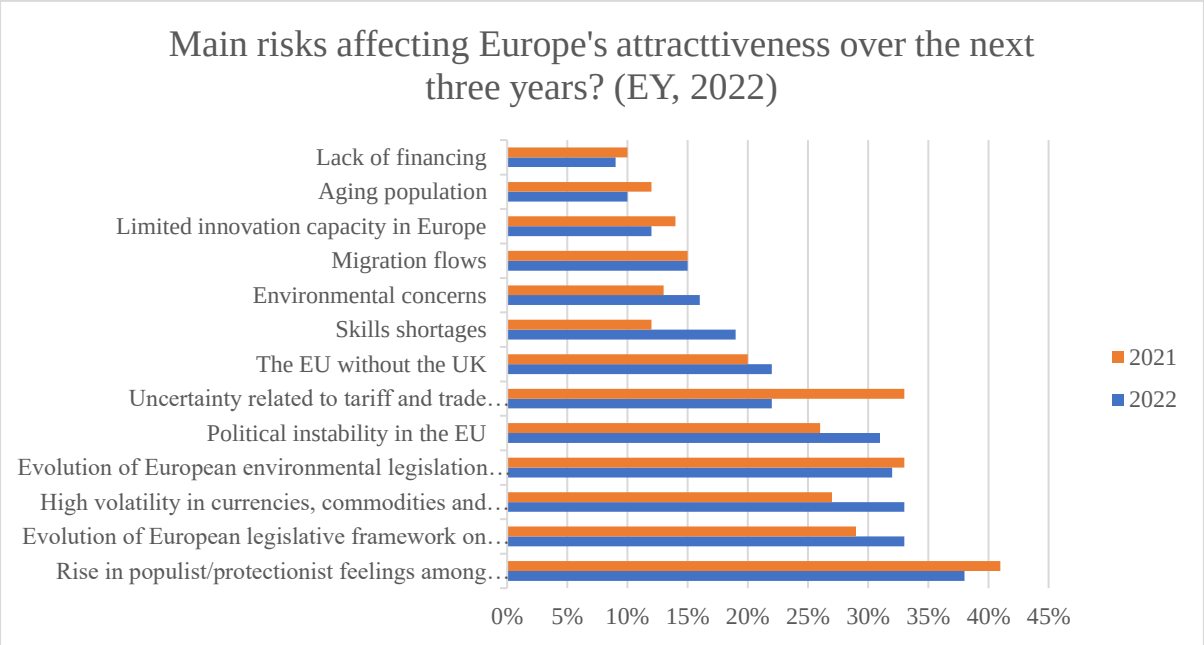

Figure 35 Main risks affecting Europe's attractiveness over the next three years? (EY, 2022)

Despite the risks identified by the investors in the EY (2022) study and the effects of the migration of FDI inflows and outflows to EMEs, Europe had 5,877 FDI projects in 2021, recording a 5% annual increase (EY, 2022) and 25% of those surveys in EY's attractiveness survey plan to establish or expand operations in Europe (EY, 2022). However, this is still below the 2019 levels by 8% and below the 2017 levels.

The leading categories which attracted FDI in 2021 were manufacturing, business services and sales and marketing (Figure 36). Increase in FDI compared to the 2020 levels were registered in manufacturing, headquarters and shared services centres followed by logistics and R&D. In general, according to EY (2022) "the increase was in part caused by the rebound effect: investors making up for the lost time after not logistically being able to execute projects during the pandemic. It could also represent a degree of supply chain reorchestration. Burnt by

lockdown-induced supply chain bottlenecks, some businesses were perhaps starting to bring industrial supply chains closer to home" (EY, 2022).

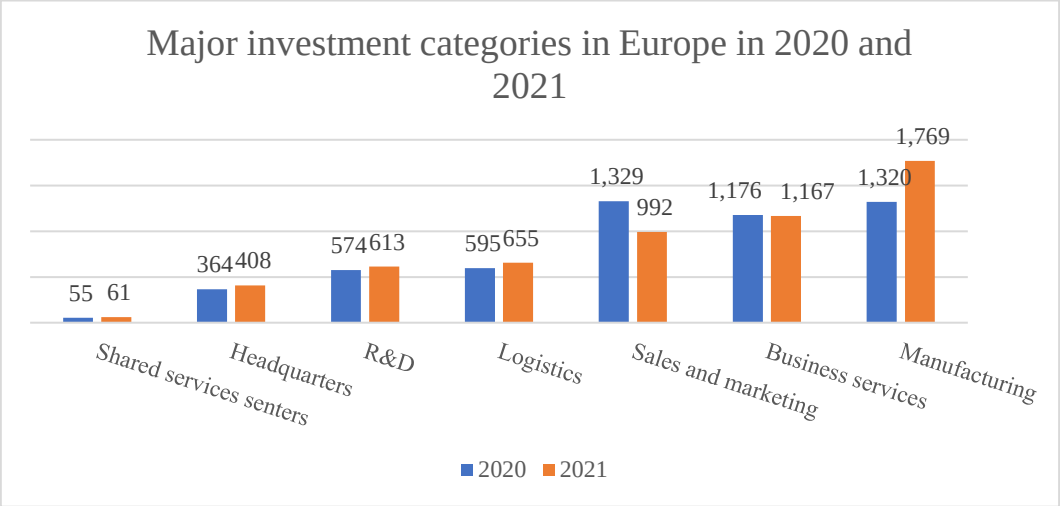

Figure 36 Major investment categories in Europe in 2020 and 2021 (EY, 2022)

If we see the data regarding the number of FDI projects in Europe in 2020 and 2021 (Table 9) we notice that in 2021 there was an increase in the number of investments in transportation manufacturers and suppliers, transportation and logistics and utility supply. At the same time, there was a decrease in the number of investments in the business and professional services, machinery and equipment and unallocated projects (Table 9).

Table 9 Number of FDI projects in Europe in 2020 and 2021 (EY, 2022)

Number of FDI projects in Europe in 2020 and 2021				
Sectors	**2020**	**2021**	**Change**	**Share of FDI**
Software and IT services	1,046	1,090	4%	19%
Business services and professional services	691	557	-19%	9%
Transportation manufacturers and suppliers	305	503	65%	9%
Transportation and logistics	217	425	96%	7%
Machinery and equipment	425	384	-10%	7%
Agri-food	322	329	2%	6%
Finance	285	277	-3%	5%
Chemicals, plastics and rubber	268	264	-1%	4%
Electronics	259	261	1%	4%
Pharmaceuticals	265	255	-4%	4%
Utility supply	145	203	40%	3%
Consumer products	155	167	8%	3%
Medical devices	116	134	16%	2%
Metals and minerals	103	133	29%	2%
Textile, clothing and leather	83	105	27%	2%
Other	893	790	-12%	13%

Total	5,578	5,877	5%	100%

The results described above all conclude the important effect on the direction of investment in Europe and to the risks and strengths identified by the investors of European Union policies and initiatives. From the EY survey (2022), we can draw some more conclusions about these effects. First, "shifts in European environmental legislation and policies rank as the fourth-greatest risk to Europe's attractiveness. This is likely a result of fears that climate change policies will push up energy prices, which have already increased significantly in some European countries since the beginning of 2022" (EY, 2022). Moreover, 98% of large businesses say environmental sustainability is critical or somewhat important to their investment strategy and 56% of investors believe Europe is more attractive than other regions when it comes to technology-related factors (EY, 2022).

The aforementioned highlight the importance of green transition and digital transformation as decision-making parameters when investors decide where to invest. The European Union with a series of policies, initiatives and funding opportunities builds its future growth strategy on the above pillars and gives incentives to investors in these sectors.

The Taxonomy Regulation was published in the Official Journal of the European Union on June 2020 and entered into force on 12 July 2020 (ec.europa.eu). "The taxonomy regulation establishes a classification system which provides businesses with a common language to identify whether or not a given economic activity should be considered "environmentally sustainable". The taxonomy is going to be a benchmark and act as a supportive tool together with the EU's Sustainable Finance Disclosures Regulation (EU, 2019b), the Sustainable Europe Investment Plan European Green Deal Investment Plan (EU, 2020a) and the regulation on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU, 2020c).

An important European Union text that gives a greater overview of the key sectors the European Union is focusing on investing in the next few years is the Annual Sustainable Growth Strategy 2021 (EU, 2020b). In the text, there is a special reference on two important tools/ instruments the Recovery & Resilience Facility and the Next Generation EU.

The European Union's objective is competitive sustainability and cohesion through a new growth strategy the EU Green Deal (EU, 2019a). The EU Green Deal is a growth strategy aiming to transform the European Union into a fair and prosperous society with a resource-

efficient and competitive economy. The policy objectives are related to the green and digital transition with parallel action to strengthen the social and economic resilience, grow the economies; create jobs. Towards these goals, public finances will play a role in delivering incentives for sustainable and inclusive growth, ensuring economic stability and the ability to support demand and deliver assistance during times of need.

The term resilience is defined in the text as "undergoing transitions in a sustainable, fair, and democratic way.

The European Union plans to be a transformational leader in four pillars:

i. Environmental sustainability (green transition)
ii. Productivity (digital transformation)
iii. Fairness
iv. Macroeconomic stability

Since the majority of these documents were drafted before the international sanitary crisis, the COVID-19 pandemic, the European Union has launched an updated tool, the Recovery and Resilience Fund (RRF) (EU, 2021c). The RRF works on the previous works and updated them in order for the necessary institutional and structural changes that need to be done, as identified during that time period, to be included in the growth strategy of the European Union.

The above is the reason why the last few years resilience has been an important term in the documents produced by the European Union. Resilience is defined as the ability to undergo transitions in a sustainable, fair and democratic way. The European Union aims to strengthen the resilience of European markets and societies. Moreover, the support of the society gained new interest with specific references to improving working conditions, access to education and healthcare and rethinking social protection systems and labour markets.

The RRF has two important aspects. First, the RRF sets the pillars of growth and the regulations that each investment should follow. Based on this guidance, each country had to prepare their own plan and submit it to the European Commission for assessment and approval. This allowed each country to tailor its Recovery and Resilience Plan to their needs.

Moreover, it is a mechanism to mobilize public, private and public-private partnerships (PPP) as well as capital from financial institutions towards specific investments already described in the Recovery and Resilience Plan of each country which are investment projects designed according to the pillars of growth set by the European Union.

The above-mentioned pillars are the key principles of the Recovery and Resilience Plans (RRP). Each European Union country submits their own plan based on the individual assessment of its National Energy Climate Plans (NECP) (Hellenic Republic, 2019).

Each RRP needs to include investments of a minimum of 37% to green transition and investments of a minimum of 20% of the total plan to digital transformation.

The first pillar related to environmental sustainability includes investments in the energy and transport sector, as well as activities towards the decarbonization of industries, initiatives for the growth of circular economies, and actions toward water management and the protection of biodiversity.

Specific mention is made to the building renovation schemes which are expected to create jobs in the construction sector, reduce the energy bills, create healthier living conditions and reduce energy poverty.

The second pillar related to the digital transformation includes investments in improving connectivity and finance reforms in all stages of education (from basic to higher) as well as developing opportunities for all people to lifelong learning. In countries, such as Greece where the public sector is not digitized, this pillar includes important reforms in the way government works and includes investments in new technologies that will allow the public sector to increase its productivity.

The third pillar is related to fairness and includes key initiatives for improving working conditions, especially towards making them fairer, guaranteeing equal access to social institutions such as education and health and rethinking social protection systems and labour markets.

Finally, the four pillars are related to macroeconomic stability. “Fiscal policies should aim at restoring prudent medium-term fiscal positions and ensuring debt sustainability while enhancing investment”.

The above-mentioned pillars of the Recovery and Resilience Facility (RRF) should be taken into consideration together with the European Union flagships the European Union has published in the same report and summarized the key goals.

i. Power up
ii. Renovate
iii. Recharge & refuel

iv. Connect
v. Modernize
vi. Scale-up
vii. Reskill & upskill

Another important text that sets the investment trend suggested by the European Union is the Strategy for Financing the Transition to a Sustainable Economy (EU, 2021d). In this text, the European Union mentions that citizens (both as retail investors and as consumers) and small and medium enterprises (SMEs) are to play a key role in this direction. The objectives of investments towards the financing of the transition to a sustainable economy are actions to mitigate and adapt to climate change, the rebuilding of natural capital and the strengthening of the resilience and the wider social capital.

The five key areas identified in the study on which policymakers and businesses together should focus are: i. redouble digital investments, ii. secure Europe's competitive edge in sustainability, iii. create the skills needed to transform European businesses, iv. promote tac flexibility and pragmatism and v. refresh support for SMEs (EY, 2022).

4.1 A case study of RRF in Greece

The way the aforementioned European Union investment trends have been included in the Greek recovery and resilience plan is indicative of how Greece is assessing these in the context of its own needs and growth strategies. In the Greek RRP (EU, 2021a; Hellenic Republic 2021), there are six pillars based on which more than 62 reforms and 105 investments are categorized and are planned to be realized within the next years.

The budget includes from the RRF Budget 18.4 billion euros in grants and 12.7 billion euros in loans and these investments are expected to mobilise 28 billion euros in grants and 31.8 billion euros in loans.

There are six main pillars of investment activities aiming to the:

i. Green transition
ii. Digital transformation
iii. Smart, sustainable and inclusive growth
iv. Social and territorial cohesion
v. Health, and economic, social and institutional resilience
vi. Policies for the next generation

With the general title "Greece 2.0", the Greek Plan for Recovery and Resilience approved by the European Commission on 17 June 2021, raises aimed at transforming the national institution and development model. The main element is to mobilize capital from the private sector, with the aim to increase private investment, in order to achieve significant multiplier effects (Hellenic Republic, 2021).

Within 2021 the country will receive an advance payment of € 4 billion (€ 2.3 billion in grants and € 1.7 billion in loans), which are expected to be disbursed around the end of July with the beginning of August. After evaluation and achievement another € 3.5 billion will be disbursed by the end of the year, while then € 1.7 billion will be disbursed in half-year grants and € 1.8 billion in loans annually (Table 10).

Table 10 Budget of the Recovery and Resilience Plan of Greece - Greece 2.0 (Source: Hellenic Republic, 2021)

Greece 2.0 – BUDGET		
Pillars	**RRF Budget (in €bn)**	**Mobilized Investment Resources (in €bn)**
1. Green transition	3.5	11.6
2. Digital Transformation	2.2	2.4
3. Employment, Skills, Social Cohesion (Health, Education, Social Protection)	5.2	5.3
4. Private investment and transformation of the economy	4.9	8.8
Sum of grants	18.4	28.0
Loans	12.7	31.8
Total investment resources	31.2	59.8

The ESAA state aid will be divided into four main pillars: “green transition”, “digital transformation”, “employment, skills, social cohesion” and “private investments, transformation of the economy” (Figure 37).

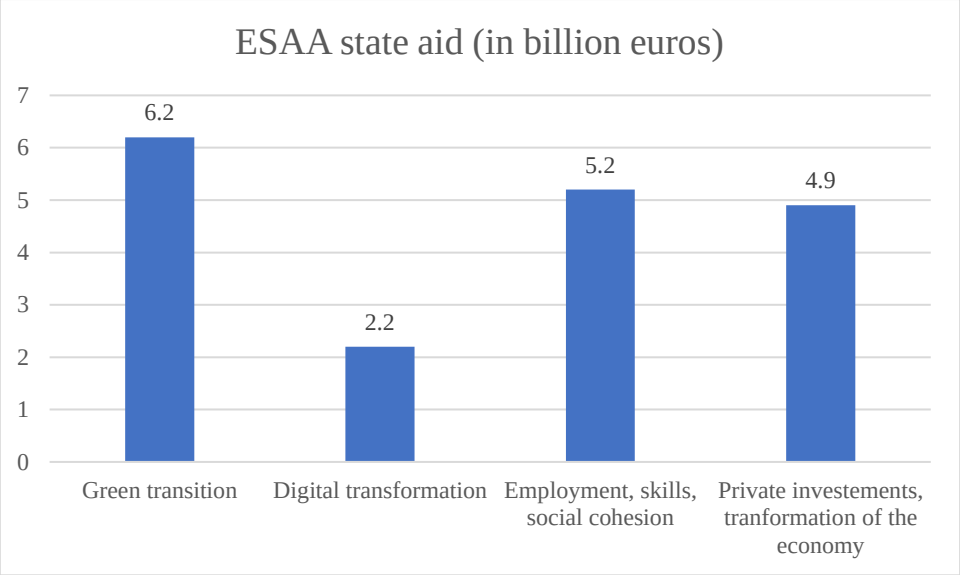

Figure 37 ESAA state aid (in billion euros)

The main objective of the RRP for Greece is to change the Greek growth model and institutions through various reforms and investments towards an extroverted, competitive, green and digital growth mode. This is not only focused on the type of investments that will be done but aims for a fundamental economic and social transformation, which will affect the economic activity, the technology, attitudes and institutions combining economic efficiency with social cohesion and justice (Hellenic Republic, 2021).

The Greece 2.0, the Greek RRP, is based on the "Development Plan for the Greek Economy" (2020) prepared by the Committee headed by Nobel Prize in Economics laureate Professor Pissarides spearheading far-reaching reforms. It is also in full alignment with the Country Specific Recommendations (CSRs) addressed to Greece in the context of the European Semester and aims to enhance growth, productivity, job creation and economic and social resilience (Hellenic Republic, 2021).

Regarding sustainability and green transition, according to the RRP of Greece investments will be targeted to upgrade the energy efficiency of buildings for households, firms, and the public sector. Also, there will be investments in energy storage, electric charge points, batteries and electric vehicles. The electric interconnectivity of islands will be improved. Finally, capital will be mobilized towards the national reforestation plan, biodiversity and strengthening of civil protection, urban plans and strategic urban generation. These investments will be followed by key reforms on the licensing procedure for renewable energy sources, the promotion of e-mobility through a modern institutional framework, the preparation of urban plans, and the

establishment of new spatial planning for renewables, industry, tourism and aquaculture, and marine spatial planning.

Regarding digital transformation and R&D, according to the RRP of Greece investments will be targeted to 5G infrastructure, fast broadband connections, fibre optic infrastructure in buildings, submarine fibre cables, the digitisation of the public sector, with emphasis on archives, interoperability of IT systems and quality service to firms and citizens and finally to revenue-enhancing digitalisation of tax authorities and real-time interconnection with firms. These investments will be followed by key reforms to promote basic and applied research, transition to fast broadband, support SMEs to digitally transform, provide customer-centric digital services by the public administration and last but not least develop the 5G and other innovative digital services.

The RRP of Greece includes also investments which will be targeted to give strong incentives for private investments, support public-private partnerships in large infrastructure projects and put on the map investments in culture, tourism and the agri-food sector as drivers of growth. Moreover, emphasis will be placed on the training, upskilling and reskilling of the workforce as well as in large investments for the health, education and social inclusion of vulnerable groups.

These investments will be followed by key reforms to simplify the business and environment and licensing and improve the ease of doing business, incentivize economies of scale, modernize and upgrade the upskilling and reskilling system, reform the labour law, reform the active and passive labour market policies, digitize education, reform the primary health care system and develop digital telemedicine services and finally train against discrimination in the public and private sector.

5 Case studies of FDI in Greece and the way forward

FDI in Greece in 2017 is an important milestone since it signifies the first year the inflow of FDI reached its highest since 2008, amounting to 4,046 billion euros and recording a year-on-year rise of 31% on 2016's 3,069 billion euros (*Fraport helps FDI climb to decade-high*, 2018; retrieved from ekathimerini.gr). Important towards this were two FDI with significant benefits not only due to their budgets per se but to a greater effect of them on surrounding industries. These two FDI were the Fraport Greece's investment in the utilization of 14 regional airports and the acquisition of 67% of Piraeus Port Authority by Cosco (UNCTAD, 2017; UNCTAD, 2018).

5.1 COSCO and Fraport

In 2014, the Hellenic Republic Asset Development (HRAD) launched an international tender for the selling of 67% of the shares of the Piraeus Port Authority, the entity responsible for the management of Piraeus Port until 2052, for a total cost of 368.5 million euros (280.5 million euros as a first instalment and 88 million euros as a second instalment).

This FDI was one of the three most important ones in the year 2016 together with the sell/transfer of Eurobank Bank's 80% share of Eurolife ERB Insurance Group S.A. to Costa Luxembourg Sarl for a cost of 324.7 million euros and the sell/transfer of Astir's Palace Vouliagmenis' 88.5% share to Apollo Investment Holdco Sarl for a cost of 444 million euros.

The lease agreement with COSTCO included the compulsory investment of at least 350 million euros in the next decade. The benefits from this FDI are not limited to the inflows from the contractual obligations of the company but include further investments that may arise from development projects in the surrounding area. Furthermore, this FDI is expected to create additional financial activity beneficial to private and public entities due to the improvement of the infrastructure and the expansion of tourism, land transport, logistic industry and manufacturing.

The World Investment Report in 2016 made a significant reference to the Chinese companies that are proactively pursuing Mergers & Acquisitions in developed countries mentioning that "China has become one of the largest investing countries in some developed countries. This position was further consolidated as Chinese companies undertook a number of megadeals in 2015 and early 2016" (UNCTAD, 2016).

Another important FDI was the Fraport's acquisition of regional airports in Greece. Fraport Greece undertook the project of renovating and expanding 14 regional airports across the Greek

territory while parallelly operating them. The concession commenced in April 2011 and by January 2011 Fraport Greece had completed its 440 million euros infrastructure makeover.

5.2 Way forward

From the analysis of the data of FDI in Greece, the information on the European Union's strategy for growth and transformation of the economies, markets and societies as well as the study of the investments included in the Recovery and Resilience Plan of Greece, the investment opportunities promoted by the Greek government and significant investments in Greece in the last five years, we have identified that by 2027 important investments will be made in Greece building on the strong tertiary sector -already developed in Greece- but at the same time boost the primary and secondary sector with important initiatives in agriculture and manufacturing/construction.

From the information from Chapters 3 and 6, and especially from the data from Tables 6 and 7, Greece follows the same trends in the sectoral distribution of FDI. Moreover, Greece has shown a growing interest in being among the first country members to adopt the priorities set by the European Union and we have observed that Greece is a country that can attract investments and absorb funds for investment activities promoted by the European Union quickly after their official announcement.

Moreover, during the last years, Greece has attracted a series of investments in sectors such as financial services, information communication and technology, logistics, business-related services, construction and energy-related activities. This signifies a lot of things. First, Greece proved to be a favourable host country for such investments. Moreover, investments already done in Greece created important infrastructure and a highly-skilled workforce. Factors that help Greece become more attractive to new investors, as shown also in the EY's survey (Chapter 2.5). Also, previous investments helped the Greek government identify the obstacles and deterrent factors in licensing and doing business in Greece and that is the reason why significant reforms and investments aim to tackle these in the context of the Recovery and Resilience Plan for Greece.

Still, Greece in not among the top European destinations for FDI and there is still place for new investments in Greece especially due to the significant effect of the economic crisis on the economy. The investments planned in the RRP are in complete alliance with the RRF regulation and can work towards expanding the already tertiary sector and re-boosting the primary and secondary sector.

The above shows that Greece is aligned with the investment directions of the European Union and the sectoral distribution is similar to the average in Union. However, the scale of the economies is different. Greece is lately trying to step up and adopt European Union incentives at a higher pace than the average of other country members and creating frameworks and incentives to attract international investors (such as Golden Visa, law 4487/2017) (Chapter 3.4). The outlook is positive although the macroeconomic indexes show that new setbacks may be experienced in the future due to the pandemic effects, the international instability created by Russia's invasion in Ukraine and in general the current inflation trend.

6. Conclusions

Investments are an important part of the economy being around one-fourth of the total GDP. Countries try not only to attract FDI but also to increase their investment activity abroad since both home and origin countries have a lot of benefits from foreign direct investment activities (Chapter 2).

Greece started attracting FDI after World War II but significant investments were only drawn when Greece entered the EEC countries since this accession allowed for the removal of obstacles related to trade and the flow of capital (Chapter 3.1).

From the data received from the Bank of Greece, we have established that Greece mainly attracts investments in the tertiary sector and especially in finance and insurance activities, real estate and information, communication and technology. Also, recently, the logistics sector is starting to have a bigger market share (Chapter 3.2 – 3.3).

Energy and construction are sectors which registered important increasing trends in the last five years. Also, privatization initiatives by the Greek government drew a significant amount of capital (Chapter 3.2 – 3.4). Typical examples of such investments would be the acquisition of the Piraeus port by COSCO and the acquisition of Eleftherios Venizelos airport together with other regional airports by Fraport (Chapter 5). The increase of the market share of logistics activities was supported by the important growth of the previously mentioned projects and at the same time, the upgrade of key infrastructure such as ports and airports allowed Greece to have the infrastructure to support logistics services (Chapter 3.4).

If we now move from the microscale of Greece to the macroscale of international players in FDI attraction, we can see that Europe has still a leading role even if though emerging market economies have significantly increased their share from 2007 onwards (Chapter 4). FDI in Europe is mainly among countries members and it is mainly focused on the tertiary sector and to a lesser extent on the secondary sector.

The European Union in the last few years has been trying to build a framework to monitor FDI and direct investors toward investment opportunities that support the needs and values of the European Union (Chapter 4).

Towards this goal, the European Union has taken important initiatives for setting the framework of the new growth strategy for the European Union which is mainly consisted of the radical transformation of the economy and the market towards environmental sustainability (green transition), the digital transformation, a fair and prosperous society and a resource-

efficient and competitive economy in order to secure the macroeconomic stability of the Union and strengthen the resilience (Chapter 4).

Moreover, the European Union has adopted regulations for sustainability reporting by companies and built the EU taxonomy in an effort to standardize what is considered sustainable and what is not, help investors identify sustainable investment opportunities and help reduce the green washing effect (Chapter 4).

Since the majority of these documents were drafted before the international sanitary crisis, the COVID-19 pandemic, the European Union has launched an updated tool, the Recovery and Resilience Fund (RRF). The RRF works on the previous works and updated them in order for the necessary institutional and structural changes that need to be done, as identified during that time period, to be included in the growth strategy of the European Union (Chapter 4).

The above is the reason why the last few years resilience has been an important term in the documents produced by the European Union. Resilience is defined as the ability to undergo transitions in a sustainable, fair and democratic way. The European Union aims to strengthen the resilience of European markets and societies. Moreover, the support of the society gained new interest with specific references to improving working conditions, access to education and healthcare and rethinking social protection systems and labour markets (Chapter 4).

The above is clear in the Greek recovery and resilience plan also, a plan with 68 reforms and 106 investments. There are six main pillars of investment activities aiming to the green transition, the digital transformation, smart, sustainable and inclusive growth, social and territorial cohesion, health, and economic, social, and institutional resilience, and policies for the next generation (Chapter 4.1).

The budget includes from the RRF Budget 18.4 billion euros in grants and 12.7 billion euros in loans and these investments are expected to mobilise 28 billion euros in grants and 31.8 billion euros in loans (Chapter 4.1).

The RRF has two important aspects. First, the RRF sets the pillars of growth and the regulations that each investment should follow. Based on this guidance, each country had to prepare their own plan and submit it to the European Commission for assessment and approval. This allowed each country to tailor its Recovery and Resilience Plan to their needs (Chapter 4).

Moreover, it is a mechanism to mobilize public, private and public-private partnerships (PPP) as well as capital from financial institutions towards specific investments already described in

the Recovery and Resilience Plan of each country which are investment projects designed according to the pillars of growth set by the European Union (Chapter 4).

From the analysis of the data of FDI in Greece (Chapter 3), the information on the European Union's strategy for growth and transformation of the economies, markets and societies (Chapter 4) as well as the study of the investments included in the Recovery and Resilience Plan of Greece (Chapter 4.1), the investment opportunities promoted by the Greek government (Chapter 3.4) and significant investments in Greece in the last five years (Chapter 3 and 5), we have identified that by 2027 important investments will be made in Greece building on the strong tertiary sector -already developed in Greece- but at the same time boost the primary and secondary sector with important initiatives in agriculture and manufacturing (Chapter 5.2).

In conclusion, even though Greece is not among the top European destinations for FDI, we have seen that Greece attracts mainly investment projects in finance and ICT, while at the same time investment projects in construction, logistics and energy are also on an upward trend. The above shows that Greece has a strong foundation to take full advantage of the RRF while at the same time the financial instruments and incentives by the European Union would allow Greece to increase also the market share of the primary and secondary sector with the financial support on agricultural projects, manufacturing and construction.

Finally, it is worth mentioning that although the rebound of FDI due to the 2008 financial crisis was fast, the effect of the pandemic COVID-19 was more permanent of the economy and that is the reason why such drastic changes in the budget and priorities of the European Union were made after 2020. The crisis with the military operation in Ukraine is certainly going to have a more profound and lasting effect on European Union countries, and internationally. It is expected that all sectors will be significantly affected by this situation and macroeconomic indexes have already shown this effect. As time progresses, the writer of this thesis expects that significant reforms should be made since Europe imported from Russia fuel, mining products wood, iron, steel and fertilizers.

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Appendix

Excel file 1: BPM6_FDI_HOME_BY_ACTIVITY

https://www.bankofgreece.gr/RelatedDocuments/BPM6_FDI_HOME_BY_ACTIVITY.xls

Excel file 2: BPM6_FDI_HOME_BY_COUNTRY

https://www.bankofgreece.gr/RelatedDocuments/BPM6_FDI_HOME_BY_COUNTRY.xls