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Project coordinator name: **Prof. David SMALLBONE**

Project coordinator organisation: **Small Business Research Centre (SBRC),
Kingston University
Kingston Hill
Kingston-upon-Thames
Surrey KT2 7LB, UK**

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1 Introduction

The CBCED project is investigating the challenges and prospects for cross border co-operation (CBC) for entrepreneurs in border areas affected by EU enlargement. The project seeks to identify sources of threat and opportunity for entrepreneurship in a broadly based selection of different types of border region, together with the types of policy response required at the EU, national and regional levels to influence these. Following a review of the existing evidence base and of relevant theoretical literature, the methodology employed involves a combination of secondary data and primary, empirical investigation in the case study border regions listed below.

The document represents Deliverable 11 of the CBCED project. It contains the regional summary report for the Florina case study region, which is one of 12 regions included in the CBCED project for detailed empirical investigation. These case study regions are:

- Imatra and Tornio in Finland
- Gorlitz and Hochfranken in Germany
- Biala Podlaska and Zgorzelec in Poland
- Florina and Serres in Greece
- Kyustendil and Petrich in Bulgaria
- Ida-Viru and the South East region in Estonia

The purpose of the regional summary reports is to present a summary of the main results from each of the case study regions, in which empirical investigation has been undertaken. The regional summary reports are intended to complement the papers (Deliverables 12-16) related to each of the substantive work packages.

The content of each regional summary report follows a broadly harmonised framework. Following this introduction, subsequent sections are:

- Section 2, which provides a profile of the case study region in terms of economic development; entrepreneurship; social, cultural and historical perspectives; the

policy environment for entrepreneurship development and cross border co-operation; and an assessment of the future potential for CBC.

Section 3, which summarises cross border co-operation involving institutions, paying attention to enabling and constraining influences; examples of positive and negative experience of institutional CBC in the region; evidence of cross-border clusters, if any; an assessment of any enlargement related effects on institutional cross-border co-operation; and policies for institutional and enterprise based CBC. This section is based mainly on the findings of interviews with key informants and business support organisations in the region.

Section 4 is concerned with cross-border co-operation, involving enterprises. Specific topics covered include: the types of CBC that enterprises are currently involved in; characteristics of enterprises involved in CBC, including foreign partners; evidence of change in CBC over time; the costs and benefits of CBC to enterprises; positive and negative lessons from CBC; the role of trust in enterprise-based CBC; enlargement-related effects (if any); use of external assistance and participation in public policy programmes; and policy issues identified. This section is based on interviews with entrepreneurs and/or senior managers of enterprises

Section 5 is concerned with informal and household-based cross border co-operation. Specific topics covered include the characteristics and types of informal and household-based CBC identified; the background and characteristics of participants in this type of activity; enabling and constraining forces; evidence of change over time, including current trends and future prospects; the role of trust; any enlargement-related effects; and policy issues.

Section 6 contains a summary of the main conclusions. Following an overall Assessment of CBC in the region, the section summarises findings in the region in relation to each of the main substantive topics featured in the project. These are enlargement-related issues; clustering-related issues; identity and perception-related issues; trust-related issues; and policy issues. The section ends with a summary assessment of future prospects for CBC in the region.

2. Profile of Cross Border Region

The main aim of this Chapter is to draw an introductory picture of the Greek case study regions (CSR), namely the Prefectures of Florina and Pella, which border with the regions of Bitola and Prilep in the Former Yugoslav Republic of Macedonia (f. Y. R. of Macedonia):

Figure 1 Case Study Regions



⊗: Crossing point

Source: Regional Development and Policy Research Unit, University of Macedonia, Greece

1.1 Economic Development: Characteristics and Key Issues

The *Prefecture of Florina* is located in the Region of Western Macedonia, bordering with the f. Y. R. of Macedonia to the north and Albania to the east. The regional economy is considered to be an agricultural one, since a large share (33.2 per cent) of the economically active population is engaged in the primary sector. Agriculture is oriented towards cattle-breeding and forages production, while the most important cultivations include potatoes, cereals and beans. However, the primary sector is not able to create satisfactory income sources for the farmers, owing to the small size of the cultivations and the low added value of the specific activities (Florina Development Enterprise, 2005).

The contribution of the primary sector to the regional Gross Domestic Product (GDP) accounted for 18.1 per cent in 2004, as opposed to 62 per cent and 19.7 per cent for the tertiary and secondary sector respectively (Greek Regions, 2007). The area presents a limited outcome in the secondary sector, which includes small manufacturing units engaged in the food and drinks industry, while some noteworthy activity is reported in the field of electric power production by lignite. As far as the tertiary sector is concerned, it mainly involves the provision of tourism services along with commercial and retailing activities, especially in the urban centres of the Prefecture, namely the city of Florina and Amyntaio.

It is worth mentioning that until the mid 1990s, there were many commercial exchanges with the Northern side of the borders, namely the cities of Bitola and Prilep. This activity was limited during the embargo period implemented by the Greek State due to the 'name issue' ('Macedonia') back in 1994. As a result, the consumers and the entrepreneurs turned away from the f. Y. R. of Macedonia towards other markets (Bulgaria, Turkey). In fact, according to the key informant interviews conducted at the CSR¹, transactions between the two cross border regions were never fully restored, thus creating negative impacts on the local economy.

¹ Key informant interviews were conducted during the fieldwork of the CBCED Project in the area, including individuals from a wide range of organizations, i.e. Local Authorities, Chambers of Commerce, regional development agencies and other experts from institutes and NGOs active in CBC.

The economy of the Prefecture of Florina is generally small in size and faces extended economic problems, namely low levels of GDP, unemployment and absence of investment activities. In 2004, regional GDP stood for 58.5 per cent of the EU average, reaching 15,551 € (in purchasing power parities), while during the period 2001-2006, unemployment exceeded 15 per cent (Eurostat, 2007). These negative aspects of the regional economy are partly attributed to the Greek State, since local entrepreneurs and authorities feel somehow isolated from the rest of the country (Business Support Organisation, 2007).

Similar is the case for the *Prefecture of Pella*, which is located at the Region of Central Macedonia and borders with Florina to the east and the f. Y. R. of Macedonia to the north. The leading economic activity is supposed to be agriculture, while the dominant cultivations of the area include fruit trees – mostly peaches, apples and cherries - as well as cereals. Once more, the statistical data show that the tertiary and not the primary sector is the most important in terms of contribution to the regional GDP. More particularly, in 2003, the latter accounted for 23.3 per cent of the regional GDP, while the contribution of the tertiary sector equalled 61.4 per cent (Greek Regions, 2007). This could be further supported by the view that the largest city of the Prefecture (Edessa) is '*mainly a city of civil servants*' (Business Support Organisation, 2007). Local industry is rather underdeveloped and includes some small manufacturing units, mainly engaged in fruit processing and canned fruits production. Consequently, the contribution of the secondary sector to regional GDP is limited to 15.3 per cent.

Pella's GDP reached 11,085 € (in purchasing power units) in 2004, slightly exceeding (51.6 per cent) the EU average figure (Eurostat, 2007). These figures place the region at the 41st position among a total of 52 Greek Prefectures in terms of per capita GDP. Lastly, for the period 2001-2006, unemployment rates are estimated to be approximately 10 per cent.

Economic growth is mainly hindered by the fact that several local manufacturing units of the clothing sector relocated their production to countries such as Bulgaria, Turkey and the f. Y. R. of Macedonia. This pattern was introduced during the 1990s in Greece (Labrianidis, 2000), leading in the mass closure of subcontracting units

that operated also in Pella and inducing numerous negative impacts on the regional economy (Business Support Organisation, 2007).

The local authorities make a great effort to attract tourists (both from inside Greece as well as from the f. Y. R of Macedonia) in the Region by promoting its rich natural resources, such as the waterfalls of Edessa. However, visits to the Prefecture are scheduled mainly on the basis of one-day trips, while at the same time, Thessaloniki acts competitively since it constitutes the main destination of tourist inflows. Adding on that, the poor road infrastructure creates additional barriers for economic development, given that Pella lacks direct access to the Egnatia Motorway, which inevitably further reduces Cross Border Co-operation (CBC) opportunities.

In conclusion, four key issues are identified, which influence the economic development of both Regions: firstly, the 'name issue', which has a negative impact on the economies both of Florina and Pella. Secondly, the metropolitan role of Thessaloniki, which is the economic centre of Northern Greece and acts as a competitor of both Regions; this uneven relationship is further aggravated by the small size of the regional economies. The third issue is related with the poor transport infrastructure, resulting in lower levels of economic interaction with both the rest of the country and the Balkans. Lastly, all representatives from the local authorities attributed the absence of investment incentives in the area to the inability of the core to recognise the needs of the periphery:

The State has forgotten the border regions; we feel like the last living souls in Greece.
(Business Support Organisation, 2007)

1.2 Entrepreneurship Development

Entrepreneurship development in the CSR is affected by the general characteristics of the Greek economy. The first is related to the size of the business entities, since enterprises employing 50 persons or less form about 99.55 per cent of the total number of enterprises in Greece (Hellenic Organisation of Small Medium sized Enterprises & Handcrafts, n.d.). This is the case for Florina and Pella as well, where a general and noteworthy absence of FDI that could support the creation of larger business entities, is also reported. Despite the fact that new business start-ups are noticed -in a ratio of two new firms for each one that closes down- these are mostly

small sized and family owned entities, which are unable to exploit the opportunities arising in the neighbouring Balkan markets (Business Support Organisation, 2007). Apart from that, in terms of employment and contribution to the regional GDP, most of the firms located at the CSR activate in the tertiary sector. Most of them are engaged in service provision, including tourism accommodation, restaurants and cafés and they, in essence, constitute self-employment units. This form of employment accounts for more than 30 per cent of the total employment in the whole country, partly owing to the general level of economic development (Blanchflower, 2004) and to the fact that it constitutes an alternative solution to high unemployment rates, especially in the CSR. At this point, it should be noted that unregistered self-employment is also quite wide spread in the area (Business Support Organisation, 2007).

Another important entrepreneurial characteristic refers to the general lack of co-operation between the Greek firms, which is the case for the Greek CSR as well. This limited co-operation in the form of exchanging information even for benchmarking purposes is attributed to the fears that their 'secrets' would leak to competitors (Makridakis et al., 1997:392) and the owners' inability to understand that co-operation and competition are not necessarily mutually exclusive.

1.3 Social, Cultural and Historical Perspectives

The Prefecture of Pella could be depicted as an area that is largely dependent on Thessaloniki, due to its proximity. Florina is more remote, but at the same time more underdeveloped. The leisure industry in these cities is very developed, including coffee shops, restaurants and bars, which could be partly attributed to the presence of student population. Still, the local authorities believe that this could be increased by further promoting the higher education institutions that currently exist in both cities (Business Support Organisation, 2007).

Bitola and Prilep are important regional cultural centres, including festivals and permanent cultural institutions. The Region's leisure industry is also quite developed, including bars, restaurants, hotels, important archaeological sites, an international

ski resort and a casino. It is worth mentioning that the Region is a privileged destination for daily excursions from Greek bordering regions.

The present population of the Florina - Pella region is mainly the result of population movements and exchanges that occurred in the context of the Ottoman Empire, during and soon after its dissolution (1912-1914).

An important feature of the area deriving from these movements is the existence of an important Slav-speaking (bilingual) population in the Greek CSR. This population has kinship ties with the other side. In Florina-Pella one can find people originating from the f. Y. R. of Macedonia who still have relatives there. The same applies for some Greek speaking people in Bitola who have relatives or/and origins from the Greek side.

It must be noted that the f. Y. R. of Macedonia reached the status of sovereign and independent state in 1991. An important feature of the newly founded country was the dispute with Greece regarding the country's name ('Macedonia'), its ethnic symbols and its alleged irredentist policies. From the beginning, Greece obstructed in various ways the use of the official name 'Republic of Macedonia' by stating that its use meant nationalist and expansionist policies. This dispute remains still unsolved and in most of the cases acts as a constraining factor for the development of the CBC as it will be presented later on.

1.4 Policy Environment for Entrepreneurship and CBC

Regarding the level of development of governance structures in terms of fostering entrepreneurship in the CSR, it could be argued that despite the efforts that have been made towards this direction, the economic development and entrepreneurship in the CSR still remains at low levels. Apart from setting the necessary legal framework, the funds allocated via the state participation in EU programmes were also directed towards the development and structural adjustment of the less developed Regions (including areas in the Regions of Central and Western Macedonia).

However, governance problems are reported in several occasions, since the authorities in Florina and Pella complain about the lack of supportive national

policies for entrepreneurship, development and CBC. This has to do with the special difficulties these areas face (unemployment, low investment rates, entrepreneurship education), which have already been mentioned in the previous section and seem to affect regional disparities. A highly important point is that regional policies are very limited due to the highly centralised structure of the Greek state. Research or innovative policies are mainly decided upon in Athens or Thessaloniki, without taking under account the actual needs of the peripheral economies (Business Support Organisation, 2007).

As far as SMEs are concerned, the empowerment of their role within the economic system is one of the first priorities for the state. However, despite the actions that have already been taken, the supporting and policy making institutions still remain to a great extent unsatisfied, both on the national and the regional level. This will be discussed in detail in the 4th Section.

Concerning the legal and business environment for CBC in the CSR, it is useful to examine the developments on the other side of the borders in the first place. Until recently, it was the same with the one established under the Yugoslav Federation. However, the government of the f. Y. R. of Macedonia is presently committed to limit or even remove the aspects of the existing legislation that are at odds with the prevailing code of law across Europe, which also hinder –among others- the establishment of enterprises and the development of entrepreneurship. Examining the effect of the governance structures on the CSR entrepreneurship and cross border co-operation, it is possible to say that specific measures from both governmental and non-governmental organisations have proved to be efficient. The fact that Greece constitutes one of the major destinations of the f. Y. R. of Macedonia's exports is indicative; almost all cargoes transported from Greece by sea and destined to that country pass through the port of Thessaloniki. There is a shared expectation between local entrepreneurs and, to lesser extent, authorities that the diplomatic re-approchement between Greece and the f. Y. R. of Macedonia could lead to a radical improvement and actually boost the local entrepreneurial activities. As they note, they *'have suffered long enough'* by the ups and downs of foreign policy (Local Authority, 2007). This foreign policy issue between these

countries is a dominant characteristic of the local entrepreneurship environment and constitutes a crucial factor for the implementation of any further CBC policy.

Undoubtedly, the EU policies have a decisive impact on the CSR, since its supporting programmes and directions have fostered entrepreneurship and cross border co-operation in the specific bordering areas, as part of the enlargement process and the effort to promote economic and social cohesion. At the same time, the high symbolical and practical dimension of the EU can have a decisive effect on the diplomatic resolution of any tension between these two countries. A local SME representative stated that *'during the last 3 years, that EU became more involved, things took a more serious and responsible turn'* (Business Association, 2007).

1.5 Potential for Future CBC

According to most of the key informants, the potential for future CBC depends first of all, on the settlement of the national issues between the two countries and secondly, on the development of regional financial policies that would strengthen the local economy.

There are numerous centrally planned policies that aim to promote entrepreneurship. Economic incentives that are provided by developmental laws are such an example. Moreover, the 4th Community Support Plan is expected to boost entrepreneurship and CBC initiatives. One could also mention LEADER and EQUAL European initiatives. I also consider that there is a great lack of market orientation within institutions of higher education in Greece. (Local NGO, 2007)

They suggest that tourism development, trading of local products and the reinforcement of the Public Electricity Enterprise in Florina constitute a future potential for CBC. The latter is considered to promote CBC through the expansion of its activities in the f. Y. R. of Macedonia and the co-operation of the two sides in the sector of electricity.

The economic strength of our region relies on three important economic sectors. The first one is the entrepreneurial initiatives that have to do with tourists, or "visitors", as we prefer to say. Our prefecture is comprised of numerous beautiful sites. Secondly, there is the presence of the Public Electricity Enterprise (DEI), which seems to hold a developmental potential, along with the various secondary activities that are related to it. Thirdly, there is an emerging field of entrepreneurial initiatives that work on the production, promotion and trading of local traditional products. The latter could be labeled as the most important economic sector in the region. (Business Support Organisation, 2007)

2 Institutional Cross Border Co-operation

This Chapter provides information about the current institutional CBC activities in the Prefectures of Florina and Pella, mainly based on the interviews with key informants and representatives from local business support organisations. The interviews took place in June-July 2007 at the cities of Florina, Edessa, Giannitsa and Kozani. The interviewees were members of the local administration (Municipalities, Prefectures) and other institutions (Developmental Enterprises, Chambers of Commerce, NGOs).

2.1 Nature and Extent of Current Institutional CBC

During the last years, an important factor that has shaped institutional CBC experience in the CSR of Florina-Pella is the EU development programmes. The most significant effort was undertaken under the Operational Programme “*INTERREG III Greece - Former Yugoslav Republic of Macedonia 2000-2006*”.

This programme aims at building on the results of the previous INTERREG (II) programme, which was active until 1999. The programme includes –among others– the co-operation of the Greek Prefectures of Thessaloniki, Pella and Florina with various Municipalities in the Region of Pelagonia in the f. Y. R. of Macedonia.

The institutions in the region of Florina that are currently involved in (or have submitted proposals for) CBC in the context of INTERREG are: the Municipality of the city of Florina, the Prefecture of Florina, the Chamber of Commerce, the Development Enterprise, the Traders Association, the Prespa Protection Society and the Centre for Inter-Balkan Co-operation (CIBC) in Kozani. Apart from the INTERREG programme, local institutions are involved in other European and international programmes as well.

The Prefecture of Florina had been previously involved in cultural CBC activities (such as musical festivals, sports meetings), some of which still take place, although not frequently. Institutions from the other side of the borders were present in all these actions, i.e.:

- a) The “Roads of Culture in South-Eastern Europe”, which led to a conference in Florina in 2005. Bitola administration participated in this event. This network was reported to be still active, although no other meeting followed since.

- b) The Symphonic Orchestra of the Balkans (participants: the municipalities of Florina, Bitola, Vili (Bulgaria), Korča (Albania)).
- c) Meetings in the ski centre of Florina.

Only cultural CBC programmes exist, which mainly serve the normalization of the relations, in order to overcome larger barriers in the future and make people willing to cooperate and overcome their fears. This is their goal. (Local Authority, 2007)

The Municipality of Florina has no current CBC, but there have been submissions of proposals for CBC in the upcoming INTERREG programmes.

The Florina Chamber of Commerce, through INTERREG II, has established a bureau for monitoring entrepreneurship in Bitola. Also, a database was created to facilitate the monitoring of cross border entrepreneurship and record the legislative framework for business. (Business Support Organisation, 2007)

Florina Development Enterprise participates in various programmes implemented under the INTERREG and LEADER programmes, focusing their actions on eco-tourism and environmental issues. They also take part in the Ohrid/Prespa Euroregion project. CIBC in Kozani is the principal bearer of the Ohrid/Prespa Euroregion project for the Greek side. This Euroregion includes participants from Greece, the f. Y. R. of Macedonia and Albania. The CIBC will be participating in the Euroregion through a support and consulting perspective.

In the region of Pella, the institutions that are currently involved in (or have submitted proposals for) CBC in the context of INTERREG and other international programmes are: the Municipality of the city of Edessa, the Prefecture of Pella, the Chamber of Commerce, the Developmental Enterprise and the Municipality of Giannitsa.

The Prefecture of Pella and the Development Enterprise of Edessa have never been involved in any kind of CBC in the INTERREG frame. However, they have submitted for some INTERREG IV actions, whereas past programmes they were involved in, did not have any CBC perspective. (Business Support Organisation, 2007)

The Pella Chamber of Commerce has established co-operation with the Commerce of Bitola, through the INTERREG III initiative. Their co-operation has to do with the dissemination of know-how on organization and administration issues. (Business Support Organisation, 2007)

The Municipality of Edessa has established a form of CBC with municipalities from the f. Y. R. of Macedonia. They have a long term interaction and co-operation with Bitola, Cavardaci, and Prilep, beyond the typical stages of INTERREG. There is also

a network of cities in the Balkan Peninsula that participate in town-twinning projects, which has its headquarters in Edessa. The Municipality funded through INTERREG a programme for the lighting of the waterfall. The other side is at the moment developing a project related to water resources of the region. Thus, the needs of both areas are met (Local Authority, 2007).

The Municipality of Giannitsa has no current CBC with the f. Y. R. of Macedonia. However, in 2007, KPE (centre for environmental training) was founded to implement programmes at the Loudias River, which is to become an international rowing centre.

2.2 Enabling Factors for CBC

The proximity of both Florina and Pella to the f. Y. R. of Macedonia can be considered to be a major enabling factor for CBC. The Niki border station, which is situated between Florina and Bitola, as well as the immediate proximity of Florina to Bitola (18km, approximately a 30 minutes driving distance) provides the latter region with a relative advantage in comparison to Pella.

Other important factors that have to be taken under account and that were mentioned by many interviewees are the traditional mobility patterns between local populations, as well as family and friendship networks. In some cases, the existence of an important slav-speaking population in the Greek CSR was mentioned as an enabling condition for past and future CBC.

It must be noted that many local key informants depicted Florina as organically linked to Bitola. The allusion to Ottoman times (when national borders were absent and notions of national citizenship were still in the process of being shaped) helps institutional representatives narrate the past, but also imagine future CBC.

A common cultural background, such as the knowledge of the Slavic language, has helped some entrepreneurs in their activities in the f. Y. R. of Macedonia. It is logical that those who are termed as 'locals', in contrast to the descendants of Minor-Asian Greek refugees, have some advantages in CBC activities. Those who speak Slavic are more apt to communicate, as well as to earn someone's trust. (Local NGO, 2007)

There are also important cultural and historical ties between the two regions. Furthermore, the majority of Florina's population consists of 'autochthonous' Slavic-speaking or descendants of Slavic-speaking populations. (Business Support Organisation, 2007)

Relations between these bordering regions were described as positive and permanent, even during the Yugoslav period.

There is trust; the locals have always maintained good relations. Before 1912 the Greeks lived in Monastiri [Bitola]. Trading with North and Northeast Europe was conducted through Korča and Monastiri. They were trading products and Florina was the in between station. In the after war era people were crossing the borders only with IDs. (Business Support Organisation, 2007)

Until 1993 there was a consumer effusion in the commercial stores in Florina. There were 2000 visitors from the f. Y. R. of Macedonia every Monday and Saturday and every 4000 on Wednesday. (Business Association, 2007)

Even though relations between the f. Y. R. of Macedonia and Greece underwent a serious crisis in the 1990s, some representatives noted that Greek foreign policy somehow included the restoration of relations with the f. Y. R. of Macedonia in the Greek economic expansion policy towards Balkan countries. This was reflected in the considerable amount of Greek investments in that country and in some financial aid programmes, such as the ESOAV.

Greek foreign policy is interpreted by many interviewees as a manifold issue, sometimes leading to contradictory policies and conditions. The late 1990s and early 2000s period is depicted as leading to the involvement of the Greek national government in some CBC activity. Moreover, the introduction of INTERREG funding programmes helped many Greek local representatives establish first time relations with their cross border counterparts (even if this was in a general problematic context that could be attributed to the limited viability of INTERREG related initiatives). Any EU enlargement perspective in the area is interpreted as positive concerning CBC.

Regarding our CBC experience, most of it has been gained in the context of the INTERREG European initiative. Countries such as Albania and the f. Y. R. of Macedonia have been included in the INTERREG programme. [...] Greece - f. Y. R. of Macedonia INTERREG programmes started in the late 90s, if I remember correctly in 97-98. We were not involved in that first phase. There was significant interest for these programmes from their very beginning. As you know, money helps people overcome their reluctance. (Business Support Organisation, 2007)

On the other hand, according to one interviewee, the post-Yugoslav restructure of the public administration has led to policies facilitating institutional CBC (as it will be

pointed out further on, many other interviewees have a different opinion regarding the public administration of the country).

Albania and the f. Y. R. of Macedonia have adapted themselves to the new trends of flexible organization and funding. State personnel are evaluated according to the number of foreign funds or projects that they finally manage to obtain, as well as their efficiency and final absorption. Obtaining funds and projects is a crucial feature of these countries' administration and NGOs. We can't compare to them... It is something like the EU projects culture in Greece. But in these countries, a small loss of any kind of fund is very important, in contrast to Greece where European millions are lost, without anyone caring. (Local NGO, 2007)

The world wide increasing need for environmental policies, as well as the geographical proximity of these regions rendered environmental CBC quasi-inevitable. E.g. environmental projects concerning the protection of Lake Prespa, bears and other wild species constitute apt CBC examples.

The CBC potential between Florina and Bitola is further reinforced by our common environmental issues, such as the Prespes Lakes, bear populations or other animal populations that do not understand what a borderline is! (Business Support Organisation, 2007)

The implication of NGOs and many informal practices on behalf of local institutions are also mentioned as enabling CBC factors that help bypass the rigidity of national policies.

In those cases, it's strictly business; people speak in a professional, entrepreneurial way and don't pay any interest to politics.[...] Things are very different when it comes to NGOs or private partners [...] Throughout time, our CBC have evolved in a normal and satisfying way. Additionally personal ties have developed, as I can judge from my involvement in the ARKTOUROS programmes. Problems occur every time the f. Y. R. of Macedonia officials get involved. (Business Support Organisation, 2007)

I used to consider signatures a decisive factor in any kind of co-operation, but this case has shown that informality can also lead to excellent results. (Local NGO, 2007)

2.3 Constraining factors for CBC

The major constraining factor that dominates the perceptions of all interviewees on CBC is the foreign policy issue between Greece and the f. Y. R. of Macedonia as to the use of the term "Macedonia" in the latter's official name. This political dispute dates from the beginning of the 1990s and reached its peak with the imposition of a Greek embargo on the f. Y. R. of Macedonia during 1994-1995. The post-embargo

period led to a certain amelioration of interstate relationships, but some interviewees mentioned that during last two-three years, diplomatic relations have once again aggravated.

Even though it is not stated publicly, funds will delay and problems will pertain, on purpose, until the name issue is solved. (Local Authority, 2007)

The embargo period, in combination with the unstable and many times critical diplomatic relationships between the two countries has defined the nature and the dynamic of local CBC. All institutional representatives pointed out that the overall economic development of the region suffered from this permanent tension, which rendered Florina and Pella secluded and isolated. In the case of Pella, the absence of a border crossing point is attributed to these foreign policy issues.

Our region does not have a crossing point to the f. Y. R. of Macedonia, as in the case of Florina and Kilkis. We have asked national authorities to create such a crossing point, but the complex diplomatic relations operate as an obstacle for this kind of initiatives. (Business Support Organisation, 2007)

A series of problems, from the most crucial (national policies prohibiting cross border institutional initiatives) to the most common (issuing a visa for CBC partners, how to call one's country without 'betraying' national policies, how to sign a paper, etc.) are the negative outcome of this wider diplomatic tension.

But I must stress here that most of our contacts and co-operation lacked efficiency. One major and restricting condition is the constantly changing bilateral relations between Greece and the f. Y. R. of Macedonia, because of the issue concerning the term 'Macedonia'. The official approval of the ministry of foreign affairs is often needed in a number of issues. Many actions and co-operation projects faced difficulties, especially during the last two years, when bilateral relations between the two countries deteriorated. We must be very careful in following and promoting national policies. On various occasions, we could not develop CBC as we would've liked to. We faced the 'Macedonia' term issue and we had to find ways to overcome it, mostly by using flags instead of names in the official documents. We certainly could never use the term 'Macedonia' to name the neighbouring country, and on the other hand, they also couldn't use the term f. Y. R. of Macedonia, even if they wanted to, in fear of reactions in their country. (Local NGO, 2007)

INTERREG and other EU related funding programmes were said to be mostly oriented towards internal policies, without offering any viable CBC projects. Greek institutions were visibly in an advantageous position in the INTERREG context, due

to the structure of the programme. As one key informant stated, EU members benefit more than non-EU partners, who are mostly needed in order for the proposal to be eligible).

INTERREGs are a very sad story. Theoretically, INTERREG programmes are a perfect fit for [our] cases. But, at least in the Greek case, all INTERREG funding is given to public administration, state institutions, and, to a lesser extent, municipalities. INTERREG money is directed towards roads- roads that stop at the border because no action can be taken on the other side. The bordering country has only a complementary role. [...] The new INTERREG programmes are expected to have a more CB perspective, with projects being implemented on both sides of the border. (Local NGO, 2007)

Another problem concerning the implementation of the INTERREG projects is that, up until now, the Greek side only needed a simple “declaration of interest” on behalf of the f. Y. R. of Macedonia side in order to get approval for different projects that were labelled as CBCs. I hope this will change in the near future. (Business Support Organisation, 2007)

Moreover, in some cases, problems were viewed as the result of organisational differences between the two sides. Greek key informants speak of some lack of know-how and organisational skills on behalf of their cross border partners.

It is not just the feud over the term ‘Macedonia’ but also the different mentalities that people from Greece and the f. Y. R. of Macedonia bear. In contrast to Albanians, who have an entrepreneurial mentality and are very open to Europe, public institutions in the f. Y. R. of Macedonia have very slow reactions towards any co-operation opportunity and work in a somehow obsolete bureaucratic way. (Key Informant, 2007)

Our region’s designated partner is the region of Bitola. Our co-operation has to do with the dissemination of knowledge on organization and administration issues. Generally, they seem to lack organization in their institutions. (Business Support Organisation, 2007)

2.4 Positive Experiences of the CBC

The Lake Prespes area constitutes a positive experience of CBC. The Prespa Protection Society (PPS) was founded by ten large Greek and foreign NGOs. Its activities cover environmental issues, as well as sustainable development and alternative forms of agricultural production. Its actions also extend to the two other sides of the Lakes, meaning the f. Y. R. of Macedonia and Albania. Since February 2000, when Parliamentary Members of the three countries signed a tri-state agreement, an interstate co-operation has begun. This is called the Prespa Cross

border Park. The Prespa Park consists of a Secretariat and a Coordinating Committee (CC). The PPS is the Greek participant in the Secretariat and takes part in the CC meetings. Besides the PPS, the CC is comprised of other NGOs, local authorities, foreign and international institutions (German Reconstruction Bank, Ramsar convention Representatives) and, to a lesser extent, national authorities and representatives of the Ministry of Foreign Affairs. The CC has an informal status. There is a general lack of funding on behalf of the three governments and this is why NGOs have to look for funds themselves.

I could say that the informal status of the CC has helped us to cooperate in a more relaxed and effective way. After 6 months of meetings we began to trust each other. Since there was no perspective of decision making or voting, people were able to interact better and then jointly put pressure on their respective governments, so that things could be done. (Local NGO, 2007)

Since 1991, when PPS was first established, they have been trying to work on developmental issues, so 'that people would finally accept those 'ecologists' and not treat them as something unproductive or strange' (Key Informant, 2007). They introduced methods of biological agriculture, they founded an information centre, which is the only one (from the many ones built) that in fact still operates, while they also tried to focus on the training of eco-guides.

People expected this CBC. The new INTERREG programme will have a more cross border perspective (projects being implemented on both sides of the border). (Local NGO, 2007)

2.5 Negative Experiences of the CBC

The formal cross border co-operation between Greece and the f. Y. R. of Macedonia was supported in the past by the development of the Prespa/Ohrid Euroregion. Its steering body consists of fifteen members and equally represents each border community (of Albania, Greece and the f. Y. R. of Macedonia) participating in the Prespa/Ohrid Euroregion (East West Institute-Centre for Border Co-operation 2005). While it was reported by different key informants that the Euroregion Project is facing serious problems and that partners and projects are still under consolidation (Key Informant, 2007), that still can not solely constitute a clear negative experience, given the general framework in which this institution operates. The political issues and the various projects' dependency on the duration of the funding schemes were the main cause for most institutional CBC actions that were established in the past

and either came to an end or were recessed. These two factors are indicative examples of negative aspects of CBC.

2.6 Evidence of Cross Border Clusters

Some local initiatives in Pella and Florina were described by the interviewees as 'clusters', which are not related to the industrial sector. They mainly refer to tourism investments or networks established by local producers. In the Prefecture of Florina, a specific expression was used by one key informant to depict these initiatives. He defined those as '*clusters of enterprises that share the same general goals*' (Key Informant, 2007). He was referring to the network of wine producers in Amyntaio, as well as to the tourism-related activities in Nimfeo, a traditional village where visitors have access to a wide range of services offered by different but interrelated entrepreneurs. The network of patent wines that exists in Amyntaio aims at distributing its products to both the Greek and the European market. However, it cannot be described as a cross border cluster, since its members are still competitive not only to each other but also towards the other side. The Macedonian wine producers also export a good quality of sour black wine, with an official patent within the EU that is competitive to the Greek wine from the region of Florina. A similar example of tourism-related informal clustering is the one of STEPFOR in Pella. STEPFOR was created in the context of the LEADER EU initiative and resulted in the creation of an extended network of approximately 45 enterprises such as hotels or restaurants. Local Quality Pacts (agreement between local entrepreneurs to standardize their products or services), that were promoted in the context of the LEADER initiative in Pella were also described as a kind of clustering activity.

Nevertheless, the key informants from both Prefectures draw our attention to the fact that local entrepreneurs (or those involved in agricultural production) do not share a sense of community, but instead prefer to act in an isolated, personal and 'traditional', as they described it, way (Key Informant, 2007). The case of jam and tin producers in Pella is such an example. The operation of this network was not effective, due to internal problems and diverging personal strategies. As for local farmers, a very interesting point was made by a NGO representative in Florina. She

said that the 'cooperative' trend of the 1980s and its failure, which was due to various reasons, could help in interpreting the reluctance of local producers (e.g. organic products) to work in a common way (that she referred to as 'clustering') (Key Informant, 2007).

One last very interesting phenomenon is that of a *quasi cluster* in the textile – garment industry in Northern Greece that, since the mid '90s, is gradually shifting more to the North, crossing the borders of the country to include nowadays parts of Southern f. Y. R. of Macedonia, Albania and Bulgaria (see Labrianidis, 2007). Consequently, one could argue that a *cluster* emerges, which includes Northern Greece and Southern Bulgaria.

2.7 Enlargement –Related Effects on Institutional CBC

According to key informants in Florina and Pella, EU enlargement is perceived as a distant phase. Most of them referred to diplomatic relations between Greece and the f. Y. R. of Macedonia, emphasising that, as it was also the case in the past, foreign policy still has an immediate impact on their lives and their economic activities. Most of them expressed the hope that diplomatic relations will improve. They perceived CBC in a positive manner, both in the current as well as in a future context. However, in the case of the f. Y. R. of Macedonia, most of them did not perceive EU enlargement as something that could be achieved in the near future and consequently did not express any predictions or expectations in this context. Key informants do not consider that the Stabilisation and Association Agreement, which has been signed by the neighbouring country, has any kind of impact on the local economy.

Most key informants emphasised that until today, the visa issue has a very negative impact on regional economy. It is an expensive and time-wasting procedure for those who would wish to make one-day excursions to Florina in order to buy quality products (e.g. electronic devices). Visas also affect the regularity of cross border institutional contacts. E.g. *'the Greek consulate does not provide visas to NGOs that bear the name 'Macedonian'* (Key Informant, 2007). As for consumers, those who finally achieve issuing visa usually prefer to go to Thessaloniki.

Another important aspect, related to the EU enlargement effects, is the different perception of the two sides on the handling of the INTERREG, LEADER and other international funding programmes.

2.8 Policies for Institutional and Enterprise CBC

During the interviews, key informants suggested initiatives that should be taken from the local and the national policy actors in order to promote CBC activities in the region of Florina-Pella and to overcome the current obstacles.

The most crucial factor seems to be the improvement of the bilateral relations between the two countries.

I think that there is a need to facilitate the crossing of borders, as well as for better information concerning the legal framework of all these countries. Another point is the facilitation of visa issues between Greece and the f. Y. R. of Macedonia. (Local NGO, 2007)

Moreover, as it was underlined by some key informants, the national policy of Greece works as a constraining factor on a specific regional advantage, namely the cultural and historical kinship of the local population in the CSR.

The presence of "autochthonous" Slavic-speaking or descendants of Slavic-speaking populations had led to a series of discriminating administrative measures against them, even though this population always considered themselves Greeks. Instead of forging a consistent and effective foreign policy, the Greek State insisted on creating obstacles and problems in the area (Business Support Organisation, 2007)

Another suggestion is the improvement of the infrastructure and the main roads network in order to upgrade the economy of the region along with the creation of a nearby crossing point for Pella. This would facilitate the communication of the two sides in order to undertake and carry out joint projects.

3 Enterprise Cross border Co-operation²

3.1 Types of Current CBC identified

Enterprise-based CBC between Greece and the f. Y. R. of Macedonia is not a new phenomenon, owing to the rigorous Greek investment activity that has been directed to this area and the established trade relationships between the two countries. According to the available data (Hellenic Ministry of Foreign Affairs, 2005), the volume of trade between Greece and the f. Y. R. of Macedonia has increased considerably over the past few years, rendering f. Y. R. of Macedonia the third largest trading partner of Greece in the Balkans, after Bulgaria and Romania. At the same time, in 2006, Greece was the fourth foreign investor in the f. Y. R. of Macedonia (Republic of Macedonia-State Statistical Office, 2007). Consequently, it is safe to conclude that Greece has contributed to a large extent to the contemporary economic development of the country.

Field research was conducted in the bordering areas between Greece and the f. Y. R. of Macedonia, including Greek enterprises that are currently or were previously involved in CBC. Fieldwork was initiated in September 2007 and lasted three months. Overall, there were 19 semi-directed interviews, while information from the key informant interviews and the “snowball” method were used for locating the participants. Enterprise-based CBC in the CSR mainly includes agreements between relatively small firms operating in the secondary and tertiary sector. Concretely, the dominating nature of co-operation involves trade agreements, assignment of subcontracting and provision of services. As far as CBC in trade is concerned, the motive force is the lack of specific products in the local market of the f. Y. R. of Macedonia. Given that commercial exchanges traditionally took place between the two sides of the borders, especially before the embargo period and even when Yugoslavia was still a Federation, trading relations existed before the 1990s. Adding on that, visitors from the bordering areas of Bitola and Prilep was a very common

² This Chapter is mainly based on the findings of the enterprise interviews conducted during the CBCED Project Fieldwork. There were 19 enterprises participating in the fieldwork from the Regions of Florina and Pella that are currently or were previously involved in CBC.

phenomenon especially for Florina, which had a stimulating effect on the performance of the local market.

The second type of enterprise CBC in the CSR involves agreements for assigning subcontracting from Greek firms to manufacturing units located at the other side of the borders, specifically in the clothing sector. Subcontracting is a phenomenon widespread among Greek manufacturing firms and the empirical results of the present fieldwork confirm the findings of previous studies (Labrianidis, 1996; Moisisidis, 1998) on the extent of this strategy among enterprises in Northern Greece, its main causes and results. The motive forces that were reported during the fieldwork include the lower labour cost in the f. Y. R. of Macedonia, the opportunity for Greek firms to remain competitive and face the internal crisis of the sector, managing the seasonality of demand and the exploitation of localisation options. Greek entrepreneurs who have relocated their activities in the f. Y. R. of Macedonia and past cliental relationships also constitute strong motive forces. On the other hand, according to key informants from the CSR, this type of CBC presents some negative impacts on the regional economies. More particularly, they argue that since a lot of Greek manufacturing units from the area have either relocated part or all their activities to the f. Y. R. of Macedonia or they currently assign their production to foreign manufacturing units, extended job losses are recorded in the Greek Regions (Business Support Organisation, 2007).

The third –and less intensive- emerging type of enterprise CBC is observed in tourism sector, including co-operation between travel agencies and hotels. This is the less 'formal' type of enterprise CBC, given that it mostly includes handshake agreements and not formal contracts, as it is the case for the other two types. These activities mainly gather around the Prespa basin, which includes the Great Prespa Lake, shared by Greece, Albania and the f. Y. R. of Macedonia, with the last two owning the larger part of this lake. This area is also a field that fosters institutional and cultural co-operation (already presented in the 3rd Chapter), supported by the presence of the Prespa Lake and the Byzantine monuments located at the area.

3.2 Characteristics of enterprises involved in CBC, including foreign partners

As it has already been mentioned, enterprise CBC is concentrated at the secondary and tertiary sector. A significant absence was reported in agriculture, which could be partly attributed to the smaller size of the specific economic sector in the neighbouring cross border regions. More specifically, 19 enterprises participated in the interviews conducted at the Greek CSR, namely Florina, Pella and Thessaloniki. The largest share (47 per cent) was operating in the secondary sector, 33 per cent was engaged in retail and distribution and 21 per cent in services provision. Eight of them are currently involved in CBC, five of them used to be in the past, three were both previously and currently involved, while one attempted to establish CBC but failed. Therefore, a total of eleven Greek enterprises located at the CSR are currently involved in CBC.

Concerning their size, most of them are small enterprises in terms of employees' number, occupying less than 10 people (42 per cent). A lower share (37 per cent) employs 11-49 people and 16 per cent has 50-249 employees. Thus, the general picture was quite representative of the overall situation in Greece, since 99.5 per cent of the total number of enterprises in the country are small and medium sized. Regarding their size in terms of annual sales, the majority of the enterprises (63 per cent) reported annual turnovers of less than two million euros during 2006, followed by a 21 per cent share that reached a figure around two and ten million euros. Lastly, an 11 per cent reported annual sales of 10-50 million euros.

In most cases (69 per cent), it was the Greek enterprises that initiated CBC with the f. Y. R. of Macedonia, in contrast with 26 per cent for the cases that the other side of the borders was the one to launch the co-operation. Regarding communication, the local Slavic idiom was the working language of the partners in almost half of the cases examined, while English is the second most popular option when language becomes a hindering factor. However, common language, history and culture were not significant motives when selecting partners, since 37 per cent of the interviewees stated that these criteria are irrelevant to their selections, while 32 per cent of them answered 'no' to the corresponding question. At the same time, historical and

nationalistic prejudices seem to affect these relationships in a negative way, mainly due to the dispute over the official name of the f. Y. R. of Macedonia:

(...) there are no cultural or social factors that could bring us closer to each other. There are only things that separate us, like the issue with the formal name of the country. (Florina E01, 2007)

On the other hand, I could say that people in that country are influenced by the national issues between the two countries and they sometimes act strangely towards Greeks. I have a personal experience, too. I think that this has to do with the "name" issue (Macedonia), which in my opinion presents a significant impact on their behaviour. Of course, economic benefits flatten those arguments but I am sure that the naming issue has created certain prejudices. (Florina E04, 2007)

The number of foreign partners and their location represented another interesting finding. In most cases (63 per cent), Greek enterprises have established cooperation with more than two partners from the f. Y. R. of Macedonia. This can be explained by examining the nature of the relationship, given that the initial motive is the lower labour cost. Hence, Greek entrepreneurs sometimes cooperate with four or five enterprises and select the one with the best offer, while these alternatives offer them the possibility to deal more effectively with the seasonality in demand, by assigning subcontracting to more than one partner.

Regarding the location of foreign partners, the adjacent regions (Bitola and Prilep) seem to be the most popular option for Greek enterprises. Concretely, partners from the f. Y. R. of Macedonia are located at the above mentioned areas in 43 per cent of the cases, while a 32 per cent share stands for the partners located at more distant regions (such as Gevgeli and Strumitsa). As for the former case, geographic proximity is the most important criterion:

(...) the geographic proximity matters, since they are able to visit me in 1 -1 ½ hours; thus, they call me in the morning, asking me to "prepare their orders" till noon. They would come here, discuss the details and arrange our deal. (Florina E17, 2007)

3.3 Evidence of Change in CBC over time

As it was previously mentioned, the phenomenon of CBC between enterprises from Greece and the f. Y. R. of Macedonia is not new, given the fact that the assignment

of subcontracting assignment and the relocation of manufacturing firms was initiated during the 1990s, mainly as a result of the crisis that the Greek garment industry underwent at that time. Thus, we were able to come up with some cases where CBC was initiated more than 20 years ago. Some of them were ended, while some other last until today. The average duration of co-operation with the other side of the borders is approximately 8 years, resulting in clear evidence of change over time. In practice, these changes were induced by the fact that the neighbouring country underwent a transition process and, which led to the rise of the local living standards. The very first notion of change has to do with the nature and extent of co-operation before and after the embargo period. Co-operation existed before Greece enforced the embargo, in 1994, although in a less formal (and sometimes less 'legal' way). Following the post-embargo period and the development of formal bilateral relations between Greece and the f. Y. R. of Macedonia, with the signing of the Interim Agreement on 13th September 1995, the nature of co-operation was somehow altered for the small firms located near the borders. Delays in custom controls, as well as problems related with visa issues and legal barriers posed extreme difficulties and risks in partnerships. As a result, several opportunities were lost and many activities were stopped:

Especially during the embargo I received my money through Frankfurt, while the products were shipped through Bulgaria. There were delays and most of my time I would try to get my money. This included a great risk for me, especially when larger orders were transported. I could not risk it any more. (Florina E18, 2007)

The 'name issue' and other political issues have certain impacts on our cross border activities. I have also stated before that there were partnerships ended during the embargo and never came up again. There are some people in the f. Y. R. of Macedonia who can not visit Greece, since they are not able to get a visa. Especially during the period 1994-1995 most of them were forced to get a Bulgarian passport in order to continue with their commercial activities in Greece (Florina E17, 2007)

A second emerging type of CBC change over time is related with the EU enlargement process and the efforts undertaken by the f. Y. R. of Macedonia to comply with the European legislative framework and rules. As a result, an ongoing process of administrative and legislative restructuring takes place, creating misleads and confusions among the Greek entrepreneurs. However, at the same time, these reforms had a positive effect on the efforts to tackle institutional deficits,

bureaucracy, corruption and political instability. Adding on that, the strong investment incentives create a more favourable environment for CBC, something that was clearly stated by interviewees in full contradiction with the previous regime.

The situation is somehow improved in the f. Y. R. of Macedonia now, particularly in the organisational field. They also deal with other Europeans now and this helps them to adapt to the new conditions. (Florina E14, 2007)

Another problem I faced was related with the legal framework and the frequent revisions. I could never understand which was the existing law there and could not follow the developments in this field also. Laws were different from month to month (...) On the other hand, the situation is different now. I think that they now offer incentives for foreign investors as long as they offer employment opportunities to the local population and this surely affects our future CBC efforts. (Florina E18, 2007)

3.4 Costs and Benefits of CBC to Enterprises

The deriving costs and benefits for the enterprises that choose to establish CBC constitute an issue of crucial importance. Starting from the benefits, the very first one involves the fulfilment of the primary objective of the Greek firms, namely reductions in costs. This particular aspect was repeatedly reported by all interviewees during the fieldwork:

The main motive for us is of course the lower cost, both in terms of labour but also due to the fact that we don't have fixed costs, e.g. for maintaining mechanical equipment. I am currently looking for facilities at the f. Y. R. of Macedonia, so that we can cooperate with a local businessman and establish a common production unit. (Florina E05, 2007)

More particularly, the ratio of labour cost between the two countries is approximately 1:5 and if this does not change in the near future, the development of intra-industry trade and CBC between Greece and the f. Y. R. of Macedonia, especially in the clothing sector, is expected to continue to grow (Nikas, 2003).

A second benefit deriving from CBC is the more effective dealing of seasonality in demand. The Greek firms are able to better confront fluctuations in demand by assigning subcontracting to manufacturing units in the f. Y. R. of Macedonia, thus being able to satisfy the needs of their customer. This constitutes a very significant factor for the secondary sector since in any other case the Greek firms would not remain competitive in terms of price and delivery times:

The most important deriving benefit for us is that we are able to better handle the demand's seasonality. We could not find a solution in the past when demand was too high for our production standards. We are now able to face this problem through our co-operation with them. Adding the low prices on that, I can say that the specific cross border co-operation had helped us to remain competitive in the Greek market. (Florina E11, 2007)

Another positive aspect of the current CBC is the localisation opportunities it provides to small Greek firms located close to the borders, which in turn creates some affirmative prospects. More specifically, it is argued that the firms in question face extended growth barriers and difficulties in coping with the changing environment (Spanos et al. 2001), especially in the border regions where there are additional developmental obstacles. The local businessmen stated that CBC helps them improve their managerial skills, by getting familiarised with a foreign entrepreneurial environment, the exporting and importing activities and its legislative framework. Going international, either within or beyond the Balkan region, presents them with certain opportunities. At the same time, they are able to increase their domestic and regional market share and remain competitive.

We generally become familiar with their mentality and the market conditions there. This surely contributes to our future likely collaborations, after we positively view our extension in their market. Up to now everything has functioned well, therefore it creates some positive future potential for us. (Florina E11, 2007)

On the other hand, enterprises that choose to develop CBC have to face the related costs as well. The very first finding of the fieldwork was related with the additional supervising costs. Most owners stated that they have to visit their partners very often to monitor their progress (i.e. during the subcontracting assignment in the manufacturing sector) and make sure that everything runs smoothly, according to the terms of the agreement. This results in the need to restructure their organisational forms and allocate more time and people on the specific types of CBC:

Nevertheless, you need to control them very tightly and this is why many of our employees here in Thessaloniki constantly commute there. We have people supervising the production even of the subcontracting companies. (Florina E02, 2007)

With these partners we communicate on a regular basis. We talk on the phone 2-3 times per day, while two times per week my father and I commute there. A female employee also joins us at these trips, because she has the technical knowledge for the quality control. She is also responsible for the quality control here in Thessaloniki, so she comes with us in order to avoid problems from occurring. (Florina E05, 2007)

Another negative impact concerns the high levels of dependency between cross border partners. Taking into account that lower labour cost is the driving factor for these partnerships, there have been certain cases reported where the entrepreneurs were tied to their partners' deficiencies, such as delays in delivery times, defective products and misleading price arrangements. Moreover, the 'name issue' and the looseness of the legal framework pose some additional difficulties for the Greek entrepreneurs, who have to bear these costs. Even though this phenomenon is diminishing, it is true that in most cases (especially in the manufacturing sector) there was an extensive dependency between the two parties, resulting in monetary and time loss whenever a problem occurred. That was the main reason behind the termination of several cross border collaborations in the CSR.

3.5 Positive and Negative Lessons from CBC

CBC was undoubtedly a great learning process for the enterprises that participated in the fieldwork. The very first lesson involves the re-assessment of past failures. Given the fact that there were several cases where failed examples of CBC were reported, this lesson proves to be extremely significant for the local entrepreneurs. As it was stated by almost all of them, Greek entrepreneurs who manage to establish either a successful or a failed CBC learn how to select their partners in the most efficient way, according to their specific needs. Therefore, they learn how to assess some crucial criteria, namely partner's status, his/her involvement in similar activities, the absence of opportunistic motives and of course his/her reliability. It should be noted that this process is quite time-consuming, while at the same time, entrepreneurs improve their searching abilities and increase their awareness regarding opportunities in foreign markets.

This co-operation had been an important learning process for us. It taught us the way to select the proper partners, to distinguish between people and look towards the right direction. More generally, it showed us the way economy operates on the other side of the borders and this has an important impact on our future co-operation. We now know how to proceed and avoid the perils in co-operation in the future. (Florina E13, 2007)

Another positive lesson includes the improvement of managerial skills in general. As soon as they locate their partners, the entrepreneurs have to establish the conditions of an efficient co-operation, including regular communication, embedment of the

local entrepreneurial culture, time management and –to a lesser extent- know-how transfer procedures. In essence, this learning process improves their managerial skills. Taking into account that the lack of managerial skills and experience has been reported as a crucial failure factor for foreign investments (Bitzenis, 2006), it is clear that this lesson is extremely important for the local firms as well.

We have learnt some things from these cross border activities, but they are quite superficial. You learn more about how they work, their mentality; you come closer to them and practically get familiar with the cultural factors that I consider as the most important for developing cross border co-operation. (Florina E05, 2007)

Adding on these, Greek enterprises with established CBC gain useful experience as far as their internationalisation is concerned. They learn how to enter new foreign markets, while co-operation with partners from the other side of the borders can sometimes act as the bridge for further investments in other neighbouring (or not) countries.

We have developed a partner's network through this company in the f. Y. R. of Macedonia and in my opinion we are both benefited. (Florina E19, 2007)

Thus, they get familiar with the legal frameworks, as well as the exporting and importing procedures of other countries. After learning how to adapt to different entrepreneurial environments, they can better exploit an opportunity for expanding their presence in other markets as well.

Specifically for the case of the f. Y. R. of Macedonia, this is of great significance, since mentality and disparities in the entrepreneurial behaviour were considered as crucial hindering factors for current and future CBC. Hence, this familiarisation supports their efforts.

This co-operation is a great learning experience. We get familiar with their mentality, their social and economic background, the legislative framework (...) even though their laws are inactive in most of the cases. These issues teach us how to secure our position, watch out for potential risks and dangers and this is extremely important, especially for us since we plan to expand in that market. (Florina E14, 2007)

On the other hand, negative lessons acquired during current and previous CBC efforts also emerged. The very first finding points to the 'name issue'; there were many cases, where this proved to be the hardest lesson for Greek entrepreneurs, since it creates several barriers in promoting their cross border activities. However,

these people are well aware of the specific problem and have developed alternative methods to avoid potential tensions.

Moreover, even though most entrepreneurs admitted the existence of some common cultural elements that brought them closer to their partners, they also stated that some crucial differences also emerged, such as dissimilarities in their entrepreneurial behaviour. Due to the fact that the country was in transition and the previous regime had left its traces on the local mentality, many respondents said that they could not deal with the procedures followed by their cross border partners, including delays in delivery times and low quality levels.

At the same time, the characteristics of the local environment, including bribes, corruption and an unstable legal framework, revealed the weaknesses of the efforts made by the Greek side, namely the pursuit of fast profit (Labrianidis 1997a; 1997b) and the limited market surveys. This combination proved to be another negative lesson that the Greek entrepreneurs learned through their CBC experience in the f. Y. R. of Macedonia. However, one major characteristic of this learning process should not be disregarded. This has to do with the fact that, in practice, negative lessons turned into positive evaluations. Concretely, Greek entrepreneurs, who have either reattempted or plan to establish new CBC, are now in a position to plan their actions better. They are aware of the barriers they will face, while their own weaknesses can be better handled owing to their previous (successful or not) experience.

My previous experience is not a barrier for future cross border co-operation. I am simply more informed and I am aware of the changes and the developments that occur there. If there was a programme, which I could use to develop CBC I would surely use it, as long as it would provide me with safety valves. Opportunities are still visible there in my opinion. If there was a programme or an institution to guide me and act as an intermediary I would surely proceed, despite my failed, previous attempt, because I have learnt several things. (Florina E16, 2007)

3.6 The Role of Trust in Enterprise-Based CBC

Various studies have underlined the crucial role of trust in efficient organisational arrangements within and between firms (see Gibbons 2001). This element and its

dimensions constitute a critical success factor for enterprise-based co-operation, especially in the given case, where borders and different –to a certain extent– entrepreneurial behaviour are apparent.

Several trust-building factors arose from the interviews with the Greek firms, varying in significance, except from one: time. This dimension was reported to be the most critical one, highlighted in most cases as follows:

Year in –year out trust reached higher levels and this is the only way to get thing done. Behaviour changes because of growing trust over time was also apparent in our co-operation. (Florina E04, 2007)

Trust was gradually built. Lack of trust was certainly a barrier at the initial stages of our co-operation but I think this is natural. The local entrepreneurs were a little suspicious and so were we. The situation is gradually improving, though the passage of time. They see that they can trust us, concerning our payments and we also see that they are reliable. (Florina E11, 2007)

Therefore, it is safe to conclude that trust was built in the course of time, after both parties were convinced about the real benefits of these cross border ventures and the credibility of their partners.

Apart from that, some other factors that enhance trust building were also reported, such as; geographic proximity, the existence of some common cultural elements and personal contacts (either directly with the foreign firm owners or via the Greek entrepreneurs who had previously relocated their activities in the f. Y. R. of Macedonia and acted as intermediaries). Specifically, common cultural elements, including dimensions such as language, seem to affect trust-based relationships, given that they create the opportunities for direct communication without interpreters and other intermediaries. The local Slavic idiom seemed to enhance these efforts.

Language is another significant factor, since it creates familiarization and trust directly. (Florina E04, 2007)

Adding on these, there are some cultural aspects that constitute positive factors for our co-operation and, consequently, trust building. We are familiar to them and so are they; there are kinships on the other side of the borders, it is also the language, this local Slavic idiom we speak here, that allows us to come closer. All these enhance trust building and allowed us to come close to them in a short period of time, as well as to develop friendly relations with our collaborators from the other side of the borders. (Florina E11, 2007)

Similar is the case for geographic proximity, which supports the regular communication between the two sides, thus augmenting trust levels in enterprise-based CBC. Small distance and daily commuting created friendly relationships in several cases, which supported the efforts to develop and preserve efficient CBC. Besides, the long presence and entrepreneurial activity of Greek firms in the country is cited among the several reasons of the great accumulation of Greek entrepreneurs there (Salavrakos and Petrohilos, 2003: 332), along with past cliental relationships, which also seem to increase trust levels among partners.

Most of them were recommended by our Greek partners, while some other have been clients in the past and this constitutes another factor for trust building. (Florina E04, 2007)

However, some hindering factors emerged as well, as far as trust building is concerned. First of all, the political and national rivalries on the 'name issue', even though they do not have a direct impact on CBC, seem to affect trust levels. Prejudice and biased perceptions were evident at the attitude of the interviewees, which could partly be attributed to the dispute on the official name of the country. This undoubtedly has a negative role in the process of trust-building.

Another negative factor was the alleged or/and existing mentality and entrepreneurial behaviour of the local managers in the f. Y. R. of Macedonia. All interviewees who are currently or were previously involved in CBC stated that they could not trust their partners due to disparities in the above mentioned areas, which were mostly attributed to the fact that the country was in transition, with low levels of economic development and diverse population mix. These elements create several barriers in the trust building process, such as delays in delivery times, low levels of quality, unreliability, fast-profit behaviour and lack of professionalism. However, Greek entrepreneurs believe that the situation is gradually improving, but it is still far away from being described as a 'safe co-operation'.

When you do business with them you can not guess whether your partner is Slav, Muslim, Albanian, Roma or...whatever. You do not know who you have opposite to you and this makes you feel cautious. (Florina E14, 2007)

Our co-operation is salutary in general, but soul-destroying as well. We have to keep an eye on them all the time, since we can never be sure that our products will arrive on time. This has to do with their working attitude and the general economic conditions there. (Florina E14, 2007)

Last, the economic development of the country seems to affect the trust levels between partners, since the majority of the interviewees stated that it would be easier for them to trust a Western European partner (i.e. from Germany) compared to one from the Balkan region (i.e. the f. Y. R. of Macedonia). They believe that co-operation with an enterprise located in Western Europe would differ from the current one, owing to those countries' level of economic development and their know-how/entrepreneurial skills. These facts would result in a more professional form of co-operation, involving lower risk and possible know-how transfers as the major gains. Economic conditions in the f. Y. R. of Macedonia do not create these safety valves for the local entrepreneurs, since corruption, poverty and lack of professionalism constitute the rule and not the exception.

If we were sharing a border with Germany, our co-operation would be more professional and formal. You would be quite sure, for example, that they would never cheat on you. (Florina E08, 2007)

3.7 Enlargement-Related effects

Borders naturally affect the economic performance of border regions. Collier and Vickerman (2001) state that borders provide breaks in the economic landscape and generate barriers that raise the costs of cross border movement and restrict the flows of communication and information. The EU enlargement process did not pose a direct impact on the nature of the borders between Greece and the f. Y. R. of Macedonia (in contrast with the case of Bulgaria). However, owing to the economic interaction of the country with Bulgaria and Greece and its efforts to comply with the EU laws and rules, significant improvement was reported in the field of political stability and structural reforms. These procedures had a limited positive– although indirect- impact on the enterprise-based CBC in the CSR.

The findings confirm these facts, given that an insignificant (neutral) impact of EU enlargement process was reported by 68 per cent of the enterprises that participated in the fieldwork. Only 16 per cent of them answered that the EU enlargement general had a positive impact on the existing CBC. At the same time, only 5 per cent of the interviewees believe that this impact was direct, as opposed to 32 per cent who answer that this impact is indirect. These findings were in contrast with the findings

of the similar fieldwork undertaken in the Greek-Bulgarian border regions, apparently due to the accession of Bulgaria in the EU.

Regarding the nature of this influence, the first finding points to reforms in border controls that reduce delay times and bring about other facilitations, as well. Both the legislative framework and the procedures for transportation of goods are considerably better now than in the past, following the efforts of the f. Y. R. of Macedonia to adapt to the European standards. These have a positive effect on enterprise-based CBC in the specific CSR, even though there is still a long way to go.

Following the EU enlargement, things got better, because we saved ourselves a lot of time by simplifying the procedures and the control at the customs houses. At the same time, the legislative framework regulating the co-operation between the two countries is starting to get shaped. (Florina E02, 2007)

Apart from that, EU enlargement seems to enhance reliability and professionalism between cross border partners. The institutional framework is gradually shaped and at the same time, in certain cases, enterprises from the other side of the borders put a great effort on satisfying the needs and requirements of their European partners. Hence, the process of the EU enlargement and the future membership of the f. Y. R. of Macedonia can sometimes act as the motive force.

Even though the f. Y. R. of Macedonia is not a member yet, contrary to the case of Bulgaria, there is a great effort undertaken by the local authorities to comply with the EU rules and the European living standards. They try hard to act professionally in their transactions and embody the European mentality and this makes things easier for us. Of course, our co-operation involves small units, but they even try hard to be as good as they can. (Florina E04, 2007)

At the same time, EU enlargement is expected to have some positive effects on cross border relationships. Greek entrepreneurs are well aware of the benefits that the recent accession of Bulgaria had and they believe that a possible adhesion of the f. Y. R. of Macedonia in the EU could support their future efforts. Thus, a more positive attitude towards cross border enterprises is formed.

The EU enlargement did not play any part, since the country (the f. Y. R. of Macedonia) still abstains from harmonising with the rules of operation of the EU. When they finally enter the Union, I believe that there will be important impacts to our own collaboration. In my opinion the workforce will also begin to move and they will possibly lose a large share of their workforce. This will present a negative consequences and for us as well. (Florina E11, 2007)

However, most Greek entrepreneurs believe that the potential membership of the country in the EU cannot by itself guarantee successful collaborations. They also expect that, should the f. Y. R. of Macedonia join the EU, the locals should adopt a more 'European' behaviour. At the same time, most of them argue that this will take a lot of time and greater efforts before it happens.

I could say that the EU enlargement can teach good lessons to the people from the f. Y. R. of Macedonia, especially for the trading and retailing activities. In my opinion they are aware of these changes, but they still have a long way to go before they can be characterised as Europeans. As long as they insist on connecting the entrepreneurial issues with the national matters they can not move ahead and reach a good level of entrepreneurial activity. (Florina E19, 2007)

3.8 Use of External Assistance and Participation in Public Programmes (a) in general (b) in relation to CBC

The needs for external assistance and business support services were clearly mentioned by almost all interviewees. These initiatives refer both to the national and the regional level and it was clearly stated by almost all participants that the available policies and programmes do little to support local economic development, entrepreneurship, firm growth and CBC initiatives in their area.

In particular, the vast majority of the enterprises (74 per cent) have not made use of any external assistance and business support infrastructure in general, a fact that reveals the inability of national and local policy making centres to support them. In the few cases where assistance was employed, this included the participation in national programmes, such as the National Development Law 3299/04, which is implemented by the Greek Ministry of Development. At the same time, the Northern Greece Exporter's Association was mentioned in several cases, since it seems to provide local entrepreneurs with useful information. An interesting finding involves the services offered by the local Economic Chambers, which do not appear to cover the needs of entrepreneurs in Florina and Pella, since they express low levels of satisfaction compared to their counterparts at the other Greek CSR.

Similar were the findings regarding initiatives for assisting CBC. More particularly, 81 per cent of the enterprises have never used any programme to develop and run a

CBC. The reason was twofold: firstly, no programmes that could support their cross border activities were available. This brings us to the second reason since as a result the entrepreneurs were counting on their own strengths, capabilities and established networks.

In our effort to establish CBC, we have not received any external assistance. We did everything on our own and relied on the contacts we already had. Although we are registered at the Chamber, its contribution and support to our CBC venture is negligible, almost inexistent. (Florina E01, 2007)

When I decided to make business with Skopje, I didn't take advantage of a programme or seek the assistance of an institution. I talked to the Development Enterprise of Florina, but there was nothing available that would suit my needs. (Florina E08, 2007)

Few of the participating firms have used various types of assistance, such as partner search facilities and general CBC support services, even though they do not evaluate them as particularly helpful. Besides, their number was extremely limited, which indicates the absence of related services. Regarding the quality of the available business support infrastructure, the local entrepreneurs feel completely disappointed, given that 52 per cent of them assess it as 'not good'. Average quality was recognised by 32 per cent of the examined cases, while only three firms state that the available services are 'very good'.

Their major needs are better access to financial instruments, investment incentives, subsidies to participate in commercial fairs and targeted programmes that would better suit their needs. Regarding CBC, entrepreneurs from the CSR seek for partner search mechanisms and a public institution to act as an intermediary in their transactions with the other side of the borders. Above all, they state that these assisting services will not be effective for as long as the policy making centres remain unaware of the actual needs the periphery has and the "name issue" is not resolved.

Our support needs are mainly related with a general assistance. We would like to receive assistance in our efforts to promote our brand name in the foreign markets, i.e. financing our participation in exhibitions and fairs. That would be extremely helpful for us, as well as a service related with finding partners from the other side of the borders and in other countries also. That could facilitate our expansion to foreign markets based on more than one of partners only. (Florina E11, 2007)

3.9 Policy issues identified

The above mentioned findings were useful to identify the key policy issues that affect economic development and CBC in the CSR.

A major policy issue is the access of SMEs located at the CSR to financial mechanisms. The majority of the entrepreneurs believe that a better access to financing could assist their growth, while helping them overcome the size-related barriers and improve their extroversion. Therefore, given the inability of SMEs to provide the required guarantees to lending institutions, national and regional policies should aim at creating funding schemes for the small and very small local enterprises to cover a market failure.

Our support needs include improved access to financing mechanisms. We try hard to remain competitive and update our mechanical equipment. Our funds are not always enough to assist our efforts and we seek for new instruments to take advantage of. (Florina E04, 2007)

A second policy issue has to do with the nature of the regions examined, namely the particular characteristics of the Greek periphery. More specifically, the respondents point out the inability of the core to understand the periphery's needs on the policy making level and its isolation from the Greek economic centres.

Who could help us? We feel like "the last living soul" here in Florina. Even the State has forgotten us. Is it possible to have this road network here? (...)They (the State) should better support us, since we are small firms operating near the borders. We need subsidies, incentives and not only paying the taxes. (Florina E10, 2007)

State must understand that local enterprises need specific instruments and targeted policies to expand. You can understand it better by examining the case of rural production here. There are programmes supporting the rural product's manufacturing, but there are not products to manufacture! Rural production is shrinking and they can not expect that applying policies and instruments like that can support the local growth and development. (Florina E17, 2007)

Therefore, they request regional-oriented policies, targeted at the special regional needs and problems, such as unemployment, lack of investment incentives and high taxation. At the same time, even though assisting policies exist in the CSR, most interviewees pointed out the extended bureaucracy in the relevant procedures. Thus, national and regional policies should aim at creating faster procedures at the various funding programmes.

Last, it is worth mentioning that –contrary to the case of the Greek-Bulgarian CSR-key policies issues emerge also in relation to the legislative framework and the bilateral relations between Greece and the f. Y. R. of Macedonia. The 'name issue' is a crucial factor hindering CBC development, which leads to problems in the transportation of goods and passengers at the borders between Greece and the f. Y. R. of Macedonia. This is a field that policy making centres should take into account, given that it seems to severely affect economic development and CBC initiatives in the CSR despite the alternative solutions local entrepreneurs find in order to overcome these barriers.

(...) with Bulgaria, following its accession to the EU, things have improved significantly. With the f. Y. R. of Macedonia, however, there are still problems at the customs houses which cause us problems and delays. (Florina E05, 2007)

(...) talking about the situation in the borders, the control should be better regarding the authorities' attitude towards the citizens of the f. Y. R. of Macedonia who enter Greece. They feel like citizens of a 'lower category', since they face a very deflationary behaviour in the custom controls, as I've been informed by my friends who come here. This has to be stopped, since both sides can be benefited from enabling the transportation of goods, services and passengers between the two countries. (Florina E11, 2007)

(..) you will still have to face the problems related with the laws and the institutional framework in general. If your partner needs to visit Greece there are delays and several procedures to issue a visa, which ultimately create a certain barrier for them. This is the result of the political background and the naming issue between the two countries. (Florina E15, 2007)

4 Informal and Household-Based CBC

4.1 Characteristics and Types of Informal and Household-Based CBC Identified

Field research was conducted in the bordering areas between Greece and the f. Y. R. of Macedonia. Fieldwork took place in May-June 2007 and October 2007. Overall, twenty one semi-directed interviews were completed, while the "snowball" method was used for locating new interviewees each time³.

³ Most of the interviews during the household fieldwork were conducted in English. Therefore, the quotes in this Chapter have not been linguistically edited.

The identified informal and household-based CBC mainly consists of individuals from the f. Y. R. of Macedonia who transport small amounts of products from Greece to their hometowns on a regular basis. Some interviewees also referred to past informal CBC with Greece. The fact that they are able to bring small amounts of products into the country as personal belongings (and avoid any custom fees or bureaucratic procedures), as well as the possibility of avoiding the VAT in many Greek shops are two main reasons why people decide to get involved in informal CBC activities. Avoiding custom fees and VAT makes these products cheaper than similar products sold in shops.

It is very interesting to note that the initiative for all these forms of CBC was taken by the other side of the borders. The Greek partners were in fact reluctant to talk about these activities, owing to the fact that they also have registered activities. The interviewees located their partners (shops of auto parts, clothes, etc.) either in the Greek Yellow pages or, more recently, through the internet, while in some cases they were informed about these so-called 'business opportunities' by their friends.

Most of these activities involve the transport of clothes/textiles and auto spare parts. Some other forms of CBC are trading computers, printing products and furniture equipment, as well as informal taxi driving in Greece. The majority of those that participated in the household fieldwork deal with auto parts (nine interlocutors mentioned it as their main activity, or as one of their activities) and clothes/textiles (eight interlocutors mentioned it as their main activity, or as one of their activities). It is clear that many interviewees combine two activities, e.g. bringing both auto parts and clothes during a one day trip to Thessaloniki.

The trading of auto parts holds the most important share in current CBC activities in the area. An interviewee noted that this activity dates back to the Yugoslav period, when networks, partnerships and acquaintances had already been shaped. The phenomenon of informal cross border activities, according to the interviewees, started in the mid-1980s, continued all through out the 1990s, while the most recent case was set up two years ago. Lower prices and the wide range of products in Greek shops were reported as the main motives for engaging in CBC. It must be noted that interviewees dealing with auto parts visit Greece on a regular basis, once or twice a week.

Trading clothes is another important activity, which is relatively new, since it became visible mostly since 2002. This trend could be attributed to the recent implantation of Chinese products and shops in Thessaloniki. Indeed, most interviewees dealing with clothes mentioned that they buy Chinese clothes in Greece, while this is still difficult in the f. Y. R. of Macedonia. On the other hand, the different quality levels between the Greek and the Chinese products also appear to be of great importance, since one interviewee insisted that her products were Greek, thus of a better quality and, consequently, of a higher value. Informal entrepreneurs operate as mediators between Greek and local shops or, more rarely, other individuals. In the case of auto parts, they work with specific orders, while in the case of clothes it is a matter of choice to wait for an order or take some initiative.

When talking about CBC, one has to bear in mind that most of these types of 'co-operation' are in fact on the spot commercial transactions. All identified informal entrepreneurs pointed out the fact that they do not have any defined permanent commercial relations with any of their Greek partners. They usually tend to deal with a range of three or four shops, where personal relations may also have developed. However, they still noted that every time they go to Thessaloniki, their selection is a matter of immediate calculation and comparison (price/brand, etc.). Orders are personally delivered, without any formal agreements, at the counter of the shop in Thessaloniki and moments later the transaction is completed always in cash. Most informal male entrepreneurs mentioned that their activity does not involve any other member of their family. Only one interviewee mentioned that his father and his sister, who at the time was studying in Greece, helped him in handling his business. On the contrary, working along with friends or partners was mentioned more often. In the cases of female informal entrepreneurs (most of which deal with clothes), one mentioned working along with her boyfriend, another with her husband and the rest with a friend.

For the majority of the participants in the fieldwork, their informal CBC activity with the Greek side of the borders was not their main source of income, since they are also engaged in non-CBC formal activities. There was some reluctance to reveal the share of informal activities in their overall income. However, in most cases, informal CBC-related income represented less than 50 per cent of the total. There were only

four interviewees who stated that this figure equalled to 70-90 per cent of their total income.

It is interesting to note that engaging only in one informal CBC activity did not appear to be a common practice. Five of the interviewed informal entrepreneurs proved to be involved in more than one CBC activity, one in at least four informal CBC activities, while four others in at least two.

Formal and informal activities in the case of entrepreneurs from the f. Y. R. of Macedonia are intertwined. Many interviewees referred to other entrepreneurs who import products both formally (following legal bureaucratic procedures) and informally (avoiding legal procedures, making more profit). It could be argued that it is very hard to locate entrepreneurs engaged in informal CBC who do not have an established formal activity as well. At the same time, a so-called employee to boss relation may conceal a -stable or occasional- partnership regarding informal CBC, e.g. an employee informally importing products from Greece in co-operation (and possibly on an equal basis) with his formal employer.

4.2 Background and Characteristics of Participants, including foreign partners

Most of the identified informal entrepreneurs in the specific CSR originated from the South-West regions of the f. Y. R. of Macedonia.

Sixteen interviewees were male and five were female, while all of them are aged between 29 and 46 years old. Fifteen of our interlocutors mentioned being married.

Almost half of them have a minimum experience of two years in higher education, mostly in Economic or Engineering Studies. All participants in the fieldwork speak Serbo-Croatian, as former citizens of Yugoslavia, and can, at least, understand Bulgarian, which is very similar to the (Slavic) Macedonian language. Nine of them did not speak Greek or English, while only three could be classified as Greek speakers.

Practically all interviewees are Christian Orthodox. One of them stated that Catholic or Muslim entrepreneurs are very rare in the case of CBC with Greece.

Regarding their family background, their parents' profession did not appear as an influencing factor concerning initial engagement in CBC, since most of them (parents) were workers, teachers, civil servants, but also former migrant workers. Thus, it was clear that there is a lack of commercial tradition, as most of these informal entrepreneurs, when asked, defined themselves as 'the first businessman' in the family. Lastly, most participants reside in urban areas.

Migration seems to hold an important role as well. Two interviewees, who both stood as successful local entrepreneurs, mentioned that their family had worked in Germany and the deriving 'benefits' did not simply lie in the accumulation of a certain amount of economic capital. Both stressed the fact that they 'learned to work' and gained a certain mentality and work ethic, owing to this mediated relation to Western Europe's dominant economic modes.

It helped me in the mentality of the trade the fact that my father was doing trade and my family was living in Germany for so many years. I managed to study because my father made good money in Germany. (Florina H19, 2007)

Because my father worked [in Germany], it affected me. It 'gave' me mentality. (Florina H11, 2007)

Some other entrepreneurs have family in Australia and the U.S.A., but, according to their words, this does not have any immediate impact on their activity, besides occasional financing assistance. A woman who deals with trading receives money from her husband, who lives and works in Greece as an immigrant (with a Bulgarian passport), while another entrepreneur mentioned that his cousins worked in Greece. Some migration patterns seem to emerge, since most interviewees have lived in different parts of the Balkans, while others have travelled for leisure purposes. This phenomenon is less intense when it comes to Western Europe.

A very interesting feature is the citizenship of these entrepreneurs. The unstable diplomatic relations between Greece and the f. Y. R. of Macedonia have rendered the visa issue a crucial matter for local informal entrepreneurs. At the same time, acquiring or bearing a different citizenship status, and the respective passport, has immediate effects on their activities and social status. This is the case of those who currently have a German passport, who had a Serbian passport during the embargo

period, etc. After the accession of Bulgaria in the EU, this also applies to those who hold a Bulgarian passport or of those who are in the process of acquiring one.

I was born in Germany. I lived there for seven years but I don't have the German nationality. At the age of 16-17, I chose the Macedonian nationality. I should have taken the German nationality, it would have saved me from troubles, like the visa or during the embargo period!
(Florina E19, 2007)

Concerning the location of partners at the Greek side of the borders, most of them are found at the wider area of Thessaloniki, while there were very few cases in the neighbouring areas of Edessa and Florina. Most of them are Greek, with the exception of some Chinese who are informally involved in trading clothes.

4.3 Enabling and Constraining Forces

Regarding informal CBC between Greece and the f. Y. R. of Macedonia in the CSR, the most defining social condition is the diplomatic dispute between the two states concerning the use of the term 'Macedonia' in the latter's official name, which has led to diplomatic tension during the last 15 years. This tension had and still has an immediate impact on the nature and size of cross border commercial informal transactions. Some of the interviewees pointed out that a number of diplomacy related conditions, such as the issuing of visas, have deteriorated during the last years.

Issuing a visa is the main preoccupation for all the informal entrepreneurs from the f. Y. R. of Macedonia, since it is considered to be the most necessary condition for a stable and undisturbed cross border activity. In fact, many interviewees related their activity directly to their ability to get a visa at a good price. It must be noted that issuing a visa has the same cost (approximately 50 euros) regardless of its duration. Renewing a visa is necessary for developing a long-term plan. Moreover, getting the visa in the first place proves to be quite complicated; apart from the initial cost, it also demands a certain social capital, meaning 'knowing the right people' in public authorities, local or national offices, etc.

Visa is the main problem for not getting involved [in CBC]. In order to get visa, you have to be working here two years, you need a thousand papers, in the bank, for houses etc, everything

you have. I had to give false personal data and pay bribes in order to obtain the visa in the first time. (Florina H06, 2007)

Custom policies also hold a crucial role. Although many informal entrepreneurs recounted experiences of exhausting border controls, most of them find ways to circumvent taxes or fines. Customs procedures are even more time consuming and complicated for formal entrepreneurs, given the dispute over the official name of the country and the use of this term in both states' official documents. In fact, these barriers lead many entrepreneurs from the f. Y. R. of Macedonia to use mediators or even travel to Thessaloniki in person in order to quickly get some small (and urgent) merchandise (auto parts, optics).

In Greece you can take small quantity. I put in the car, in the pocket, I drink coffee, I come back. I don't pay taxes this way. Now I must send someone else because I don't have visa. From Greece it is difficult to import. If the address is in the f. Y. R. of Macedonia it is difficult. I go to Greece for small quantity or I send my driver friend. It is hard to order small quantity from Italy. (Florina H14, 2007)

It is clear that the particular political conditions in the area create problems to informal entrepreneurs, as to all citizens of the f. Y. R. of Macedonia, but at the same time provide them with certain advantages. Getting a long term visa or having a foreign passport (lately, a Bulgarian passport) is not an option for the whole population of the country. Those who are able to issue a visa are also the ones who are able to practice informal cross border activities. In fact, this 'privilege' stands as a distinctive sign, a sign of exclusion of all other competitors or simple consumers.

At the embargo period, you know the embargo between Greece and the f. Y. R. of Macedonia, I had a Serbian passport. So, one man came and told me to go to Greece and order. I started like that. It is a good job. (Florina H03, 2007)

Recently I wasn't able to get visa. This created lots of problems to my business. Now, I think I am able to get a Bulgarian passport. This will be very good for my job, as Bulgaria is in the EU. It is very easy, you just have to go to the Bulgarian Embassy and sign a paper where you say 'I feel Bulgarian'. [...] Those who don't do business with Greece are those who can't get a visa, can't legally enter Greece, that's why, it's because of the visa. (Florina H21, 2007)

The participants in the fieldwork mentioned also some other constraining conditions, such as the risks of continuous driving, waiting in the customs or having frequent controls by the Greek authorities. Not speaking Greek or even English is another major set-back for these people. Moreover, the particular tension between the two neighbouring states has an immediate impact on informal entrepreneurs' behaviour and perception of Greek people's attitude. Even though most informal entrepreneurs mentioned that there are no such problems with their immediate Greek partners, this is not the case for their perception of the surrounding Greek society. According to some of them, one 'must behave' when in Greece, watch his words (e.g. not using the term 'Macedonia' to refer to the f. Y. R. of Macedonia) and be aware of his/her interlocutor. Adding on that, some interviewees referred to people in the Northern part of the f. Y. R. of Macedonia as not being positive towards CBC with Greece.

Those who live in the north and do business with Serbia [...] are not satisfied with us buying from Greece and not from Serbia. They tell me, "traitor, what are you doing, you work with Greeks and you give them money". But I don't care about this kind of crap, I want to live my life.
(Florina H06, 2007)

At the same time, the Greek market, concretely the one of Thessaloniki offers many entrepreneurial opportunities, given that informal entrepreneurs can locate products of good quality and affordable prices. Being closer than Sofia or Istanbul, Thessaloniki was pointed out as their first choice, since it is also a large city where one can quietly and anonymously purchase whatever he/she wants, with considerable profit margins. Besides, some Greek employees in Thessaloniki also speak Macedonian. The internet is also a new but important tool for informal entrepreneurs, assisting partners' search procedures.

4.4 Evidence of Change over Time, including Current Trends and Future Prospects

As already mentioned, some CBC activities were established a long time ago. This is the case of the auto spare parts trade, which can be related to old Yugoslav-Greek networks in the 1980s. The auto spare parts trade reached its peak during the period of the Greek Embargo on the f. Y. R. of Macedonia. However, the inflow of Chinese products in the Greek market and the related commercial activities are a relatively

recent phenomenon that has surely affected informal entrepreneurial practices in these last years.

Besides the nature of the traded products, one also has to bear some important conditions in mind, when speaking of change or continuity in informal CBC between Greece and the f. Y. R. of Macedonia: the ups and downs in the diplomatic relations between the two countries, the symbolic and practical impact of the EU enlargement on the f. Y. R. of Macedonia, state policies of the f. Y. R. of Macedonia regarding informal economic activities and the course of integration of the national market of the f. Y. R. of Macedonia into the new globalised economic context.

A number of cases of informal CBC were reported to have ceased in the last years. Barriers related with visa issuing or delays in customs control have forced many entrepreneurs, mostly those who had the possibility to focus on formal activities, to gradually stop working with Greece. It was noted that large orders are rare and that generally business with Greece has decreased during these last three years. At the same time, slowdowns in visa issuing by the Greek authorities are reported during the last years. Furthermore, some informal entrepreneurs noted that their local market offers better opportunities nowadays. The development of the f. Y. R. of Macedonia national economy and its connection to new markets (e.g. China) mostly affects formal economic practices but it also has an immediate impact on informal activities.

Apart from that, the decrease of informal activities with the f. Y. R. of Macedonia during the last three-four years was also attributed to state policies aiming at tackling fiscal fraud and shadow economy's practices. This is a totally new condition, given that informal practices are widespread in the f. Y. R. of Macedonia. In fact, during the embargo period in the early 1990s, CBC between Greece and the f. Y. R. of Macedonia could only be of an informal nature. As far as the political and emotional tensions between the two national populations are concerned, an interviewee noted that the situation was very tensed ten years ago, but ever since things have changed in view of the fact that nowadays, people act more relaxed. On the contrary, others stated that they still face problems with some Greek people, even during these last years.

Personal entrepreneurial strategies seem to have been affected by these changes. Some cases of CBC have stopped as already mentioned, while at the same time they are not as fruitful as they used to be. Moreover, some products are expected to become cheaper in the f. Y. R. of Macedonia during the country's European integration course. Many informal entrepreneurs mentioned that they intend to register their activities in the future or participate in other formal activity. However, a start up capital is considered to be essential for those who plan a new business start-up, but it still remains the most important obstacle. 'Legal business' is considered to be less risky but more expensive. Many other informal entrepreneurs were unwilling to predict the future and simply limited themselves to a short-term perspective.

4.5 The Role of Trust

One could say that the establishment of permanent relations, which would lead to higher trust levels, depends on the frequency and the importance of the CBC for each informal entrepreneur. Most interviewees spoke of a clearly typical relation, but some of the oldest and more consistent informal entrepreneurs stated that they had good personal relations with some of their Greek partners. Two of them even boasted of having attended or having been invited to Greek weddings. They even mentioned that relations with their Greek partners are in fact so friendly, that they even use nicknames in their everyday communication.

There is a sort of differentiation between those working with auto parts, meaning with Greek partners on a nearly weekly basis, and those working with clothes, meaning mostly with Chinese partners located in Thessaloniki on a more irregular basis. The partner's ethnicity and the nature of the specific activity appear to influence trust levels, since in the former case personal or even friendly relations have developed, while in the latter partners were described as more distanced.

Few interviewees mentioned that they are constantly on the alert and keep their eyes wide open, trying to estimate other peoples' intentions. The different commercial attitudes of the two countries were also brought up.

The Greeks have better experience and at the beginning they were trying to make better position for themselves [...] For Greeks it is easier to do business. We had communism and the

borders were closed. We started only 20 years ago. The Greeks have a tradition of 1000 years.
(Florina H04, 2007)

However, due to the nature of informal transactions (on the spot, take-away), few things depend on trust or good relations. An indicative example has to do with refunding in case of wrong or defected products; no Greek shop-owner would give back money, instead they prefer replacing them with new ones. Still, some interviewees spoke of cases where Greek partners would not even do that; obviously this practice does not contribute in trust building.

I believe in people, I want to talk with people. If the partner is not OK, I stop job with him. How would you deal with your girlfriend if she lied to you? (Florina H03, 2007)

Greek shop-owners generally don't give you back your money cash. I did not stop cooperating with shops that caused me problems and didn't help me, because their prices are cheap.
(Florina H06, 2007)

Even though the experiences expressed by the informal entrepreneurs could not lead to a general conclusion on a common pattern of relations between CBC partners in the CSR, it is very interesting to note a feature that was apparent in all interviews. Concretely, there was a clear distinction between two different 'worlds' in Thessaloniki; one consisting of the market located in the wider area of the Railway Station where known or unknown partners and businessmen are gathered and the other being the rest of the city.

Many interviewees pointed out a different attitude towards the term 'Macedonia' between Greeks, depending on whether they are involved in informal activities with the f. Y. R. of Macedonia or not. Even in the cases of typical partner relations, Greek entrepreneurs were acknowledged by some interviewees as quasi-neutral and non-aggressive when someone stated that he/she comes 'from Macedonia'. On the contrary, they mentioned that they are more careful when talking with other Greeks or driving a car with the sign 'MK' (MK standing for Macedonia). Some participants in the fieldwork recounted a story of verbal aggression by Greeks on the street (mostly in the past). Most of them noted that, when in Greece, they adjust the way they talk, by saying that they come from 'Skopje' or the 'f. Y. R. of Macedonia'. However, they feel more relaxed when they are in the abovementioned market.

Another important fact is that informal practices are widespread in Greece. As a consequence, the possibility to launch informal entrepreneurial co-operation with approximately any Greek partner is somehow common knowledge to people from the f. Y. R. of Macedonia. There are certain common perceptive schemes between partners that render informal co-operation possible. This fact enhances informal activities between them, while at the same time it favours trust building.

4.6 Enlargement-related effects

In the case of the f. Y. R. of Macedonia, EU-enlargement has two dimensions; the first concerns the country's European integration course and the second the accession of other countries, mostly that of neighbouring Bulgaria, in the EU and the impact on the bilateral relations between them. Only few interviewees reported seeing or expecting any changes related to their country's integration process. These changes were viewed as mostly negative, in the sense that a future membership in the EU will lead to the total abolishment of customs. Consequently, the gains deriving from avoiding formal importing procedures will no longer exist. Hence, these people plan to focus on formal commercial activities or register their current informal activities. There was only one interviewee who saw a potential accession in the EU as a positive development, but he was already mostly oriented towards expanding his formal transactions. Generally, it could be argued that most informal entrepreneurs did not perceive the EU integration process as a particularly constraining or enabling factor, at least for the time being.

The adhesion of Bulgaria did not have any effect on the decision of the interviewees concerning their business planning or market-orientation. Greece remains their first choice, since it is a member-state of the EU and at the same time presents advantages compared to Bulgaria, such as higher quality in relatively good prices. However, the option of acquiring the Bulgarian citizenship and passport, and therefore become EU citizens, is an important new condition that has surely affected the strategies and expectations of the informal entrepreneurs.

4.7 Policy Issues Identified

It must be pointed out that the Stabilisation and Association Agreement signed in 2004 between the f. Y. R. of Macedonia and the EU did not have an impact on informal CBC activities. In fact, the interviewees had barely heard of this agreement. New state policies were mentioned by some interviewees, such as fiscal and legal normalisation of all commercial procedures, even though shadow economy was still said to be the rule.

However, any cross border policy issue in the case of Greece and the f. Y. R. of Macedonia is directly related to the diplomatic problems separating the two countries. The political tension had and still has immediate effects on cross border policies, such as the embargo, visas, customs delays, etc. The 'name issue' has a vast symbolic and practical impact on any cross border perspective. Furthermore, the European integration course of the f. Y. R. of Macedonia is directly linked to Greek foreign policy and the dispute over the official name of the country.

This constantly changing, unstable and insecure situation creates problems and stress for informal entrepreneurs but at the same time, business opportunities also emerge. Some interviewees, possibly the most committed and dedicated to informal CBC, tend to view a possible diplomatic settlement as an upcoming '*fin d'époque*'.

When we enter the EU my job will go down, I will have to find another job. In the future, one friend who has a big shop for auto parts has offered me the manager's position in his shop. Not just worker, manager, because I know a lot of things about auto parts and cars. I think this will be my future, legal future. (Florina H03, 2007)

Most informal entrepreneurs ask for a friendlier visa issuing policy on behalf of the Greek government. Moreover, many interviewees appeared as very favourable towards EU enlargement and the opening of the borders with Greece. This could be partly attributed to the fact that we were introduced as Greeks conducting EU-related research.

I think that if the borders were open, things would be better. That's what I'm expecting.[...] It's politicians who cause problems. [...] I say we are Europeans, Greeks, Macedonians, we are all Europeans. (Florina H07, 2007)

5 Conclusions

5.1 Overall Assessment of CBC in Region

When assessing CBC in the specific CSR, one should always bear in mind its specific regional problems and the foreign policy issues apparent between Greece and the f. Y. R. of Macedonia. The dispute over the name of 'Macedonia' between the two countries, which has been going on for almost 17 years, prohibits CBC between public authorities and, to a certain extent, between individual firms as well.

On the institutional level, CBC is rather restricted and in some instances up it tends to involve two separate sets of activities taking place in the two sides of the borders that have been labeled as 'common', in order to be eligible for financial support by the EU. The country's unstable political environment and the frequent administrative reforms create certain barriers for institutional CBC. At the same time, given that institutional co-operation should be in alignment with national foreign policies, the 'name issue' imposes restrictions on this kind of initiatives.

Enterprise-based CBC is mainly due to the lower labour cost in the f. Y. R. of Macedonia and it includes subcontracting assignment. The relatively small size of the local business entities undoubtedly affects the nature of the emerging types of CBC. Discontinued collaborations between the two sides of the borders were mostly attributed to national-political rivalries and unreliable partners. Informal types of CBC activities are widespread in the CSR, partly owing to the traditional relations between the populations of the two sides and the high quality products in relatively good prices that are available in the Greek market. At this point, it should be noted that informal trade in the CSR is mostly initiated by the f. Y. R. of Macedonia side. The embargo that was implemented in 1994-95 has undoubtedly posed negative effects on these activities, while on the other hand it led to a flourishing illegal trade between the two countries.

5.2 CBC: Enlargement Related Issues Emerging

Based on the Bulgarian experience, one can expect that if the f. Y. R. of Macedonia will join the EU, CBC between the two countries will be enhanced. On the other hand, the accession of Bulgaria poses certain indirect impacts on CBC in the specific

areas as well. The visa regime, its high cost and the attitude of the Greek state towards visitors from the f. Y. R. of Macedonia has forced them to apply for a Bulgarian passport in order to be able to visit Greece. At the same time, Greek firms that cooperate with partners from the f. Y. R. of Macedonia sometime act as intermediaries. Situation is similar in the case between Bulgaria-f. Y. R. of Macedonia and thus a certain disparity is created between members of the EU (Greece and Bulgaria) and non-members (f. Y. R. of Macedonia), reflected on the population's mentality and attitude.

The general picture regarding a future membership of the f. Y. R. of Macedonia is common among the Greek participants in the fieldwork. They believe that it will be long before the country will join the EU. They believe that this has to do with the dominant socio-economic forces in the country and –once more- with the 'name issue', which has to be settled before the country applies for a full membership.

However, the efforts of f. Y. R. of Macedonia to comply with the European rules and norms, even though still in a pre-mature phase, contribute significantly in the efforts to develop CBC in the specific CSR, since the conditions are considerably better now compared to ten years ago. Thus, the EU enlargement process can act as the basic motive for structural reforms and adjustments in the legal framework, which in turn could lead to higher levels of co-operation between the two sides.

5.3 Co-operation and Clustering Related Issues

It is already mentioned that low CBC in the specific CSR can be partly attributed to the relatively low levels of co-operation between firms in Greece. The reluctance of local entrepreneurs to understand that co-operation and competition are not mutually exclusive was evident during the fieldwork as well, indicating that they still tend to view firms of the same sector as competitors only. This situation is further aggravated in the case of a foreign partner, when the existence of borders implies different entrepreneurial mentalities and tensions deriving from the foreign policy issues.

Clusters, in the strict sense of the word, are almost inexistent in the CSR, while the existing formations were the result of the efforts pursued by the local institutions –

such as the chambers and the local development enterprises. Local entrepreneurs have not been convinced yet about the positive effects that derive from participating in a cluster. Inevitably, the evidence of cross border clusters becomes even more limited.

The only evidence of a cluster activity in the area includes the *quasi cluster* of the textile – garment industry in Northern Greece that, since the mid 1990s, is gradually shifting more to the North, crossing the borders of the country to include nowadays parts of Southern f. Y. R. of Macedonia.

5.4 Identity and Perception-Related Issues

The area under study is rather typical in terms of identity policies applied in SE Europe. The population of the region is mainly the result of compulsory movements and exchanges that occurred in the context of the Ottoman Empire, during and soon after its dissolution. Thus people share common cultural and language elements allowing them closer communication but at the same time creating conflicts and disputes. An important feature of this area is the existence of an important Slav-speaking (bilingual) population in the Greek CSR. The same applies for some Greek speaking people in Bitola who have relatives or/and origins from the Greek side.

Co-operation and co-existence is easier at the local level but state policies and problems in international relations produce structural barriers related to identity politics. In this case the dispute of the f. Y. R. of Macedonia with Greece regarding the country's name ('Macedonia') and its ethnic symbols acts as a constraining factor for the development of the CBC.

5.5 Trust- and Learning Related Issues Emerging

Our research data indicate that a number of factors enhance trust building both in the case of entrepreneurs and in the case of households. These factors refer to geographic proximity, the existence of some common cultural elements and personal contacts. Language is in itself a crucial common cultural element allowing the direct communication between partners. In the case of the Florina – Pella region the common Slavic idiom spoken in both sides of the border establishes language

communication networks. Adding on that, time appears to be an equally important factor fostering trust building. During the fieldwork it became clear that trust reaches its highest levels as time goes by and positive experiences of efficient co-operation build up.

Some hindering factors emerged as well, as far as trust building is concerned. First of all, the political and national rivalries on the 'name issue' occasionally create prejudices and biases. In some cases individuals were culturally unable to recognise the identities of their partners, something which created anxiety in the initial stages of the transaction. Another negative factor was the alleged or/and existing mentality and entrepreneurial behaviour dominant in the two societies. Finally, trust building was affected by the existence or non-existence of economic conditions allowing low risk strategies. Time seems to be the most important factor securing trust in CBS both in formal and informal contexts. Trust was built in the course of time, after both parties were convinced about the real benefits of these cross border ventures and the credibility of their partners. Repeated transactions decrease the importance of trust hindering factors and strengthen the trust encouraging factors.

5.6 Policy and Governance Related Issues

The most important policy issue identified involves the 'name issue', which has already been described in the previous sections. In most cases, this factor seems to be extremely hindering for CBC attempts, even though local entrepreneurs have managed to overcome this barrier, driven by the economic-related benefits of CBC. On the other hand, it still remains the dominant obstacle for institutional CBC. Policies oriented towards the settlement of this issue are expected to strengthen the economic development and the CBC initiatives of the Greek bordering areas.

Adding on that, an uneven core-periphery relation was clearly stated during the key informant interviews in favour of the former, which results in the isolation of the CSR. Hence, local stakeholders ask for regional target-specific policies that would aim at removing the barriers currently impeding local economic development. They feel detached from the core policy-making centres, which in their opinion, are unaware of the periphery's real needs. The poor road infrastructure and the absence of a vertical

axis that would connect these areas with the Egantia Motorway are indicative examples.

Decentralization efforts are of crucial importance for the specific CSR, given that representatives from the local authorities state that the policy making actors located in urban centres, such as Athens, fail to perceive the peculiarities of the situation in the borders.

Last, efforts to tackle bureaucracy and simplify the procedures that regional firms have to follow when applying for financing programmes were also identified as major key policy issues.

5.7 Future Prospects for CBC

One must expect significant prospects for enhancement of CBC activities since there is a gradual convergence of the two socio-economic formations as well as of their institutional structure. The country's efforts to comply with the European standards and norms have proved to be extremely supportive towards this direction. However, the 'name issue' remains the most crucial obstacle, especially in the case of institutional co-operation and to a lesser extent of enterprise-based partnerships.

In general, the case of this region illustrates the constraints and possibilities for CBC in areas with specific characteristics such as underdevelopment, insufficient supportive state policies, poor infrastructure, limited investment activities and problematic international relations with nearby states. Despite the above structural problems, CBC is slowly developing due to initiatives taken by institutions and individuals who believe that future development can only be based on extended CBC.

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