

# **GREECE'S ECONOMIC DIPLOMACY TOWARDS THE BALKAN COUNTRIES**

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## **INTRODUCTION**

The post-Cold War developments in South-eastern Europe have made a great impact on Greece, contributing to the re-establishment of the country's historical economic and trade relationships with all the countries of the area. On the other hand, Athens, after almost forty years of relative stability on its northern borders, had to refocus its attention on crises very close to home. The Cold War and the repressive regimes across its northern borders had maintained a relative peace. In the 1990s, the collapse of the old communist order in the Balkans presented Greece with both opportunities and risks, ranging from the opening of an economic hinterland to the explosion of old ethnic rivalries.

Although private Greek entrepreneurs have concentrated on the business opportunities, official Greece, including the large majority of the political class and the mass media, focused almost exclusively during the period 1989-1995 on the risks.<sup>1</sup>

The situation prevailing in South-eastern Europe in the mid-1990s pushed Greece to redefine its foreign policy towards the Balkan countries gradually, but radically, from what was a purely political approach into a politico-economic approach<sup>2</sup>. This change of policy was due to many factors the most important of which were:

- o First, the economic problems of the Balkans, the renewed ethnic conflict and political decay, the influx of illegal migrants and the increase in organised crime were posing new challenges and the urgent necessity of contributing to the stabilisation of the Balkan states' economy and political system.

- o Second, the realisation that Greece, in order to avoid the isolation of the first five years of the post-Cold War era, should deepen and widen its ties with NATO and the European Union.<sup>3</sup> A great deal of political capital was expended in pursuit of conflicting objectives on the Macedonian question, which in turn raised allegations on the part of Greece's critics that it was pursuing revisionist objectives in the region, especially in a period when the main objective of Greek foreign policy was to achieve its participation in the Economic and Monetary Union.

o Third Greece's foreign trade and, above all, its exports to Central and Eastern Europe increased in the period 1990-1995 by 275.3 per cent (see Table 1).

**TABLE 1**  
**GREEK EXPORTS BY GEOGRAPHICAL AREA, 1990-1995 IN 000 ECU**

The Balkans was one of the few areas where Greek exports showed remarkable dynamism.<sup>4</sup> Furthermore, Greek investment in the Balkans also increased spectacularly. It was becoming clear that Greece had major economic interests in the Balkans and that a new political approach reflecting that had become necessary.

Greek economic diplomacy towards the Balkans since 1985 can be summarised as involving the following basic strategic objectives:

- o The steady improvement of bilateral economic relations with all the Balkan countries;
- o The rapid economic reconstruction of the region through investments in infrastructure, the creation of incentives, implementation of an assistance plan, the promotion of interregional co-operation as a means of fostering stability and prosperity in the wider area of South-eastern Europe, and the gradual integration of South-eastern Europe into the new European architecture.

This article is divided in two parts. The first part examines Greek trade policy and investments towards its northern neighbours and the second explores Greece's efforts in support of the economic reconstruction of South-eastern Europe.

**GREEK TRADE AND INVESTMENTS IN THE REGION**

Greek Trade

Greek export penetration in the Balkan countries is exceptionally high. This increase of exports towards the Balkan Countries, which was most impressive during the period 1994-1999, indicates, in comparison with the 1990 figure, a major change in the structure of Greek exports over a short time. This increase comes in a period when Greek exports to EU markets have been declining.<sup>5</sup>

**TABLE2**  
**GREEK EXPORTS TO BALKAN COUNTRIES, 1994-1999 (\$M)**

**TABLE3**  
**GREEK IMPORTS FROM THE BALKAN COUNTRIES, 1994-1999 (\$M)**

Albania is a major importer of Greek products, as table 2 indicates. In 1994, Greek exports to Albania amounted to \$213.8m, increasing to \$325.8m in 1996 and then decreasing in 1998 due to the turmoil in Albania. Albanian imports from Greece account for more than a third of the country's overall import value.

Greece is the FYROM's second largest trading partner (after Germany). In 1993, the total value of Greek exports to the FYROM amounted to \$140m. However, because of the embargo on its exports in 1994, this dropped to \$14.2m and, in 1995, to recovered to \$43.1m. In 1996, however, after the lifting of the embargo, Greek exports to the FYROM increased rapidly to \$246.2m and, in 1999, to \$425.1m.<sup>6</sup>

It should be noted however, that during the same period, Greek exports to Bulgaria suffered intensely from the two monetary crises in the country, which reduced demand for consumer goods imported into Bulgaria.<sup>7</sup>

Traditional economic ties have existed between Greece and Yugoslavia through the centuries. Bilateral trade was kept active even in post-war communist Yugoslavia. Sanctions imposed on the Federal Republic of Yugoslavia (FRY) in the period 1992-1995 cost Greece dearly. Greece was therefore faced with a serious problem concerning its exports of perishable goods, such as fruit and vegetables. The request for an exemption for perishable goods was not accepted at the UN.

Bilateral trade between Greece and the FRY has experienced substantial growth since 1995. Greece, in 1996, was the FRY's sixth most important trading partner, holding more than 11 per cent of that country's external trade. However, the rate of growth of bilateral trade, as expected, followed a short downward path due to the re-implementation of international sanctions.

Bilateral economic relations between Greece and Romania have followed an upward trend since 1990, especially in terms of trade. Greece accounts for five per cent of that country's overall external trade in terms of value, while several large Greek companies operate there. Until 1995, Greece's trade balance with Romania was negative. Since then, Greek exports to Romania have increased considerably.

Greece recognised Croatia on 15 January 1992. In spite of Croatia's promising market and production capacity, bilateral relations were insufficient because of the turbulent period following the dismantling of Yugoslavia. However, bilateral trade has shown some recovery since 1996.

Following the early turbulent years of the newly established state of Bosnia- Herzegovina, bilateral economic relations were insufficient. Nevertheless, bilateral trade has enjoyed significant growth since 1996, thus leading to a further boosting of bilateral joint business activity.

## **GREEK INVESTMENT**

A large number of Greek enterprises expanded into neighbouring countries in the 1990s through foreign direct investment or participation in the construction of large infrastructure projects. The majority of these investment initiatives are concentrated in the fields of trade, services, finance and, to some extent, in manufacturing.

Greek firms set up in these countries are of three different categories. The first is large enterprises. In this category the number of firms are very few - less than seventy. The second category is medium-size enterprises. They may engage in both FDI and trade and may provide different types of services. The third category is small size firms. These are trading companies

set up to provide certain services with very limited capital. Most Greek firms that have invested in the Balkan countries belong to this category.<sup>8</sup> It could be said that Greek FDI in South-eastern Europe, especially in Romania, Bulgaria, the FYROM, the Federal Republic of Yugoslavia (FRY) and Albania, underwent three distinct phases in the 1990s:

- o The first phase, in the early 1990s, was characterised by the fast moving small-scale transfer of capital towards the food and clothing trades, especially in Albania and Bulgaria. The results of these attempts were not always successful but presented large Greek companies with the opportunity to evaluate local markets through actual trade. Small-scale capital and middle-size Greek companies worked as pioneers for the main force of Greek business. This phase was not so prosperous for the businessmen involved, mainly because of the political and economic turbulence associated with the Balkan states' initial steps towards the free-market economy;

- o The second phase began in the middle of the 1990s and was characterised by the gradual establishment of Greek banks in Balkan states, especially in Bulgaria and Romania. This initiative of the Greek banking sector, state and private, motivated large Greek companies to follow since they could benefit from the necessary financial back up. Large Greek companies swiftly commissioned extensive market research, formulated business plans and developed numerous joint ventures with local companies that were in the process of privatisation;

- o The current, third phase, of Greek FDI in the Balkans began in 1998. It is characterised by a strong effort on the part of major Greek companies to expand their activity to more than one Balkan market, thus creating networks of establishments operating throughout the Balkan Peninsula. This type of FDI was adopted by OTE (the Greek state telecommunications company), the National Bank of Greece (NBG, the largest banking corporation in Greece), Alpha Credit Bank (ACB, the largest private bank and the second largest banking corporation in Greece), Delta SA (one of the largest dairy products manufacturing firms), 3E (the largest beverages bottling company in the country), Mihailidis (a major tobacco processing and merchandising company) as well as by others.

In particular, OTE has invested in the Federal Republic of Yugoslavia's PTT, in Albania and in Romanian Telecom, while it is currently examining the potential of similar investments in Bulgaria.

NBG has established branches in Bulgaria, the FYROM, Albania and Romania. As of March 2000, NBG was the majority shareholder of the largest bank of the FYROM, namely Stopanska Banka as well as of UBB in Bulgaria. ACB currently operates in Romania, Albania and the FYROM, where it took over Creditna Banka and through its affiliate Ionian Bank is also active in Bulgaria. Delta SA has established joint ventures in production plants in Bulgaria, Romania and the FRY. 3E operates alone or in joint ventures in all the countries of the region. Mihailidis SA has set up production units in Turkey, Albania, Bulgaria, the FYROM and Romania.

Finally, Hellenic Petroleum SA, the largest Greek manufacturing company, took over OKTA, the only oil-refinery in the FYROM, and is interested in the construction of the Thessaloniki-Skopje oil pipeline, a project that will connect Skopje's OKTA oil refinery with Greece's Hellenic Petroleum (ELPE). The \$90m pipeline will have an annual capacity of 2.5 million tons. Hellenic Petroleum is also active in Albania.

These companies have been followed by most of Greece's large companies, covering not only important manufacturing and service activities, but also primary sector activities, such as mining and energy production. It seems that the existing risks and problems in the countries of the region did not lead to a re-deployment of Greek business activity, but on the contrary to an organised and effective campaign for productive activity in these states. The reasons for this conclusion are as follows:

- o The factors that made these countries attractive to Greek investors continue, in the main, to be valid and some in fact have grown stronger. Their labour forces are skilled, labour costs are falling, opportunities for company buy-outs are increasing and privileged access to other countries in the process of transition remains strong;
- o Geographical proximity: the majority of Greek entrepreneurial activities are developing in the three neighbouring countries - Albania, Bulgaria and the FYROM;
- o The delays in investment programmes, the slackening of international investment and currency depreciations have given prospective Greek investors a breathing space, with international capital still hesitant, obstacles to market access still low and the costs of acquiring a production base by buying out existing business dropping?
- o Recent experience has shown that most Greek firms actually producing goods in these countries not only emerged intact from the crisis but in some cases even profited from the drop in production costs to expand into neighbouring markets. In contrast, those that merely traded in these markets suffered considerably from loss of demand and bad debts.

## **GREECE AND THE ECONOMIC RECONSTRUCTION OF SOUTH-EASTERN**

A new era of collaboration and of mutually beneficial economic relations among Balkan countries has opened since the transition of most of these countries to market economies. To enhance the prospects of economic development and co-operation in the Balkan area, the Greek government initiated the following policies:

### **INVESTMENT IN INFRASTRUCTURE**

Numerous infrastructure projects are being undertaken in northern Greece, enhancing regional and cross-border co-operation among the Balkan countries. Of high priority for Greece is the integration of the Balkans into the Trans-European Networks (TENs).<sup>9</sup> Some of the important TEN projects supported by Greece are:

- o Trans-European Transport Networks: these networks include the construction and modernisation of major routes connecting Greece and the Balkan countries with Central Europe. The construction of the Egnatia route, a 687 km road across Epirus, Macedonia and Thrace, as well as the routes joining the northern and southern areas of the Balkans, will basically connect Greece with the countries of the Balkans and by extension, the countries of Western and Central and Eastern Europe;
- o Trans-European Networks for Telecommunications: these networks will improve the speed, reliability and availability of communications. They will also allow the introduction of new services, thus helping countries to adjust to the requirements of the Information Society. The

improvement of telecommunication networks in northern Greece is expected to facilitate trade and communications in the South-eastern European regional market;

o Trans-European Energy Networks are also improving competitiveness, enhancing energy efficiency and securing energy supplies for the western parts of Europe. Among the most important projects is the construction of the Burgas- Alexandroupolis oil pipeline (part of a larger scheme to transport Caspian oil to the Mediterranean Sea), the extension of the existing trans-Balkan pipeline for Russian natural gas to Albania and the FYROM, and the construction of an oil pipeline connecting the port of Salonika with Skopjje.

## **CREATION OF INCENTIVES**

During the last years, a broader spectrum of actions has been undertaken to support outward-looking enterprise initiatives. Greece has extended official commercial export credits to some Balkan countries, including Romania (\$20m), the Federal Republic of Yugoslavia (\$100m to Serbia and \$10m10 to Montenegro). A decision made in 1993, by which exports to Albania can be settled in Greek drachmas, explains much of the export boom towards that country.<sup>11</sup> In order to promote the development of Greek FDI in Albania, the Greek state supports the establishment of Greek manufacturing companies in Albania through the so-called Development Acts (Acts 1892/90, 2008/92 and 2601/98). State support takes the form of grants, which account for 30 per cent of the total investment cost.

## **IMPLEMENTATION OF AN ASSISTANCE PROGRAMME**

The turbulent conditions in the Balkan region in recent years have on a number of occasions created the need for urgent action in order to safeguard human lives and minimise suffering. Simultaneously, aid has been called for in order to promote development and stability, in an effort to avert the recurrence of such events. These factors have played a central role in the choice of projects that the Ministry of Foreign Affairs funds. In certain instances, the Greek Ministry of Foreign Affairs is directly involved in running emergency relief programmes and distributing aid. This is the case in Albania, in the conflict in Kosovo (under the framework of the so-called Focus programme in collaboration with Austria, Russia and Switzerland) and the earthquakes in Turkey.

The Greek Ministry of National Economy is implementing another, separate programme devoted primarily to development aid.<sup>12</sup>

The Greek government has made available Dr180bn, approximately \$586m, for the five-year period, 2000-2004, for this purpose. Finance for the plan comes directly from the Greek State Budget, underlining the sincerity of Greek intentions to promote the region's prosperity.

Within the framework of the Plan, projects dealing with social development will be supported by up to 100 per cent of their total costs, while projects dealing with business joint ventures will be supported by up to 50 per cent of their total value.

The Plan's budget distribution is presented in detail in Tables 4 and 5 below.

**TABLE** **4**  
**HELLENIC PLAN FOR THE ECONOMIC RECONSTRUCTION OF THE**  
**BALKANS: DISTRIBUTION OF FUNDS PER PRIORITY SECTOR (\$M)**

Notes:

- o 'Social infrastructure' comprises health, education and housing;
- o 'Economic infrastructure' includes transportation, telecommunications, energy and feasibility studies;
- o 'Production sectors' comprises manufacturing, trade and cultural development.

**TABLE 5**  
**HELLENIC PLAN FOR THE ECONOMIC RECONSTRUCTION OF THE BALKANS: DISTRIBUTION OF FUNDS PER COUNTRY (\$M)**

It was considered expedient that there should be a basic allocation of resources into three categories:

- o The first category refers to the social infrastructure of the four countries and the region of Kosovo and particularly concerns the fields of education, health and housing;
- o The second category refers to the economic infrastructure. This includes the sectors of transportation, telecommunications, energy, as well as feasibility studies that will be financed by Greece;
- o The third category refers to the production sectors. In this are included industry (investments), culture and trade.<sup>13</sup> The success of this initiative will be based on close private partnership. From the early design stages, the Greek government has involved the private sector, which in its turn has contributed considerably to the formulation and elaboration of the main actions contained in the plan.

**THE PROMOTION OF INTERREGIONAL CO-OPERATION**

Greece has moved since 1995 towards developing its relations with the Balkan countries, not only at the bilateral level but also at the multilateral level, taking initiatives promoting regional stability through the establishment of regional co-operation schemes and participating in almost all of them.<sup>14</sup>

Greece is participating in:

- a) The South-eastern European Co-operation Process (SEECP), which must be viewed as the continuation of the Balkan Co-operation scheme that was inaugurated in February 1976 in Athens. In December 1999, in Bucharest, a Charter on Good Neighbourly Relations, Stability, Security and Co-operation in South-Eastern Europe was signed. In Ohrid, at a meeting of the Ministers for Foreign Affairs on 14 July 2000, developments in Kosovo, Bosnia and Yugoslavia were discussed.<sup>15</sup> The ministers commended the substantial efforts of the Committee of Political Directors for a more active inclusion of the SEECP in the Stability Pact, particularly in harmonising and co-ordinating the positions of the SEECP participating countries towards the implementation of the Stability Pact;
- b) The bilateral meetings of Ministers of Foreign Affairs between Greece, Bulgaria and Romania, between Greece, Albania and the FYROM and between Greece, Turkey, and Bulgaria;

- c) The Stability Pact for South-eastern Europe. Greece enthusiastically supported the formation of the Stability Pact and firmly declared that its goals for peace and stability in the area are well served through this initiative;
- d) The Royaumont Process;
- e) SECI;
- f) The Multinational Peacekeeping Force for South-eastern Europe, and
- g) The Black Sea Economic Organisation.

Salonika, the metropolitan centre for northern Greece, with its ideal geographical position and excellent port facilities, is playing a pivotal role in some of these co-operation schemes. It was selected as the seat of the Agency for the Reconstruction of the Balkans, which was set up by the European Union and of the Black Sea Trade and Development Bank. Salonika is also hosting some of the activities and meetings of the Stability Pact for South-eastern Europe.

### **GREECE'S ROLE IN THE GRADUAL INTEGRATION OF SOUTH-EASTERN EUROPE INTO THE NEW EUROPEAN ARCHITECTURE**

As regards the European Union, Greece, due to her own accession experience, is in a good position to support and to assist the other countries of South-eastern Europe in preparing for EU membership. This is now occurring on a continuing basis, with seminars, projects and the exchange of experts. Integration into the EU is seen as a powerful factor, capable of contributing decisively to the consolidation of stability, democracy, a market economy and prosperity in the region. Greece, in particular, believes that the EU framework can provide the means for cementing peaceful relations in the region, mainly through an integration process that can bring about the same reconciliation as it did in the case of France and Germany. For Greece, the option of leaving even part of the South-eastern European region permanently outside the European structures would be potentially explosive and destabilising.<sup>16</sup>

EU programmes have been an important factor in the development of cross-border activities with Albania and Bulgaria, specifically under the framework of the Interreg I (1991-1993) and Interreg II programmes (1994-1999).<sup>17</sup> Overall, the implementation policies of cross-border co-operation within Interreg I and II have contributed to the creation of significant contacts, links and networks among private firms, citizens and organisations on both sides of the Greek-Albanian and Greek-Bulgarian borders and more recently on Greek- FYROM borders.<sup>18</sup>

### **CONCLUSIONS**

The post-1989 economic performance of Greece in South-eastern Europe has been remarkable. A zone of Greek economic influence comprises its three neighbouring countries, Albania, the FYROM and Bulgaria. The Greek private sector has already undertaken specific initiatives. Greek corporations have been very active in Balkan countries with investments of more than \$2.5bn. Knowledge of local economies, stable business links and proximity to headquarters make Greek entrepreneurs valuable partners for business expansion in the area. The sectors with the most solid opportunities for expansion are construction, food industry

and banking. Greek public corporations have also been involved in the reconstruction of infrastructure networks particularly during the last few years.

Proximity to other countries in South-eastern Europe and the traditional trade issues of Greek businessmen offer opportunities to these countries also. For some of the countries in the region, Greece represents, in its traditional role as a commercial crossroads, one of the most important markets in the area. As such, it can contribute to the efforts of the transition economies in the restructuring and stabilisation of their economies. Finally, the close economic links which Greece has developed in the area offer the potential for American and European firms working with Greek companies. Many European and American companies could target the South-eastern European markets and form a base in Greece or proceed in joint venture investments with Greek firms.

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1 See L. Tsoukalis, 'Conclusion: beyond the Greek Paradox' in G. Allison and K. Nicolaidis (eds.), *The Greek Paradox. Promise vs. Performance*, Cambridge, Mass: MIT Press, 1997, pp. 170-171. From the Greek perspective, the collapse of the communist regimes and the dissolution of Yugoslavia created the following important risks: first, it resulted in the emergence of an independent 'Macedonian' state. Athens, instead of using the EU's potential and offers for tackling the real problem of security through negotiations and of capitalising on the Former Yugoslav Republic of Macedonia's (FYROM) natural economic dependency on Greece, chose to concentrate almost exclusively on the task preventing the international recognition of the FYROM under its constitutional name. Second, new prospects for Turkish penetration of the Balkans were opened up. Apart from damaging its prospects for a new role in the Balkans, Greece's decision to become embroiled in the disputes of the region enabled Turkey to take initiatives to spread its influence in the area, something that Greece was committed to averting. Third, the preservation of Serbia as a significant factor in the Balkan balance of power was seriously disputed. As a consequence, Greek policy in the Balkans after the breakdown of the Yugoslav federal system reflected reactive tendencies, relying too heavily on old patterns, such as, for example, Greece's traditional relationship with Serbia, rather than on boldly promoting new regional ties. Fourth were the re-emergence of long suppressed nationalist feelings especially in Albania and Bulgaria. These nationalist feelings manifested themselves in particular in the treatment of the Greek minority in southern Albania and the Bulgarians' consideration that developments in Yugoslavia would reduce or even terminate Yugoslav-Serb control over the territory of the Republic of Macedonia, a land the Bulgarians had not ceased to view as one of the historic Bulgarian lands.

2 D. Triantaphyllou, 'The Greek Approach to the Balkans', *The Southeast European Yearbook 1997-98*, p. 203.

3 Greece's refusal to consider even a synthetic, hyphenated name for the FYROM, as proposed by the EU and other international organisations, coupled with the campaign that Greece launched against the diplomatic recognition of the state, resulted in Greece's complete isolation in the context of the EU and the wider international system.

4 The overall importance of Balkan trade to Greece is, of course, limited when compared, for instance, with the EU, which accounted in 1996 for over 50 per cent of the country's exports and over 60 per cent of its imports.

5 See G. Petrakos- N. Christodoulakis, *Economic Developments in the Balkan Countries and the Role of Greece: from Bilateral Relations to the Challenge of Integration*, Discussion Paper No. 1620, Department of International and European Economic Studies, Athens University of Economics and Business, April 1997, p. 13. Sotiris Wallden, however, points out that there is a risk "a Balkan 'opening' will take the form of a qualitative downgrading of Greek production." Such a process could, in the long-run, have serious economic and political consequences, as Greece would seem to be seeking refuge in a marginalised Balkan area. See A.S. Wallden, 'Greece and the Balkans: Economic Relations' in V. Coufoudakis, H. Psomiadis and A. Gerolymatos (eds.), *Greece and the New Balkans: Challenges and Opportunities*, New York: Pella, 1999, p. 121. See also L. Lambrianidis, 'The Opening of the Balkan Markets and Consequent Economic Problems in Greece', *Modern Greek Studies Yearbook*, Vol. 12, 1996.

6 The decrease in Greek exports to the FYROM during the embargo period pressed the business community in Northern Greece, who was suffering losses and losing opportunities in FYROM, to ask for a speedy reappraisal of policy, including the lifting of the embargo.

7 In 1997, the relative share of Greek exports in the total value of Bulgarian imports reached a low of 4.2 per

cent. Nevertheless, the rather low level of bilateral trade has been significantly compensated for by the volume of Greek direct investments originating either from Greece or other countries (mainly Cyprus and Luxembourg). For Greek-Bulgarian trade relations see I. Stefanov, 'Current Problems and Prospects of Bulgarian-Greek Trade Relations', in L. Maroudas and C. Tsardanidis (eds.), *Greek-Bulgarian Relations: Contemporary Economic and Political Aspects*, Athens: Papazissis/Institute of International Economic Relations, 1995, pp. 403-408, and S. Wallden, 'Greece-Bulgaria Trade Relations', in L. Maroudas and C. Tsardanidis (eds.), *Greek-Bulgarian Relations: Contemporary Economic and Political Aspects*, *ibid.*, pp. 333-410 (in Greek).

8 See I-D. Salavrakos, *The Black Sea Economic Co-operation: Macro and Microeconomic Dimensions of Integration with the Global Economy*, Athens: Kritiki, 1999, p. 99.

9 A-S. Wallden, 'Greece and the Balkans: Economic Relations', in V. Coufoudakis, H. Psomiadis and A. Gerolymatos (eds.), *Greece and the New Balkans: Challenges and Opportunities*, p. 120.

10 The export credits to Serbia have not materialised yet due to the imposition of international sanctions on Serbia.

11 A-S. Wallden, 'Greece and the Balkans: Economic Relations', in V. Coufoudakis, H. Psomiadis and A. Gerolymatos (eds.), *Greece and the New Balkans: Challenges and Opportunities*, New York: Pella, 1999, p. 108.

12 See S. Miliggos, 'The Greek Policy of Development Assistance', in A. Chouliaras (ed.), *International Development Assistance towards the 21st Century*, Athens: Institute of International Economic Relations, Exantas, 1998, p. 227.

13 General Secretariat for International Economic Relations, *Hellenic Plan for the Economic Reconstruction of the Balkans*, Athens: Ministry of National Economy, 1999.

14 See H. Kondonis, 'Prospects for Balkan Cooperation after the Disintegration of Yugoslavia', *East European Quarterly*, Vol. 32, No.3, Fall 1998, p.377.

15 Yugoslavia was not invited to the meetings in Bucharest and Ohrid and it was agreed that the Federal Republic of Yugoslavia's chair was temporarily vacant - to be resumed as soon as conditions would allow.

16 See P.C. Ioakimidis, 'Greece, the European Union and Southeastern Europe: Past Failures and Future Prospects' in V. Coufoudakis- H. Psomiades- A. Gerolymatos, *Greece and the New Balkans*, *op.cit.* p.187

17 The Interegg II programme targeted Greek northern border regions including those with the FYROM.

18 G. Petrakos, *The New Geography of the Balkans: Cross Border Co-operation between Albania, Bulgaria and Greece*, Volos: University of Thessalia, 1996, p. 264.