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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 Serres 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 the Cross Border Region

The main aim of this Chapter is to draw an introductory picture of the Greek case study regions (Prefectures of Thessaloniki, Serres and Drama), which border with Bulgaria, namely the area covered by the regions of Blagoevgrad and Sandanski:

**Figure 2.1 Case Study Regions**



⊗: Crossing points

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

### 2.1 Economic Development: Characteristics and Key Issues

The Prefecture of *Serres* is located at the Region of Central Macedonia, Greece. It is bordered to the north by Bulgaria and the former Yugoslav Republic of Macedonia (f.

Y. R. of Macedonia), to the east by the prefecture of Drama, to the south-east by the prefecture of Kavala and to the west by the prefecture of Thessaloniki and Kilkis.

In the past, the Prefecture accounted for high volumes of agricultural production, due to that fact that it has one of the largest areas of plough fields and irrigated areas in the whole country. Nevertheless, nowadays, the key informants<sup>1</sup> participating in the project's fieldwork express major fears for the small size of the agricultural units, the low competitiveness of the local agricultural products and the diminishing contribution of the sector in the domestic product. Furthermore, the regional economy presents some crucial disadvantages, namely a relatively small size, high unemployment rates, extended introversion and slow readiness to adopt and take advantage of the recent developments deriving from Bulgaria's accession to the EU. Thus, the region was not sufficiently prepared to exploit the fact that it shared a border with a country of lower economic development. This was also the result of certain fears expressed in relation to the negative impacts that the EU enlargement would have on the regional economy. It should be noted though that these fears were never affirmed.

These characteristics are confirmed by the statistical data, which show that the tertiary sector –and not the primary- is the most significant source of income for the region. Concretely, agriculture accounted only for 22.5 per cent of the regional GDP in 2004, while the respective figure of the tertiary sector for the same year amounted to 65.1 per cent. As far as regional per capita GDP is concerned, it reached 10,312 € (in purchasing power parities), considerably lower (44.5 per cent) than the EU average. Unemployment rates are estimated to be near 10 per cent for Serres, which was listed as the 50<sup>th</sup> Prefecture (among a total of 52 Greek Prefectures) in terms of prosperity rates in 2004 (Greek Regions, 2007; Eurostat, 2007).

However, the Region also presents some significant advantages in terms of economic development. There are certain opportunities to develop alternative

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

tourism activities in the area and exploit its rich natural resources (geothermic field, Kerkini Lake and Strimonas River), as well as the fact that the area has access to the sea. The latter is one of the most important elements for the future economic growth of the regions in Northern Greece, taking into account that, following the opening of the borders, the Aegean Sea constitutes one of the top destinations for the inflow of Bulgarian tourists. This can constitute another possible source of income for Serres, since extended economic growth is reported in the neighbouring Bulgarian regions, such as Blagoevgrad.

Similar is the case for the Prefecture of *Drama*, which is located at the Region of Eastern Macedonia and Thrace, Greece, and also shares a border with Bulgaria. The regional economy is once again relatively small and, in 2004, the Prefecture was ranked in the 45<sup>th</sup> position (among a total of 52 Prefectures) in terms of economic prosperity. The tertiary sector seems to be the most significant one, shaping 66.7 per cent of the regional GDP, compared to 18.3 per cent and 15 per cent for the primary and secondary sector respectively (Greek Regions, 2007). The Region's per capita GDP increased sharply during the period 2001-2004, reaching 10,657 € in 2004 (in purchasing power parities), still considerably lower (49 per cent) than the EU average figure.

One of the most crucial barriers for local economic development is unemployment, which in 2004 amounted to 14.9 per cent, constituting a severe structural problem for the Prefecture. This is the result of the declining role of the manufacturing units – mainly engaged in the clothing sector- which used to provide the Region with an important source of income in the past. Most of these units have now transferred part or all of their manufacturing activity to other countries. It is estimated that more than 12,000 jobs were lost during the last decade in Drama (Business Support Organisation, 2007), owing to the general phenomenon of labour intensive industries relocating from Greece to neighbouring Balkan countries (Labrianidis, 2000; Kalogerisis and Labrianidis, 2008).

On the other hand, there are certain elements that can constitute an alternative solution for the economic development of Drama, namely its rich natural resources, the local marble and wine industry, as well as the undertaking of tourism activities.

More specifically, the local natural resources enabled the Region to recently turn towards biological cultivations, with an aim to expand into biofuels production in the near future. Concerning the marble industry, this has traditionally constituted one of the most dynamic economic activities in Drama with high exporting rates in the world market. Even though certain fears are expressed regarding future competition from lower labour cost countries, there are signs that the local companies are ready to face these challenges (Business Support Organisation, 2007). Last, tourism development is considered to be extremely significant for the Region and extended investment activity is observed during the last years through EU funded programmes such as 'Leader+' (Drama Development Enterprise, 2004).

The case of *Thessaloniki* differs significantly from those mentioned above. It is worth mentioning that this Prefecture does not share borders with a Bulgarian region (as shown in

Figure 2.1). However, it is included in the present analysis –to a lesser extent- due to its 'metropolitan role' in the economic development of Northern Greece and the CBC activities that take place in the wider area.

The economy of Thessaloniki relies primarily on industrial and commercial activities, most of which are concentrated in the urban areas. According to the available statistical data, the tertiary sector stands for 75 per cent of the regional GDP, compared to 22 per cent and 3 per cent for industry and agriculture respectively. Contrary to the cases of Serres and Drama, Thessaloniki's per capita GDP is closer to the EU average (76.7 per cent), reaching 16,492 € (in purchasing power parities) in 2004 (Eurostat, 2007), while for 2006 unemployment rates were reported to be under 10 per cent.

Being the industrial and commercial centre of Northern Greece, Thessaloniki is also the area where several CBC initiatives have taken place. At the same time, this Region acts competitively to the economic development of Serres and Drama, something that was clearly stated by the local authorities of the two Regions during the fieldwork (Local Authorities, 2007). More specifically, it was reported that tourism inflows from Bulgaria are directed to Thessaloniki, constituting a negative factor for the tourism development of the two other regions. Furthermore, isolation from the

economic centre of Thessaloniki seems to be a critical factor, influencing directly the economic development of the other two Regions:

*...we somehow feel isolated from the economic centre of Thessaloniki. There is not a link to the Egnatia Motorway and even though they have promised to develop the port infrastructure in our area, large scale infrastructure projects seem to be concentrated in Thessaloniki. (Business Support Organisation, 2007)*

## **2.2 Entrepreneurship Development**

Entrepreneurship development in the case study regions (CSR) is affected by the general characteristics of the Greek economy. The first –and one of the most significant aspects- is the size of the business entities. More specifically, enterprises employing 50 persons and below constitute approximately 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 Thessaloniki, Serres and Drama as well, where a general and noteworthy absence of FDI that could support the creation of larger business entities, is also reported (especially for the last two Regions). An indicative fact is that there are only two large enterprises registered in the region of Serres, namely ‘Dromeas’ and ‘Kri-Kri’.

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. The majority of new business start-ups also involves small firms, including either family-owned or self-employment units. Concerning the latter, once more the general picture is quite the same between the CSR and the country. More specifically, self-employment accounts for more than 30 per cent of the total employment in Greece. This is due to the general level of economic development (Blanchflower, 2004) and to the fact that self-employment constitutes an alternative solution to high unemployment rates of the CSR (Local Authority, 2007).

Another important entrepreneurial characteristic refers to the general lack of co-operation between the Greek firms. 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' reluctance to understand that co-operation and competition are not mutually exclusive. Thus, the local entrepreneurs are not able to perceive the potential benefits of networking, owing to their mentality, which could be also attributed to their low educational level (Business Support Organisation, 2007). This tendency is also reflected in the limited efforts for CBC:

*...as long as we can not cooperate with a Greek entrepreneur, how could we get along with a Bulgarian one?* (Business Support Organisation, 2007)

### **2.3 Social, Cultural and Historical Perspectives**

The bordering regions of the two countries share common cultural and economic structures dating back from the period of the Ottoman Empire. During the interwar period, there was free movement of semi-nomadic pastoralists and their folks between Greece, Yugoslavia and Bulgaria, as the borders were quite 'soft'. Moreover, there was free movement of traders between cities of Northern Greece and Southern Yugoslavia and Bulgaria. These processes have led to the creation and maintenance of ties between the two sides, e.g. it is common for people from Serres and Drama to have relatives on the other side or to speak the Bulgarian language. These elements have formed to some extent the basis for the development of CBC. As it was explicitly mentioned, *issues of cultural co-operation are easier to deal with and can prepare the ground for future co-operation in other sectors as well* (Local Authority, 2007).

At the same time, though, there are some cases where the local history still acts as a dividing factor, for some people at least, bringing unpleasant memories to the minds of the locals and consequently creating a negative atmosphere for the other side. However, even in this case, it is argued that these references of the past are not enough to hinder the development of CBC, since *'at the end, when it comes to making business, profit and not history is what leads the way'* (Business Support Organisation, 2007). Lastly, it seems that people with some kind of ties with the other side (knowledge of the Bulgarian language, relatives living there, etc) or people who studied in Bulgaria decide more easily to make an investment there, apparently because it feels more familiar.

## **2.4 Policy Environment for Entrepreneurship and CBC**

In Greece, the governance decentralisation efforts were mainly focused on fostering entrepreneurship on the regional level. Apart from the formulation of the legal framework, the funds allocated through the state participation on EU programmes were also directed towards the development and structural adjustment of less developed Regions (including the Regions of Central and Western Macedonia), in order to strengthen entrepreneurship and competitiveness of the local business entities.

Nevertheless, in several occasions, governance problems are reported since the authorities in Drama and Serres complain about the lack of supportive national policies that would foster entrepreneurship, development and CBC. This has to do with the special difficulties these areas face (unemployment, low investments rate, entrepreneurship education), which seem to influence regional disparities. As far as SMEs are concerned, the empowerment of their role within the economic system is one of the first priorities of the state. These enterprises are in the centre of the policy for economic development and Greece is implementing an infrastructure plan in order to support their entrepreneurship.

On the contrary, only a small minority of entrepreneurs are directly involved in the policy process through a representative organisation. In the case of the North Greece area, this mainly involves the representatives from the SME sector in the Board of Directors of the Hellenic Organisation of Small and Medium Sized Enterprises and Handicraft S.A. and the participation of manufacturing companies in the Federation of Industries of North Greece. While there are some signs of social dialogue between the Greek entrepreneurs and the policy making authorities, this is rather limited, especially if we take into consideration its key role in entrepreneurship development.

## **2.5 Potential for future CBC**

Assessing the prospects for future CBC in the specific regions, one could say that the EU enlargement process created a more favourable environment both for institutional and enterprise-based collaborations. This is the result of Bulgaria's

recent accession and the efforts undertaken from both sides to exploit the deriving benefits.

Especially for institutions, this fact was mentioned as the major enabling factor, since the Bulgarian side is now able to participate in numerous EU funded projects as a member. Thus, it is normal to expect that previous partnerships will lead to future co-operation between the two sides, owing to the high levels of familiarity that already exist. Adding on that, the long Greek membership experience resulted in extended know-how on projects implementation. This is a fact that Bulgarian side can take advantage of, showing the path for future institutional CBC in the form of know-how transfer.

*We are planning to contact some Bulgarian institutions in the future, in order to 'sell' our know-how on implementing EU programmes. We think that in the future they will create similar institutions to ours and we could be of some assistance in this effort. (Business Support Organisation, 2007)*

Moreover, current CBC is focused on environmental and cultural issues, such as monitoring the quality levels of common natural resources and promoting cultural exchanges. These factors are also expected to stimulate future CBC, while at the same time act as the starting point for collaborations in other fields as well. An indicative example refers to 'town-twinning' procedures, which were initially implemented to encourage mobility and communication between the border sides, but they can also stimulate entrepreneurial partnerships, given that local businessmen participate in the official visits. Thus, familiarisation is created in this field as well.

*Serres is also twin-city with Veliko Tarnovo for many years now. They invite us, they come here, we go there along with some entrepreneurs and this is a very big opportunity for them. (Local Authority, 2007)*

Similar is the case for future enterprise based CBC, since Bulgaria's accession and the consequent changes in the nature of the borders have created a more dynamic environment. This fact, encouraged by the efforts to tackle corruption and shadow economy, has created a more positive image for the Bulgarian market in the eyes of the Greek entrepreneurs. Apart from that, the past Greek investment activity, as well as the upgrading of the Bulgarian living standards are expected to stimulate enterprise based CBC in the regions (see Chapter 4).

### **3 Institutional Cross border Co-operation**

#### **3.1 Nature and Extent of Current Institutional CBC**

The institutional CBC at the axis of Thessaloniki, Serres, Drama, Sandanski and Blagoevgrad is mainly effectuated by the respective local authorities, namely the Municipalities and the Prefectures, while there is also some involvement of the Development Enterprises and the Chambers located at the Greek border region.

The nature of this co-operation is influenced and shaped by the structure of the Community Initiative INTERREG. It could be argued that the Community Initiative INTERREG constituted the driving force for the development of CBC on the institutional level, since there is not much evidence indicating that there were many actions towards this direction before 2000. Furthermore, the structure of INTERREG itself sets to a large extent the conditions or even imposes the development of CBC. The words of a key informant interviewee give a clear picture of the situation:

*The municipalities of the area usually have more intensive contacts with the other side, but this is due to the fact that INTERREG actually obliges them to have a cross border partner. (Local Authority, 2007)*

In other words, up until now, one cannot talk about real partnerships, since in many cases these agreements of co-operation were a prerequisite for participating in an INTERREG project. There are of course exceptions from this general trend, where co-operation between the two sides is substantial and aims at developing joined actions.

Through the key informant interviews it also became clear that the cross border interaction between the two sides is still at an elementary and premature phase and concerns mostly financing agreements. No discussions have been made as yet to address the most serious issues troubling the two regions. For the time-being, cross border co-operation revolves around 'softer' issues, e.g. culture, tourism and vocational training, which help in establishing good public relations between the local authorities of the two countries.

*Our co-operations have not gone deeper yet to more serious issues, like resources management and criminality. These programmes are supposed to be the means for planning our strategy, but unfortunately we shape our strategy according to the programmes. (Local Authority, 2007)*

Given the nature of the existing cross border common actions, one can not talk about substantial outcomes as yet; however, the general attitude is positive. This initial phase is viewed as a preparatory stage that establishes the necessary contacts and relations for undertaking common actions in the future. Besides, the local institutions anticipate many changes to be introduced by the fact that in the ongoing programming period (Greece-Bulgaria INTERREG IVA 2007-2013), both Bulgaria and Greece participate as member-states of the EU and consequently, their actions will be financed and regulated by the same instrument.

### **3.2 Enabling factors for CBC**

The existence of some common elements between the two countries' cultures – e.g. religion, traditional music and cuisine – facilitates CBC on the institutional level, since it provides the necessary ground for developing actions that aim at bringing closer the populations of the cross border regions (town twinning movement).

Cross border co-operation is further facilitated by the fact that, in order to join the EU, Bulgaria had to subdivide its territory according to the nomenclature foreseen by the EU, widely known as NUTS. This favoured institutional co-operation in the sense that it established a similar organisational structure in the two countries, rendering the various institutions capable of easily locating their counterparts at the other side of the border.

It could be argued that enlargement and the accession of Bulgaria in the EU constituted the key point for developments in the field of institutional CBC. Under INTERREG IVA (2007-2013), Bulgarian authorities and organisations located at the eligible areas of implementation can now directly submit proposals as lead beneficiaries. This has increased cross border actions, since they are obliged to include a Greek partner in order for their proposal to be eligible for approval.

*They also need us now, in order to be able to participate at the INTERREG programme. (Local Authority, 2007)*

Another factor enabling CBC at the axis Thessaloniki, Serres, Sandanski and Blagoevgrad is the lack of know-how and experience that is observed at the Bulgarian side of the border. This gap provides the necessary ground for fostering ongoing as well as future cross border actions, since the Bulgarian institutions at the

cross border regions turn to their counterparts in Thessaloniki, Serres and Drama to fill it in.

*They listen carefully to our comments and they believe they can profit from this relationship. ... They want to learn and we are happy to offer our knowledge. (Business Support Organisation, 2007)*

The fact that Greece has been a member of the EU for more than 25 years also constitutes a considerable factor towards the same direction. It means that the Greek bordering regions have assimilated issues related to the functioning of the EU and the implementation of the *acquis communautaire*.

*What we have discovered is that they know that we have the knowledge and the experience of the EU membership and they expect our support. (Local Authority, 2007)*

The positive experience acquired during the previous programming periods has already established some contacts between the institutions of the two bordering regions, which undoubtedly nurture the development of further CBC. In the course of time, these contacts have grown into trusting relationships that ensure to a certain extent the undertaking of substantial co-operation. The key factor that ensured the development of trust was the fact that both sides interacted on an equal basis.

*We considered them to be equal to us from the early stages of our co-operation. ... At all stages, we always kept in mind to ensure this equal treatment of both sides. This attitude created familiarisation and trust. They gradually understood that we had a real co-operation in mind. (Local NGO, 2007)*

The last enabling factor is linked with the general positive attitude towards CBC that has been pursued by the concept of a united Europe and the ideals that the EU is trying to consolidate through its policies and enlargements. The institutions located at the Greek bordering area appear to have understood the benefits that derive from having good relationships with your neighbouring country and this is starting to be the case for the Bulgarian side as well, especially after the country's accession at the EU.

*We have understood the nature of the united Europe and they are moving towards this direction as well. (Local Authority, 2007)*

*We see our neighbours in a positive perspective because we want to establish good relationships with them. (Local Authority, 2007)*

### 3.3 Constraining factors for CBC

The factors enabling CBC and the factors constraining CBC are in fact the two sides of the same coin, since they constitute the positive and the negative application of the same idea.

The common cultural elements that bring the populations of the two countries closer are to a certain extent shadowed by the historical background of the region and the negative memories it brings to some people's minds, mainly of the older generations. In some cases, when trying to establish co-operation with the other side of the borders, institutions had to overcome the constraint deriving from memories of the Bulgarian occupation. However, all key informants seem to agree that this attitude is gradually fading away.

*Suspiciousness was a result of the historical background as well, since our population here had suffered from the Bulgarian occupation and the memories still exist. However, these issues gradually lose their significance and there is no reason to stick on them. (Local NGO, 2007)*

Despite of the fact that Bulgaria has adopted the NUTS system for administratively dividing its territory, some problems still persist. Co-operation on the institutional level is hindered by the fact that the regions and the municipalities of the country still lag behind in terms of organisation. It is anticipated that it will take some time before they reach the required level of development, which will in turn render possible institutional cross border co-operation on substantial issues.

Cross border co-operation is indeed expected to increase since the Bulgarian side is eligible for submitting proposals in INTERREG IVA during the current programming period (2007-2013). However, a factor constraining this estimation is the fact that unfortunately, the content that this co-operation should take still remains vague. Representatives of the local institutions at the Greek border area have expressed their concern that time and funds will once again be invested on issues that do not depict the real problems troubling the cross border regions.

Although the lack of know-how on behalf of the Bulgarian side and the experience of EU membership that Greece has already acquired create conditions favouring institutional cross border co-operation, there are two factors that still constrain the development of joint actions. The first one is the low absorbcency of EU funds in

Greece, since the country as a whole is still characterised by weaknesses in the field of programming and implementing the various EU programmes. The second one is that the majority of the local authorities and institutions at the border areas admit that they were not sufficiently prepared to cover the needs of their Bulgarian counterparts.

*The most important thing is that they demand from us to be as much prepared as possible, but unfortunately we are not. (Local Authority, 2007)*

Unfortunately, the experience of cross border co-operation developed during the previous programming periods was not always positive, hence the Bulgarian institutions appear to be reserved when it comes to undertaking joint programmes with Greece. More specifically, some key informants argued that Bulgarian partners were not always treated on an equal basis by their Greek counterparts, in the sense that the funds were quite unequally distributed. To a certain extent, this was due to the programmes' structure that necessitated the existence of a Bulgarian partner, but did not foresee actual co-operation between the two sides of the borders.

*They are a little suspicious towards us, owing to the fact that we used them in the past, within the INTERREG programme, to take advantage of the European programmes. We only signed agreements, we received a vast amount of money, they only got a PC and everyone was happy. (Local Authority, 2007)*

The last constraining factor is linked with the mentality of the populations both at the Greek and the Bulgarian side of the border, who seem to be characterised by a certain degree of suspiciousness towards the unknown. It has been argued that cross border co-operation is obstructed by this fact, despite the ideals of a united space that the EU is trying to put forward. As far as Greece is concerned, this comes as no surprise since co-operation appears to be quite difficult even between Greeks only.

*Bulgarians are not easy-going people; they are very similar to us, they are suspicious. Apart from that, our mentality creates some additional problems, since even two Greeks cannot co-operate with each other. (Business Support Organisation, 2007)*

### **3.4 Examples of Positive Experiences of CBC**

The positive experiences of CBC in this CSR can be best demonstrated through an examination of the Euroregion Nestos-Mesta that has been active in the cross border

area between Bulgaria and Greece for almost fifteen years. It was first established in 1992, following an initiative of the Chamber of Drama and in 1997, it joined the European Association of Border Regions (EABR). As declared by its name, it uses as connecting element of the two countries the river that springs from the mountain chain Rila (Bulgaria) and flows into the Aegean Sea (Greece). It started off as an idea that aimed at supporting the entrepreneurial activities between the two countries; however, it soon evolved into an organised form of cross border co-operation, which expands in other sectors as well.

During its first ten years of operation, the Euroregion had undertaken 492 cross border projects in seven different sectors, namely: communication, exchange of information and networking; economic co-operation, transport and infrastructure; culture and society; tourism and recreational activities; environment, agriculture and transfer of technology. The available data indicates that the Euroregion is a very active organisation that has managed to develop cross border co-operation in various fields and with a wide range of partners, while co-operation is further intensified following the enlargement and the accession of Bulgaria in the EU.

As it has already been discussed, the problem that has arisen in this CSR is that most approved projects are purely financing agreements that do not necessitate real co-operation between the cross border partners. Therefore, CBC tends to be rather superficial. The positive experience acquired through the Euroregion lies in the fact that it has moved beyond this stage; although CBC still concerns rather 'soft' issues, it implies real interaction between the Bulgarian and the Greek institutions. E.g. in the framework of an INTERREG project on vocational training, public servants from a number of institutions came to Drama and worked for a period of time in the respective local institutions, in order to gain know-how that they would then transfer back home.

Another initiative undertaken by the Euroregion is a column it publishes in a local newspaper of Gotche-Delchev, on its own expenses. The title of this column, "Three languages, two countries, one land", once again attests its commitment in bringing the two sides of the borders closer.

It could be argued that the positive experiences on CBC in the case of the Nestos-Mesta Euroregion are the outcome of a well-coordinated effort that aimed at making the best out of the available Community Initiatives fostering CBC. By treating all partners on an equal basis, the Nestos-Mesta Euroregion has managed to develop trust and prepare the ground for future common actions that will be dealing perhaps with 'harder' issues.

### **3.5 Examples of Negative Experiences of CBC**

During the fieldwork, the key informants and business support organisations that were interviewed failed to mention any specific examples of undertaken cross border ventures that went wrong. The existing negative experiences of CBC appear to derive from the different mentality of the two countries. More specifically, it was argued that Bulgaria is still in a 'transition period', in the sense that it is still struggling to comply with the EU regulations. Despite of the fact that it has joined the EU, the country has a long way to go before it fully adopts the *acquis communautaire*.

*These countries still have a long way to go before they adjust to the EU way of living. They may have entered the EU, but that was a major mistake, since it will take them a lot of time to reach a balance. (Local Authority, 2007)*

Furthermore, there is a general sense that the former political regime has left its traces on the culture of the population, as well as of the local authorities and, in some cases this impedes the smooth co-operation of the two sides.

### **3.6 Evidence of Cross Border Clusters**

Clustering activity appears to be at quite low levels in Greece and this is also the case for the CSR at the borders with Bulgaria. As it has already been argued, this is due to the fact that the practice of co-operation is considered by most key informants as not embedded in the Greek mentality; enterprises activating in the same sector tend to view each other as competitors only, which simultaneously rules out any potential for co-operation. Moreover, they 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, while the existing formations were the result of the efforts pursued by the local institutions.

One newly established cluster was identified in Drama. This is a horizontal network of enterprises activating in the tourist sector and it involves hotels, restaurants and enterprises engaged in alternative tourism. It was established in 2004 following an initiative of the local Development Enterprise. Currently, it has 18 members, while in 2006 it also crossed the borders in order to investigate local opportunities and potentials for co-operation. According to the key informant who is supervising the progress of the cluster closely, its members have not been convinced yet that Bulgaria can actually constitute a new market and are still quite reserved. Nevertheless, the fact that this cluster is officially established and active in the region constitutes a first step that, with the appropriate support on behalf of the local institutions, it could potentially expand to involve Bulgarian enterprises as well.

Another effort that is worth mentioning is the timber cluster that has been formatted in Drama. In the framework of the pre-accession instrument PHARE, the Development Enterprise of Razlog, the Municipality of Razlog and the Chamber of Drama have joined their forces in order to set up a support mechanism for the local enterprises activated in the timber sector in the form of a cluster, since this particular industry is very important for both local economies. The actions of this venture evolve around three main axes: the exchange of visits of the participating enterprises in order to achieve efficient communication and familiarise with each other, the dissemination of material aiming at projecting their activities and providing some general information on them and the vocational training of their personnel through joint workshops. When drafting these lines, no data was available in order to evaluate the results of this cross border cluster.

There is also evidence of an informal cluster that has been shaped between travel agencies at the city of Drama. Contrary to the previous cases, where the clusters were the results of institutional efforts, this formation derives from the fact that local entrepreneurs have understood the benefits of networking with other firms of the same sector. In order to face intense competition, some travel agencies located at Drama and other cities of Northern Greece have agreed to jointly organise some trips and share the expenses, as well as the profits. One particular travel agency is identified as the 'leader' of this network, due to its size in terms of employees but also due to the fact that it has the largest clientele. At the same time, the network

has stable co-operation with one travel agency in Bulgaria. In this sense, it could be argued that this network is a potential cross border cluster in the tourist sector, which has not been formally established as such yet.

One last very interesting phenomenon is that of a *quasi cluster* in 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 Southern Bulgaria (and partially, Southern f. Y. R. of Macedonia and Southern Albania as well) (see Labrianidis, 2007). Consequently, one could argue that a *cluster* emerges, which includes Northern Greece and Southern Bulgaria.

### **3.7 Enlargement-Related Effects on Institutional CBC**

As it has already been mentioned, enlargement was a key point for institutional CBC between Greece and Bulgaria since, during the current programming period (2007-2013), both countries are capable of initiating cross border actions while imperatively including a partner from their neighbouring country. Indeed, representatives of the local authorities at the Greek CSR notice that the number of joint projects has risen significantly in the last year. Further intensification is expected in the short run, since the Greek institutions anticipate that their cross border counterparts will soon need their help for establishing the infrastructure that is necessary for administrating EU programmes.

*We are planning to contact some Bulgarian institutions in the future, in order to sell our know-how on implementing EU programmes. We think that in the future they will create similar institutions to ours and we could be of some assistance in this effort. (Business Support Organisation, 2007)*

The effects of enlargement on institutional CBC are also of a more practical nature. Since Bulgaria joined the EU, mobility between the two countries has been facilitated in the sense that the borders are now more permeable. Hence, it is easier now for institutions to meet with their counterparts from the other side of the border and negotiate a potential co-operation or discuss the issues arising if already involved in one. By reducing or even abolishing border controls, the enlargement has ensured better and more effective communication between the Bulgarian and the Greek institutions.

*Things were extremely difficult initially, until the opening of the borders [since] it was very hard to maintain our communication [...]. From the moment the borders opened, things changed rapidly. If we are invited by a partner for a meeting in the afternoon, we go there by car and return in the evening. They do the same, since it only takes them an hour to come here. (Local NGO, 2007)*

The EU provides a safety net for institutions at the Greek CSR that are interested in participating in CBC with the other side of the borders. Many key informants admit that the enlargement has had a positive influence on their decision to develop partnerships with their Bulgarian counterparts. In order to become a member of the EU, Bulgaria had to meet the set criteria, including among others the fight against corruption. It is with no doubt that large steps have been made towards this direction and the conditions within the country have improved significantly. As a result, CBC between institutions at the Greek CSR keeps rising, as does the feeling of trust for the other side.

*Nowadays, there is a positive climate that favours co-operation, since things are gradually becoming better. Some years ago this would not have been feasible, since there was some sort of mafia there and the conditions were not clear. (Business Support Organisation, 2007)*

### **3.8 Policies for Institutional and Enterprise CBC (if any)**

On the local and regional level, key informants and business support organisations express a lack of policies for institutional and enterprise CBC. Even worse, they claim that decisions are taken at the capital of the country and as a result, fail to take into consideration the real needs of the periphery and consequently of the cross border regions.

*What we need is programming and control. It doesn't make sense to have Athens, which is at the very centre of the country, taking decisions about issues that concern the border regions. They need to come here and see what our needs really are. (Local Authority, 2007)*

The instrument promoting CBC at the Greek CSR is the Regional Policy pursued by the EU and more specifically the Community Initiative INTERREG, which aims at fostering cross border, transnational and interregional co-operation. Until today, all cross border actions that have been developed between Greece and Bulgaria on the institutional level fall under the scope of this Community Initiative and have been co-financed by the European Regional Development Fund (ERDF).

Institutional cross border co-operation is also promoted through the town-twinning agreements that have been developed between municipalities at the CSR. In some cases, institutional co-operation fosters enterprise CBC as well; given the opportunity of the meetings between the local authorities, entrepreneurs also get to meet their colleagues from the other side, establish contacts and prepare the ground for future common actions.

During the interviews with the key informants and the business support organisations, it became clear that in any case, the success or not of a CBC developed on the institutional level between the two countries is influenced decisively by the human factor, in other words the specific people involved. Experience shows that these types of CBC flourish and evolve not because they are supported by the appropriate policies, but due to the perceptions and actions of the people pursuing them.

Enterprise CBC, on the other hand, appears to be the result of personal contacts between the entrepreneurs of the two cross border regions. As it has already been mentioned, these contacts are also promoted in the framework of the town-twinning agreements. Last but not least, in the case of the enterprises, profit-oriented individual strategies are the ones shaping entrepreneurial cross border co-operation. These do not do not necessarily wait for policies to be designed and implemented.

## **4 Enterprise Cross Border Co-operation<sup>2</sup>**

### **4.1 Types of Current CBC identified**

Cross border co-operation between Greek and Bulgarian regions is not a new phenomenon, owing to the rigorous Greek investment activity that has been directed to Bulgaria and the established trade relationships between the two countries. According to the available statistical data (Hellenic Centre for Investment, 2006), Bulgaria has become the third largest trading partner of Greece and Bulgaria

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<sup>2</sup> This Chapter is mainly based on the findings of the enterprise interviews conducted during the CBCED Project Fieldwork. There were 21 enterprises participating in the survey from the regions of Thessaloniki, Serres and Drama that are currently or were previously involved in CBC.

the fourth largest trading partner of Greece. Furthermore, Greece is the third largest foreign direct investor in Bulgaria, with a 10 per cent market share in FDI, which in reality could be even higher. Consequently, it is safe to conclude that Greece has contributed to a large extent to the contemporary economic development of Bulgaria. Field research was conducted in the bordering areas between Greece and Bulgaria, including Greek enterprises that are currently or were previously involved in CBC. Fieldwork was initiated in September 2007 and lasted three months. Overall, 21 semi-directed interviews were conducted, while contacts provided by the key informants and the 'snowball' method were used for locating the participants.

Even though the 'official' Greek investment activity is recorded in real estate, telecommunications and banking sectors, the situation is different regarding enterprise CBC in the CSR. This is because this type of FDI activity is pursued by the large Greek enterprises operating in the above mentioned sectors, which are mainly located in Athens. On the contrary, enterprises from the CSR are smaller in size and operate in different sectors, resulting in different types of CBC. Concretely, the dominating types of CBC include trade agreements, subcontracting assignments and provision of services (even though not in the above mentioned activities, i.e. tourism). As far as CBC in trade is concerned, the motive force in most cases is the increasing purchasing power of the people in Bulgaria. This rise gave birth to new needs for consumers and, consequently, trading business start-ups in the country, which resulted in an upward course of the trade relationships between the two sides of the borders. The EU enlargement had a great impact on this type of CBC by reducing delay times for both goods and money transfers between the CSR.

The second type of enterprise CBC in the CSR involves agreements for assigning subcontracting from Greek to Bulgarian firms in the secondary sector, i.e. clothing and marble industry. 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 include the lower labour cost in Bulgaria, the opportunities to remain competitive and face the crisis of the sector in Greece, managing the seasonality in demand and the exploitation of localisation options.

Greek entrepreneurs who have relocated their activities in Bulgaria and past cliental relationships also acted as strong motive forces. On the other hand and according to key informants from the CSR, this type of CBC presents some negative impacts on the regional economies. Particularly, they state that a lot of Greek manufacturing units from the area have either relocated part or all their activities to Bulgaria or assign their production to Bulgarian firms and not to Greek ones, resulting in extended job losses in the Greek Regions (Business Support Organisation, 2007).

The third emerging type of enterprise CBC is observed in the tourist sector, including partnerships between travel agencies and hotels. This is the less 'formal' type of enterprise CBC, given that it mostly involves handshake agreements and not formal contracts, as in the case of the other two types. CBC derives from the increase of tourism flows between the two countries, especially after Bulgaria's accession in the EU, while it serves the needs of travel agencies located at both sides of the border to provide their customers with high quality services. Another factor that contributes to the same direction is geographical proximity, since Thessaloniki's airport is closer to tourists from the region of Blagoevgrad than Sofia's airport, offering at the same time a wider variety of destinations (Serres E13, 2007). Last, it could be also argued that this type of CBC leads to the creation of an informal tourism cluster in the cross border regions.

#### **4.2 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 Bulgarian cross border regions.

More specifically, 21 enterprises participated in the fieldwork conducted at the Greek CSR, namely Thessaloniki, Serres and Drama. The largest share (48 per cent) was from the secondary sector, 33 per cent were engaged in service provision and 19 per cent in retail and distribution. Eight of them are currently involved in CBC, two of them were previously involved and the remaining 11 had both developed CBC in the

past and are now engaged too. Therefore, 19 Greek enterprises in total are currently involved in CBC.

Concerning their size, the vast majority are small enterprises in terms of employees' number, since 48 per cent occupy less than ten people. A lower share (33 per cent) employ 11-49 people and 14 per cent have 50-249 employees. There was only one large enterprise in our sample, operating in the marble industry. Thus, the general picture was quite representative of the Greek case, 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 (32 per cent) reported annual turnovers of less than two million euros, followed by a 29 per cent share that reached a figure around two and ten million euros during 2006. Once more, there was only one enterprise in the sample which had an annual turnover of more than 50 million euros.

In most cases (67 per cent), it was the Greek enterprises that initiated CBC with the Bulgarian ones, compared to only 19 per cent for the cases that Bulgarian enterprises launched this co-operation. Regarding the communication language, this is not a problem for the owners and employees, given that Bulgarian people are familiar with the Greek language and vice versa. When language becomes a hindering factor, most owners and employees use the English language to communicate with their Bulgarian partners. However, common language, history and culture are not significant when selecting partners, since 52 per cent of the interviewees stated that these criteria are irrelevant to their selections. At the same time, cultural and historical issues do not seem to affect these relationships negatively either, although there are some negative memories of the past in the CSR, due to the Bulgarian occupation in Serres and Drama during World War II.

*I think that nationalistic elements constitute a limited minority when it comes to transactions between Greece and Bulgaria. We don't discuss issues of the past in our co-operation. History belongs in the past and as time goes by, it tends to be left behind. (Serres E09, 2007)*

The number of foreign partners and their location represented another interesting finding. In most cases (81 per cent), Greek enterprises have established co-operation with more than two partners from Bulgaria. 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 that makes the best offer, while this option offers them the possibility to deal with seasonality in demand, by assigning subcontracting to more than one partner. In addition, Greek tourism agencies cooperate with several agencies and hotels in Bulgaria, in order to cover the different needs of their clients and to seek for the lowest-cost alternative.

As far as the location of foreign partners is concerned, Sofia and the adjacent regions seem to be the most popular option for Greek enterprises. Concretely, Bulgarian partners are located in Sofia in 43 per cent of the cases, while the same figure stands for the partners located in adjacent regions. As for the latter case, geographic proximity is the most important criterion:

*(...) distance is the second incentive, because they don't need much time to come here. Therefore, we both have the opportunity to visit our partners often, which is something very important for our CBC. (Serres E13, 2007)*

On the other hand, the fact that some enterprises are located in Sofia seems to shape a more 'professional' image in the eyes of the Greek entrepreneurs, hence increasing their reliability. Apart from that, larger enterprises are gathered in the capital, given that this is the country's economic centre.

*The north of the country is completely different compared to the south. There are some villages in the middle of the country, where the conditions are unfavourable. How could you make business in such an environment? Consequently, you focus on some 'centres', like Sofia, where things develop more smoothly and it's easier to trust a partner. (Serres E12, 2007)*

### **4.3 Evidence of Change in CBC over time**

As it was previously mentioned, the phenomenon of CBC between enterprises from Greece and Bulgaria is not new, given the fact that the assignment of subcontracting 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. This is the case for the majority of the enterprises from the CSR, whose average duration of co-operation with Bulgarian enterprises fluctuates around 12 years. Thus, it is normal to expect that there is strong evidence of change in CBC over time.

In fact, this change affects the nature and characteristics of CBC and not the emerging types, particularly as a result of the EU enlargement process and the accession of Bulgaria accession. It is worth mentioning that this fact does not constitute a starting-point for change in chronological terms, meaning that the evidence of change is not only present after 2007, when Bulgaria became a member. On the contrary, it was apparent during the pre-accession period too, when the country was in the process of fulfilling the criteria for joining the EU.

Consequently, the far-reaching reforms, the efforts in tackling organised crime and corruption and the adaptation of its legal systems, in conjunction with the creation of 'soft' borders (Neuwahl, 2005) between the CSR and Bulgaria enabled labour and capital mobility stimulating enterprise CBC. Concretely, changes in the customs regime were reported by almost every enterprise in the sample as the most important aspect of CBC change over time. That was mainly the result of the borders opening, in which led to time reductions in custom and passport controls, and consequently allowed both trading and manufacturing firms to transfer their goods quicker.

*Before that (borders' opening), we had many problems at the customs houses and faced serious delays, which we used to overcome by 'bribing' the people working there. Now, there are no delays at the customs for controlling passports and goods, so everything runs faster for our CBC. (Serres E01, 2007)*

*All problems at the customs houses were resolved and at the same time, the movement of capitals from and towards Bulgaria was facilitated. It's obvious that this was a considerable factor that undoubtedly altered and boosted the existing collaborations. (Serres E10, 2007)*

A second emerging type of CBC change over time is related to the levels of trust between cross border partners. The interviewees made clear that *time* is the most important factor facilitating trust building in enterprise CBC. Hence, as time goes by and things continue to run smoothly, trust reaches higher levels for both sides, owing to the fact that they appreciate the deriving mutual benefits. On the other hand, there were many cases where Greeks were deceived by Bulgaria partners and vice versa, especially in the past, when it was difficult for them to come to Greece. This past experience can sometimes act as a barrier for trust building and vice versa. As soon as enterprises resolve these issues and co-operation is consolidated in the

course of time, a noteworthy change in trust levels is observed, particularly when friendly and interpersonal relationships start to develop between partners.

*I could say that there are high levels of trust, but this has to do with the fact that we have been cooperating for many years now. Towards this direction, the friendly relationships that the owner has developed with many Bulgarian entrepreneurs are also of great help, changing the nature of our CBC. (Serres E11, 2007)*

Another form of CBC change is reported concerning the mentality issues. There were several cases when differences in entrepreneurial mentality and behaviour hindered the efforts to promote enterprise collaborations. In most of the cases this disparity was attributed to Bulgaria's previous regime and the recent adoption to the capitalistic economic system. However, the familiarisation of Bulgarian enterprises with the EU rules and regulations, as well as with the behaviour of the Greek entrepreneurs, alongside with the economic growth that takes place in Bulgaria posed a strong, positive impact on CBC. Hence, a common 'entrepreneurial language' is gradually developed, reducing the above mentioned disparities (even though still apparent) between enterprises and changing the nature of enterprise CBC in the CSR.

#### **4.4 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 enterprises, namely reductions in costs. This aspect was reported by almost all entrepreneurs during the fieldwork, since labour cost is one of the major considerations in investment decisions, especially in the manufacturing sector. However, it is worth mentioning that certain fears were expressed by the Greek interviewees regarding the prospect wage levels in Bulgaria. Some of them stated that the situation will be altered in 4-5 years, since they expect a significant increase of the labour cost, which would consequently result in lower CBC levels. These 'fears' can not be confirmed through the examination of the available statistical data, as an annual increase of only 7.8 € is forecasted in Bulgaria's monthly wages for the period 2007-2010, compared to 5.1 € during 2001-2006 (Database Central Europe, 2007). Thus, the average gross

monthly earnings will reach 260 € in 2010, still considerably lower than the respective figures in Greece.

A second benefit involves the localisation opportunities CBC offers to enterprises from both sides. Given the fact that the majority of the cases included small enterprises, which are considered to face extended growth barriers and difficulties in coping with the changing environment (Spanos et al. 2001), CBC offers them an opportunity to expand in foreign markets. Especially for CBC at the Greek-Bulgarian borders, the findings confirm that in any other case, the local enterprises would not have been able to go international (Labrianidis, 2001). Thus, the neighbouring cross border market can act as the starting point for expansion in the Balkan market and this is the case for the enterprises located at both sides of the borders.

*Generally, the experience we've acquired from CBC has resulted in further orientating towards other countries as well. Starting from the Balkans, we are planning to establish a network throughout Europe. It is very important to know your way around foreign markets. As I've already mentioned, this co-operation with Bulgaria has attracted our interest to further expand our presence in the country also, perhaps by establishing a branch there. (Serres E08, 2007)*

Consequently, this localisation option poses some other positive impacts for the enterprises engaged in CBC, such as diversification of their activities (i.e. firms engaged in specific sectors developed some additional activities), broadening of their target groups, re-assessment of their past failures, enhancement of their extroversion and increased domestic and regional market share (Iammarino and Pitelis, 2000). In other words, this option creates the conditions for building on their own competitive advantages; hence, they remain competitive in the global market.

On the other hand, enterprises that choose to develop CBC have to face the emerging costs as well. The very first finding of the fieldwork was related with the additional supervising costs. Concretely, 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, resulting in the need to restructure their organisational forms

*The basic motive was once again the lower cost compared to Greece, but still we had to control our production in Bulgaria on a daily basis. For this purpose, we had a female employee who*

*was present during the whole production process at these subcontracting companies. (Serres E01, 2007)*

*We are forced to supervise them closely. This imposes the need of a whole different organisational structure for our firm here in Thessaloniki, since we have people of our staff commuting there. Currently, there are four women who commute to Bulgaria on a daily basis, in order to control and coordinate the production. (Serres E01, 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. That was the case for several Bulgarian enterprises as well, who stated that they suffered damages by their Greek partners in the past, owing also to the looseness of the legal framework. 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.

#### **4.5 Positive and Negative Lessons from CBC**

CBC was undoubtedly a great learning process for the enterprises that participated in the fieldwork. Positive lessons were reported to be more significant than the negative ones, owing to the fact that the latter referred to previous (and failed) examples of engagement in CBC. What appears to be of great interest is the fact that 12 enterprises, which were previously engaged in CBC, successfully attempted to be involved in a new cross border venture. At the same time, two enterprises with past CBC experience are willing to establish new collaborations with the other side of the borders. Their rationale is based on the ability they have acquired to re-assess their past failures; hence, the negative experience is transformed into a positive lesson for the entrepreneurs and the main empirical findings also point to this direction.

One of the most important positive learning experiences regards partner selection processes. As it was stated by almost all interviewees, Greek entrepreneurs who establish 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 and it also includes the improvement of communication with the local authorities and business support organisations:

*In order to locate this partner, we started from scratch. At the beginning, we tried to find someone on our own. Then we turned to the Embassy and other institutions to get their opinion and finally we arranged a meeting in person, in order to see the different options we had. Thus, we are better prepared for our next partner selection. (Serres E03, 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.

*We also acquire useful experience from these efforts. We learn new things, such as the way to communicate in a more efficient way. We gradually develop a common business language with our Bulgarian partners and we feel more secure (...) we view this co-operation as a knowledge exchange. There are things that we offer and things that we learn by our Bulgarian partners, which are extremely useful for us, since we improve our skills as well. (Serres E02, 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. 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

*Every single step we take in our cross border co-operation is a big lesson for us. The learning experience is extremely helpful, since we get familiarised with their mentality, the legal framework and we learn to adapt to this environment. Taken for granted that our intention is the expansion to the Balkan market, every single partnership is a great lesson for us and surely*

*affects our behaviour in the future. We create what we call “experience network”. The previous experience gives us the green light to continue, or an orange –alert-light to warn us for possible risks. (Serres E02, 2007)*

The negative lessons learnt through enterprise CBC were limited and are linked to the previously unfavourable economic conditions in Bulgaria and its impacts, combined with the Greek mentality of fast profit (Labrianidis 1997a; 1997b; Bitzenis, 2006). Concretely, the high-risk environment due to bureaucracy, bribes, corruption, or unstable legal framework in Bulgaria, along with the deceived expectations of the Greek entrepreneurs, the absence of market research and the Greek Balkan mentality for quick and easy profit proved to be the most important negative lessons acquired through CBC.

The interesting finding is that previous negative experiences become a 'positive lesson' for Greek entrepreneurs, who have either reattempted or plan to establish new CBC. As it was clearly stated in these cases, the negative lessons helped Greek entrepreneurs in planning their future actions more efficiently, while the significant growth and political stability in Bulgaria provide signs that they now have to face fewer barriers. Therefore, the gained (negative) experience now becomes an extremely significant and supportive factor for future CBC attempts.

*I must admit that this negative experience I had is of great importance for me now. Firstly, I've become familiar with the local mentality. Undoubtedly, things have changed since then, but it's very helpful to know how things worked at that time. Secondly, I also learnt their language a bit, which I think is very important if you want to cooperate with them. Moreover, I also had the opportunity to travel to various parts of the country and experience the difference between them, as well as get to know the particularities of each area. I also made some acquaintances that I am still visiting from time to time. All these are going to prove helpful if I decide to make a new start there, now that things have improved significantly, even though my previous attempt was a total failure (Serres E09, 2007)*

#### **4.6 The Role of Trust in Enterprise-Based CBC**

The role of trust in efficient organisational arrangements within and between firms has been underlined by various studies (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 exist.

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 of the cases as follows:

*Trust develops in the course of time and after we are convinced by the results that we are moving towards the correct direction. In my opinion only time can assist trust building. (Serres E03, 2007)*

*I could say that there are high levels of trust, but this has to do with the fact that we have been cooperating for many years now. (Serres E11, 2007)*

Therefore, it is safe to conclude that trust occurred only after some years of co-operation had gone by and both parties were convinced about the credibility of their partners.

Apart from time, some other factors that enhance trust building were also mentioned, such as; geographic proximity, the existence of a common cultural background and personal contacts (either directly with the Bulgarian owners or via the Greek entrepreneurs who had previously relocated their activities in Bulgaria and acted as intermediaries). Specifically, the common cultural background, including dimensions such as language, seems to affect trust-based relationships, given that it creates the opportunities for direct communication without interpreters and other intermediaries.

*It is true though that, at the same time, we share a common cultural background with these people, since both Bulgaria and Greece belong in the Balkans. The language is another important factor; we could not really count on the translators, because we couldn't check what they were actually translating and we could not trust the other side this way. (Serres E01, 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. Moreover, past friendly and cliental relationships between the owners or personal communications through Greek entrepreneurs in Bulgaria have a similar positive effect. There were certain cases recorded where, even though the Greek owners were unaware of their Bulgarian counterparts and their activities, they decided to proceed based on recommendations of other Greek colleagues. 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 Petrochilos, 2003: 332).

On the contrary, there was a factor that seemed to hinder trust building in enterprise-based CBC; the mentality and entrepreneurial behaviour of the Bulgarian managers, especially in the past. All interviewees who had a previous experience of 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, following the collapse of the communist regime. According to the entrepreneurs who participated in the fieldwork, this political status has posed certain characteristics in the mentality of the people, which created barriers for trust building. However, owing to the country's accession in the EU and the efforts undertaken by the Bulgarian State, the situation is gradually improving in terms of trust issues.

*Another important factor concerning trust building is the mentality of the Bulgarian people, which is partly due to the economic circumstances of the country and the previous regime. Following the country's accession in the EU and the efforts undertaken there, the business environment is getting safer. In three years, I strongly believe that the situation in Bulgaria will be considerably better. (Serres E12, 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. Bulgarian), especially in the manufacturing sector. They believe that co-operation with an enterprise located in Western Europe would be different than the existing ones, 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.

*The nature of this relationship would have been completely different if we were cooperating with a German company, where professionalism and consistency is the rule and not the exception. (Serres E07, 2007)*

*I have been importing mechanical equipment from Japan for many years now. I pay the total of their value 40 days before they are delivered. There is no way I could do that with my Bulgarian partners. Japanese companies have a high level of professionalism, which favours the*

*development of trust. It has to do with each nation's mentality and economic development. I wouldn't do so in Greece either! (Serres E12, 2007)*

#### **4.7 Enlargement-Related effects**

Borders naturally affect the economic performance of border regions. They provide breaks in the economic landscape and generate barriers that raise the costs of cross border movement, while restricting flows of communication and information (Collier and Vickerman, 2001).

The EU enlargement and the accession of Bulgaria had a significant impact on the nature of the borders between Greece and Bulgaria and consequently on the bilateral economic relations between the two countries. Following the pre-accession period and the efforts to fight political and economic instability, the borders became 'soft' after the country's accession, favouring co-operation between enterprises in the CSR via the facilitation of capital and goods flows across the borders. That was extremely important, given that most of the enterprise-based CBC identified in the CSR included transportation of manufactured and/or ready products. The findings of the fieldwork confirm these facts, given that 81 per cent of the interviewees believe that the general impact of the EU enlargement is positive. Only 14 per cent of them assess that the effects were neutral, while there were no references for negative impacts. Especially in relation to their current CBC initiatives, most of the interviewees mention that they were directly affected by the EU enlargement (71 per cent), while only five per cent stated that there was no notable influence.

Regarding the nature of this influence, the first finding points to reductions in delays at the custom houses and the driving costs. The passengers can now pass the borders simply by showing their identification card, while the transportation of goods and the related controls are considerably faster. These posed an extremely positive effect on CBC between enterprises activating in the clothing sector, trade and tourism.

*The EU enlargement and the fact that Bulgaria is now a member of the EU facilitated to a large degree our CBC activities. Before that, we had many problems at the customs houses and faced serious delays, while our main customer wanted the clothes to leave straight from Bulgaria. This was a very serious problem for us before the last enlargement, because it raised the cost significantly. Unfortunately, all we could do was cover this cost, in order to retain our*

*customer, and wait for the time that Bulgaria would become a member of the EU. (Serres E01, 2007)*

Apart from that, EU enlargement seems to enhance trust levels between cross border partners, owing to two reasons. First, the institutional framework is settled and the same rules and laws apply on both sides. The procedures are simplified and the partners (especially from the Greek side) feel more secure now that they know they have to deal with a member of the EU. This has a positive impact on their trust towards the other side. Second, the general economic conditions in Bulgaria are improved, while corruption is restricted, thus creating a more favourable environment for investments and collaborations with the other side of the borders. Once more, this fact improves the feeling of trust.

This upward course in the economic development of the country as a result of the enlargement process also generates a new field for future co-operation. Concretely, the rise in Bulgarians' purchasing power creates new consuming needs for products and services that were not previously available and can be imported from other countries, such as Greece. This further stimulates cross border co-operation in trade and retailing, which is also reflected in the rising trading volumes between the two countries during the last years (Hellenic Centre for Investment, 2006). Similar is also the case in the service sector; after the enlargement, Bulgarian enterprises are eligible for participating in EU subsidy programmes and therefore seek efficient consultancy services. Enterprises engaged in this field from the Greek side of the borders may take advantage of this opportunity, offering their advisory services and collaborating with Bulgarian enterprises.

On the other hand, a negative impact of the EU enlargement is evident in the case of the manufacturing sector. As it was stated before, the major motive for co-operation between Greek and Bulgarian enterprises is the lower labour cost in Bulgaria. Some of the respondents believe that, following the country's accession, these costs are expected to rise, reducing the potentials for future co-operation.

*On the other hand, the standard of living in Bulgaria, as well as the salaries, has increased after the country's accession. Consequently, within the next 3-4 years it will no longer make sense to cooperate with companies there, since the labour cost will become higher. This is the reason*

*why our sector is turning more towards alternative destinations, such as the Middle East.*  
(Serres E05, 2007)

However, as it is already mentioned before, these “fears” are not confirmed yet by statistical data and forecasts, (see Section 4.4).

#### **4.8 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 although the respondents recognise the efforts undertaken by local institutions (i.e. regional Chambers of Commerce and Industry in the CSR), they still state that the available programmes do not fully cover their financial and promotion needs.

In particular, the vast majority of the enterprises that participated in the fieldwork (71 per cent) have made use of external assistance and available business support infrastructure in general. In most cases, this assistance included the participation in national programmes (i.e. the National Development Law 3299/04, the Operational Programme ‘Competitiveness’ and the Regional Development Programmes) implemented by the Greek Ministry of Development and Ministry of Economic Affairs and co-funded by the EU, mainly under the 3<sup>rd</sup> CSF. By utilising the available funds through these programmes, the enterprises in the CSR proceed in investments mostly related with the upgrading of their mechanical and IT equipment. All enterprises that have participated in one of the above mentioned programmes have also received assistance by an external consultancy, which is a wide-spread practise in Greece.

With regard to CBC, most of the enterprises have never made use of any external assistance to develop their cross border partnerships (61 per cent). The main reason was that the entrepreneurs were relying on their own strengths, capabilities and established networks.

*We haven't received any external assistance for this cross border co-operation. As I've already mentioned, it all started from some common acquaintances and recommendations. We didn't actually need to seek for help. (Serres E07, 2007)*

*I haven't received any considerable external assistance regarding CBC, because I never really needed any help. I was familiar with people and things in Bulgaria. (Serres E10, 2007)*

Ten per cent of the remaining enterprises have used partners' search facilities, while five per cent have established business to business contacts through these programmes and an equal number states that they have employed instruments related with increasing awareness opportunities. Ten per cent of the respondents have answered that they used other forms of external assistance in relation to CBC. Regarding the origin of this assistance, that mainly included local business support institutions, like the Chambers of Commerce and Industry in the Regions of Thessaloniki, Serres and Drama and the Exporters' Association of Northern Greece, as well as information available through the Hellenic Foreign Trade Board, regional Development Enterprises and the Embassy.

As already mentioned earlier, even though general business support infrastructure is available at the Greek CSR, local entrepreneurs still feel somehow disappointed by the effectiveness of this assistance, partly due to the lack of incentives on the national level. More specifically, almost half of the interviewees (48 per cent) assess the quality of the available business support as average. Only 19 per cent of them believe that this aid is extremely helpful (very good) for the function of their enterprise. Their major needs concern financial instruments in order to upgrade their operations, their mechanical and IT equipment and to participate in commercial fairs. 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.

In conclusion, Greek entrepreneurs in the CSR indicated that they need financial support, better access to information (also on foreign markets) and assistance in locating credible and trustworthy partners beyond the Greek borders. However, they acknowledge that positive steps have been recently taken in their area towards this direction.

*All the small-medium enterprises of the county, including mine, need financial support. There were so many opportunities in the past that the local businessmen failed to exploit, due to the lack of information. But since the funds were available, it's a pity that they remained unused. This has begun to change, but it still remains a fact that several opportunities were lost. (Serres E10, 2007)*

*They would provide us with some information regarding the credibility of certain potential partners and customers, in order to avoid those who are not reliable when it comes to payment and economic issues. (Serres E06, 2007)*

#### **4.9 Policy issues identified**

The last part of the fieldwork involved an assessment of the policy environment for entrepreneurship and CBC in the CSR. Thus, we were able to identify the key policy issues that possibly affect economic development and CBC between the Greek and Bulgarian regions.

The first finding points to better access of SMEs located at the regions in question to financial mechanisms. The majority of the entrepreneurs believe that a better access to financial instruments 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.

A second policy issue is concerned more with the nature of the regions examined, namely the particular characteristics of the Greek periphery (especially for the case of Serres and Drama and to a lesser extent Thessaloniki). Specifically, the respondents draw attention to the inability of the centre to understand the periphery's needs on the policy making level.

*It doesn't make sense to have Athens, which is at the very centre of the country, taking decisions about issues that concern the border regions. They need to come here and see what our needs really are. (Serres E09, 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 of the relevant procedures. Thus, national and regional policies should aim at creating faster procedures at the various funding programmes.

Lack of investment incentives, which were already mentioned, appeared to constitute a significant hindering factor for regional economic development. Entrepreneurs in the Greek CSR believe that special incentives for investment should be set in their areas, such as lower taxation, subsidies and other facilitations, i.e. improvement of transport infrastructure. Hence, a policy issue identified is related with the investment environment in the specific areas and its inability to serve the regional needs. An interesting fact was that, in contradistinction with the Greek CSR, the investment environment of Bulgaria was presented as a positive example for attracting foreign investment.

*National and local policies should aim more at companies like ours, which are located at border regions, because competition keeps getting more intense. We live with the fear of taxation, while in Bulgaria they are completely relaxed with this issue because there are no such problems there. In this way, they manage to attract more enterprises that are interested in making an investment. Something should be done here towards this direction, because there is no future if we leave things the way they are. (Serres E07, 2007)*

Last, it is worth mentioning that no policy issues concerning the legislative framework, particularly in the field of CBC, were reported. Most interviewees believe that, following Bulgaria's accession to the EU, the legal barriers have been resolved and the efforts undertaken by both sides have proved to be extremely helpful in setting the norms and rules of CBC.

*The legislative framework concerning cross border co-operation is also set and makes our life easier. Similar steps have been taken by the Bulgarian side, which presents significant progress in this field, since they have complied with the European laws and regulations. In my opinion there are not any other important issues in this area. (Serres E02, 2007)*

## **5 Informal and Household- Based CBC**

### **5.1 Characteristics and Types of Informal and Household-Based CBC Identified**

Field research concerning informal and household based CBC was conducted in the Region of Thessaloniki and Serres in Greece, and the District of Blagoevgrad in Bulgaria. Fieldwork took place and was completed in November 2007. Overall, eleven semi-directed interviews were conducted, while the 'snowball' method was used for locating new interviewees each time<sup>3</sup>.

The identified informal and household-based CBC consists of various forms of activities. Identified forms of CBC were not limited to the trading of goods, but also included some kind of informal activities of service provision. Some of the interviewees referred to past informal CBC between Greece and Bulgaria; in many cases, informal CBC was presented as a feature of the past, belonging to an antecedent period of time. All informal activities were described as constantly declining, due to the latest economic and political developments in Bulgaria.

The most important activity identified was that of informal taxi driving. Among the eleven participants involved in different forms of CBC, four mentioned it as their main activity. Trading fruit, vegetables and olive oil was mentioned by three interviewees as their main or secondary informal activity. The trading of clothes, aluminium or plastic products was also mentioned, even though most of these activities were depicted as previous. In two cases, we were able to identify some forms of culture-related informal CBC (folk costumes trading and folk events organisation).

Informal drivers mentioned that this activity began after 1990. In fact, it is estimated that it first appeared some 10-15 years ago. Most informal taxi drivers come from the Bulgarian side; however, a Greek driver was also included in the fieldwork. As was mentioned by the majority of the interviewees, cross border taxi driving is illegal.

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

Thus, it is necessary for the driver and the passengers to pretend that they are friends. Nevertheless, most taxi drivers recognise that no one is really fooled by this. As the Greek taxi driver pointed out, Bulgarian 'pirates', as he called informal taxi drivers, have seriously harmed his CBC activities by offering extremely lower prices. Despite of the fact that he had started this activity only five months ago, he was already thinking about quitting it, as he no longer perceived it as profitable.

*I am planning on leaving this job. It is not as profitable as it used to be in the past, as my older colleagues say. I think I will do something else. (Serres H04, 2007)*

Things seem to have changed for Bulgarian drivers as well.

*As for our job and income, it was drastically reduced. I have half of my old activity now. Greeks prefer crossing the border and travelling inside Bulgaria with their own car. [...] Some time ago, I used to go to Greece two or three times per day. Now I go to Greece, let's say, twice a week. (Serres H11, 2007)*

Trading fruit, vegetables and olive oil is the second most important activity identified. This activity is extremely seasonal. E.g. during the fieldwork, olive oil (of relatively poor quality) in Bulgaria was sold at a high price, and some interviewees mentioned that during those last months olive oil trading from Greece was flourishing. Informal traders were reported selling Greek olive oil to restaurants. Any immediate needs in the Bulgarian food market could lead to similar entrepreneurial activity.

During fieldwork in Bulgaria, we were also able to identify some typical CBC that involved the trading of clothes and plastic/aluminium products. In the case of clothes trading, at least one interviewee mentioned that this activity had already stopped, but it had helped him in taking further formal entrepreneurial initiatives. In these cases, informal trade consisted of bringing products into the country as personal belongings (avoiding thus customs procedures and costs in the past) and then selling them directly or through established shops. In the case of the plastic/aluminium products trading, an interviewee described it as constantly declining. Currently, continuing cross border trade involves knowing what is cheaper in Greece than in Bulgaria and bringing it on short notice.

*I buy from Greece and I sell in Bulgaria. I bring aluminium and plastic products. I find things that cost 25 euros in Greece, and 50 euros in Bulgaria. [...] My role in this business is to go to Greece with my personal car and buy these things from Greek companies. Then I bring it here*

*and I sell it to anyone who wants it. I also travel a lot to villages for this business. (Serres H01, 2007)*

As for the importance of CBC for each entrepreneur, one could say that taxi drivers still strongly rely on their cross border related income. Fruit and olive oil trading seems to be of secondary importance for Bulgarian informal entrepreneurs. Until gradually moving on to formal entrepreneurial activities, clothes traders relied 100 per cent on their cross border activity. An informal entrepreneur explained that the gradual decrease of his income from informal CBC trade led him to establishing a clothes shop during the last years.

*Now, 30 per cent of my income comes from business with Greece. Some years before, it was 50 per cent. When I first began this business it was 100 per cent. Business is not so easy anymore. (Serres H01, 2007)*

## **5.2 Background and Characteristics of Participants, including foreign partners**

In our case, the identified people involved in informal cross border activities come from South-West Bulgaria and the cities of Serres and Thessaloniki in Greece. The participants in the household fieldwork were mostly Bulgarian, few of them were Greek and one was a Bulgarian citizen of Greek origin, with a Greek spouse and currently living in Thessaloniki. The great majority of the interviewees were male and only two female, while their ages range from 26 to 53 years. For most Bulgarian informal entrepreneurs, partners are located in Thessaloniki and in Serres.

Almost half of the interviewees had a two-year minimum experience in higher education. In terms of the linguistic skills, some Bulgarians speak Greek- this is especially the case for taxi drivers-, while others –mainly traders- do not. This is also the case for Greek informal entrepreneurs, who did not mention communicating in Bulgarian. Lastly, one Greek informal trader is Rom and mentioned communicating with Bulgarians in Roma.

Only two informal entrepreneurs, one Greek and one Bulgarian, reported having migrated and worked in Germany for a period of two-three years. A Bulgarian entrepreneur recounted having illegally worked in Greece for one year, and this was in fact how he accumulated a start up capital for his entrepreneurial activities, while a

Bulgarian of Greek origin currently resides in Thessaloniki. Among the Bulgarian interviewees, only one former informal entrepreneur recounted of having been to many places in Europe and Asia for business, as well as for tourism.

Many of the participants have relatives who have migrated to Western Europe, although it must be pointed out that these Bulgarian migration patterns are very recent, compared to the Greek ones. However, having relatives in Western Europe is not reported as having any positive impact on their informal CBC activities or their well-being. Some of the interviewees, whose general disappointment was very obvious, expressed a rather individualistic and pessimist perception of reality:

*I always worked in Bulgaria. However, I have a brother that works in Switzerland. I have been there three times but only to see him, for tourism. I couldn't say that my brother being a migrant worker helped me in my job. He helped himself. It's how it goes around here. Everyone does his job for himself. (Serres H11, 2007)*

Even though the accession of Bulgaria in the EU changed a number of conditions regarding CBC, many Bulgarian informal entrepreneurs referred to past problems, with the citizenship status being the most important. Acquiring a visa or a foreign citizenship (and thus a passport) seemed to hold a crucial position in one's perception of his capacities and perspectives. This must be pointed out, in order to fully grasp the important changes that the EU enlargement brought on to the activities of these people.

*The main problem was with visa. It took a long time to issue it. It also required invitation sent from a Greek person by post with a stamp of the post on it, which would also go to the Greek embassy. When I was living in Bulgaria I would arrange the visas for the others because I was already speaking Greek. (Serres H07, 2007)*

*The only problem we had was the one with the visa. I had to go to the embassy in Sofia in order to get a visa. If I didn't get the visa in time, this created problems to my business; it could ruin my deal every time. (Serres H09, 2007)*

Another interesting feature of some Bulgarian informal entrepreneurs proved to be their background in connection to Greece, through relatives or origins. All people involved in informal trading activities that have some sort of relation with Greece denied having benefited from this. However, this seems to be an important aspect of cross border activities and particularities in the region. Moreover, ethnicity or minority

issues (Sarakatsans, Vallachs, Rom) are directly related to language issues, as well as citizenship and visa issues, which stand for further cross border capacities.

*My grandmother was Greek, from Serres. My grandfather was a Romanian, Vallach. My father was a shepherd. My family had come here with their cattle. Then they put the borders between Greece and Bulgaria and my family stayed here. I have relatives in Greece, in the Serres area, I also have an uncle in Western Greece. My Greek relatives didn't help me in my business.[...] When we went to the Greek embassy in Sofia to get a visa, we waited three days there! The Sarakatsans [a nomad ethnic group that is generally defined by the Greek State as Greek] of Bulgaria took the visa immediately. (Serres H10, 2007)*

*My parents were born in Bulgaria. They are Sarakatsans. My grandparents who had flocks and were nomads stayed in Bulgaria when the borders were marked. The fact that my family was speaking Greek helped me with my studies. [...] In my family we were speaking Greek and I'm not exactly Bulgarian. I have Greek roots, as a Sarakatsan. (Serres E07, 2007)*

*My father had come from Greece, from a Greek village near the border. I have Greek origin. He was a worker in the area. When the borders closed in 1945, he stayed here. We stayed here. I don't really have any relatives in Bulgaria. My mother didn't have many relatives. So there is only family from my father's side. They all live in Greece. (Serres H11, 2007)*

### **5.3 Enabling and Constraining Forces**

When speaking of enabling and constraining conditions for informal CBC, one has to bear in mind that many conditions, especially those related to juridical-political changes, are two-faceted. The recent accession of Bulgaria has provided most informal entrepreneurs with the possibility to freely travel to and from Greece, without any visa requirement, due to their EU citizenship. This was mentioned as a positive fact, in contrast to antecedent periods of time, when the acquisition of a visa defined whether or not one could set up a CBC. However, at the same time, the opening of the borders has led to the constant decrease of profit margins, as well as the undertaking of cross border activities by competitors, or even by simple consumers, as we may assume.

The Greek markets of Thessaloniki, Serres and Drama still offer a wide range of products that are considered of high-quality. The rise of the prices in the Greek market during the last years, following the introduction of the Euro (€), has been pointed out by some informal entrepreneurs. In the case of olive oil production, the

climate difference between the two bordering regions was also mentioned as something that affects olive oil production, quality and prices. Consequently, geographic proximity and production diversity provides Bulgarian informal entrepreneurs with the possibility of making profit (e.g. buying cheaper and better olive oil from the region of Sidirokastro in Greece, and directly selling it to restaurants in Sandanski in Bulgaria).

Controls at the borders were not mentioned as a particularly constraining factor, especially nowadays. Greek authorities were said to be more easy-going, but even in the case of Bulgarian customs controls, no one mentioned any insurmountable obstacles. The only case mentioned by some informal entrepreneurs was that of the Greek traffic police imposing fines.

Some interviewees spoke of a clearly competitive disposition of Bulgarians towards Greeks, and vice versa, not only in terms of trade or economic activities, but also in terms of prejudice and stereotypes that have an immediate impact on economic transactions.

*They think of us as gypsies. But when they see that we have money, they say "OK, no problem" and they take it. This kind of problem happens only with people on the street, people we don't know, not partners. Greek businessmen lie, they give fake checks. They ask for the money first and then they send the product. Sometimes, they send nothing. People are afraid because Greeks do not like the Bulgarian much. Greek people are snobbish because they are longer in the EU. The Greeks have to see that you are "bigger", you have to show that you have money, that you count, so they won't cheat on you. (Serres H01, 2007)*

*I would not choose to open a store or start business in Bulgaria because the Bulgarians are thieves. You have to have friends in Mafia in order to make business. The Bulgarians are not friendly. Also they are not good customers.[...] The Bulgarians don't do serious business; they just want to launder money. I say that to do serious business in your home, it requires a lot of efforts. "Every rock is heavier in its place". (Serres H03, 2007)*

#### **5.4 Evidence of Change over Time, including Current Trends and Future Prospects**

As it is already understood, informal cross border activities in Bulgaria are perceived as if in a constant transitory phase. All participants in the household fieldwork

insisted on separating their 'then' from their 'now' experiences; 'then' stands for a possibly idealised and fructuous past of trade and profit, while 'now' mostly refers to the period following the EU adhesion and the new conditions it imposed on cross border activities.

One major condition that affected informal cross border activities between Greece and Bulgaria over time is the political change that took place in Bulgaria. Beginning from the early 1990s, this change led to the establishment of a multiparty political system and a new form of organisation of the national economy, based on the principles of free-market and private property. These new conditions affected border policies between Bulgaria and Greece and this had an immediate impact on how soon-to-be informal entrepreneurs perceived cross border mobility and entrepreneurial possibilities. Older informal entrepreneurs reported that their activities (either directly as cross border trade, or as migration patterns) started emerging during this period.

*When communism ended in Bulgaria, in 1990, I went to Germany and stayed there for three years. I got "azil". I asked for a German passport, I didn't get it. When I returned here I started working as a taxi driver. It's been 15 years. (Serres H02, 2007)*

*[In 1990, a Greek] formally invited me to Greece and that's how I got the visa. [...] I went where there were jobs, money. All the time I was there, I was illegal. I had entered Greece with a tourist visa that was supposed to last three days. Those three days became 365! [...] It took me one year to get back. I had to try a lot, through acquaintances, etc., in order to sneak back into Bulgaria, without getting my passport stamped by the Greeks. Otherwise, I would get into the "black list" and I wouldn't be able to enter Greece for a long time! (Serres E10, 2007)*

Ever since, the visa has become a decisive issue in shaping the ability of a person to become a successful entrepreneur, either in a formal or informal context. Besides bureaucratic and time-consuming procedures, acquiring a visa also entailed a form of investment (visa costs). At the same time, bypassing the customs controls, not paying VAT in Greek shops and making profit out of this was also an important feature of informal trade.

During this period, some informal activities seem to have flourished, leading to the accumulation of a start-up capital for future formal entrepreneurial activities.

*In the beginning of my business activities, I worked in a totally different way. In 92-93 I had my first cross border co-operation. I used to go with my Greek friend to Thessaloniki, where we*

*bought products, clothes, shoes. I used to put all these products in large bags in the back of my car, I kind of hid it. I then crossed the borders and brought it to Bulgaria. We did this for one year. [...] Then, we stopped doing this, going there by car, because I made the factory, the company grew in size and my orders grew in size too. (Serres E09, 2007)*

*In the past the Greeks did not want to give invoice so as not to pay too much in the Tax Office. And I used to buy less quantity in order to make it seem as if it was for personal use, not for trade, when I was crossing the borders. [...] We had risks in the past, when there was the visa problem. Now it is very easy. Now we go even for coffee. (Serres E08, 2007)*

Another important threshold that must be noted is that of 1997 when, according to some interviewees, mostly Bulgarian drivers and Greeks, cross border activities underwent a significant improvement due to the abolishment of Bulgarian visas for Greek visitors.

*My husband went to Bulgaria for the first time in 1997 with his folklore dancing group.[...] I went to Bulgaria for the first time in 1998. We went to Borovetz with my husband. There were many stands with traditional costumes from Bulgaria. There was an old man selling them. He was a Sarakatsan from Samokof. He spoke Greek. He was selling woollen socks, parts of traditional costumes of Bulgaria and popular art items. We bought a traditional costume. We crossed the borders with the things we bought in our car, but we had no problems in the customs. (Serres H06, 2007)*

All along this period, one could note cases of transition from informal to formal activities, as well as the constant decrease of informal cross border activities in terms of profit. In many cases, the relative convergence of Greek and Bulgarian prices rendered many activities less profitable.

*The parts from the traditional costume we used to buy were original. At that time in Greece they would cost 700.00 drachmas and we were buying them for 45.000 in the street markets and hotel rooms.[...] By the time the prices were higher.[...] [In 2000] we searched for stands with traditional costumes but we did not find anything. Nowadays, most of the stuff is Chinese. (Serres H06, 2007)*

An interesting example is that of a trader, who launched his activities in 1997 through an intermediary transporter. Soon enough, in 2000, he began conducting this informal cross border trade by himself by going directly to Greek shops. Furthermore, he later circumvented a Greek shop-owner in order to address directly the factory that produced this specific material, in Volos. Along with his informal trade, he opened a clothes store in his hometown, situated at the border. As he noted, his informal trade is constantly declining in relation to his formal activities

(from 100 per cent to 30 per cent). Nowadays, his profit margins rely on immediately hearing about products that are sold cheaper in Greece than in Bulgaria. Avoiding custom procedures and any custom-related expenses is not a comparative advantage anymore. Moreover, state policies in both Greece and Bulgaria that aim at limiting informal economy have influenced the way he and his Greek partners do business, as well as his orientation towards formal activities.

*This business started seven years ago. I went by myself to Greece. In Solun and Serres I asked and found partners. Before 8-10 years, I had this stuff brought by other people, but then I wanted to do it by myself.[...] I stopped working with that guy. I found directly the big company in Volos and I started doing business with them directly, without this guy's help. So now I also travel to Volos. [...] My business is not registered as an enterprise. I work as a person. Yes, I want to make a company soon. I can't give a document now. Moreover, in Greece I pay the VAT. In the end it matters what kind of company you have. You may pay or not. (Serres H01, 2007)*

The most recent and possibly most important condition for informal CBC is the entry of Bulgaria in the EU, since many interviewees related all new policies, conditions, problems and facilitations to the EU. In many cases, Bulgaria's adhesion to the EU irreversibly changed the context for informal cross border trade.

## **5.5 The Role of Trust**

Trust and mutual understanding between informal entrepreneurs depend on the nature and the frequency of each CBC. Due to the instant character of most informal transactions (on the spot, take-away), there are few things that rely on trust or good relations. At the same time, partnerships may dissolve into new partnerships, as a consequence of better prices or better opportunities. Most informal entrepreneurs (drivers, traders) have not encountered any problems, such as being deceived. There was only one case, where a Bulgarian trader mentioned a negative experience (in which, it must be noted, the dissolution of the partnership was also combined with larger profit margins).

*Only one time there was a problem in Solun. I spoke on the phone with a partner and he gave me a price. When I went there he gave me a different, higher, price. I stopped working with that guy. I found directly the big company in Volos and I started doing business with them directly, without this guy's help. (Serres H01, 2007)*

What seems to be more important is the fact that informal practices are quite widespread in Greece. Consequently, the possibility to launch informal entrepreneurial co-operation with approximately any Greek partner is somehow common knowledge to entrepreneurs from Bulgaria. There are certain common perceptive schemes between partners (e.g. when it comes to informal practices) that render informal co-operation possible, constituting something of a common way of doing business (and trusting each other) among entrepreneurs in Greece and Bulgaria. This context renders possible e.g. the frequent use of Bulgarian informal taxis by Greek visitors.

*When in Greece, my customers and I are "friends", not driver-clients. We agree with my customers on the price and the place, so before I drive them there is an already fixed price. I give them my card and some call me before to arrange a time, some others take me on the spot. (Serres H02, 2007)*

A Greek trader mentioned that there were specific ways of approaching Bulgarian traders and gradually establishing a permanent relation.

*[After having first met them in street markets in Greece] sometimes they would also gather in specific hotels' rooms and sell them there. It was not easy to access them because they had to know you well and trust you in order to reveal in which hotel they would do the business. Sometimes we used to call them when they were going back to Bulgaria, in order to inform us when they were going to come back to Greece, where and if they would bring new stuff. In the hotel rooms there were usually four-five women gathered in the same room, selling their stuff. It was a private kind of trade. You have to have a personal contact first. (Serres H06, 2007)*

Apart from the cases where speaking the language of the other side served as a helping factor for trust building and further CBC initiation, entrepreneurial networks based on common ethnic origin were not identified .

In some cases, Bulgarian entrepreneurs mentioned having Greek friends and acquaintances as the first and most important step towards the establishment of CBC.

*I had many Greek fellow students in the University in Sofia that helped me in my business. This Greek friend of mine, the one we did business together and introduced you to me, he was also a student of Chemical- Engineering. That's where we became friends, as well as with other Greeks too. This helped me a lot. (Serres H09, 2007)*

*In 1990 there was a Greek that had come here, but his car had broken up. We met by chance and I helped him. I tied his car to the back of mine and I pulled him to the border, where I left him, because I didn't have any visa to cross the border. He came and found me some days*

*later, with his wife. They found out where I was living and they came to pay me a visit at home. He told me he would help me. He formally invited me to Greece and that's how I got the visa. (Serres H10, 2007)*

In many cases, entrepreneurs referred to 'good practices' that help in gaining respect and trust among occasional or permanent partners and ensure profit from informal CBC.

*When we were buying things we were also bargaining the price. You have to show them that you know what you are about to buy. (Serres H06, 2007)*

*The Greeks have to see that you are "bigger", you have to show that you have money, that you count, so they won't cheat on you. You have to have the money to do this business. And I have the money to do business. Because you make a deal and they need to see the money. (Serres H01, 2007)*

*The only problem is that Greeks bargain a lot on the prices so I have to insist on things like that. (Serres H05, 2007)*

## **5.6 Enlargement-related effects**

As it has already been pointed out, the EU enlargement and the accession of Bulgaria in the EU has had immediate effects on informal CBC. The abolishment of any kind of visa is the most important fact mentioned by the Bulgarian interviewees. More specifically, those involved in trading pointed out that this has in fact facilitated their activity, since nowadays there is no need to apply to the Greek Embassy for a visa or to try to bypass the customs control, etc. Overall, for most entrepreneurs, traders and drivers as well, their activities are said to be 'easier' nowadays.

*Now, we can enter Greece only with our identity card. We don't need passports. Before that we needed a passport and a visa. This was not very convenient. Besides the bureaucratic procedures, the visa was quite expensive. (Serres H05, 2007)*

The current situation may be 'easier' for informal entrepreneurs, but at the same time, it was depicted as 'less profitable'. Increased competition, higher prices in Greece and Bulgaria and less cross border mobility are attributed to the EU enlargement by both traders and drivers.

*Before EU enlargement they [Greeks visiting Bulgaria] usually let their car on the Greek side, crossed the border on foot and took a taxi. They could also take a taxi to take them from their city to Bulgaria. Now it's different. Roads are better, there is more safety in general, that's why they are not afraid as they used to be. (Serres H11, 2007)*

*Business is not so easy anymore. There is competition now. Because many people buy from Greece to sell in Bulgaria, you have to lower the price. Also, the prices of the products now are higher in Greece. (Serres H01, 2007)*

*In the old days, things were cheaper in Greece. Now it's approximately the same. I have to calculate the difference in order to find out what's more profitable. But I tell you, it's just a matter of a few cents on the kilo. (Serres H10, 2007)*

## **5.7 Policy Issues Identified**

The participants in the household fieldwork did not perceive any major policy issue. Some of the Bulgarian interviewees argued that the abolishment of the requirement to hold passports or identity cards in order to cross to the borders, or even the total abolishment of border controls would further improve cross border mobility. All Bulgarian entrepreneurs were positive regarding further cross border policies.

On the other hand, a Greek driver who faces difficulties due to the competition brought on by Bulgarian drivers, as he described it, mentioned the need for restricting measures against Bulgarian informal entrepreneurs (while at the same time asking for easier access to Bulgaria, without any passport or identity card). A Greek trader also spoke of the need 'for more active presence' on behalf of the Greek police.

Expensive products and difficult conditions of everyday life are also a recurrent issue, especially in the context of possible EU related national policies. It seems that the introduction of the Euro (€) in the Greek economy had an impact on Bulgarian entrepreneurs as well, while some of them fear the application of a similar policy in Bulgaria.

*Things were better when Greeks had drachmas. Now with euros things are worst. (Serres H11, 2007)*

*I still have Greek customers, but some time ago I had more Greek customers and more customers in general. When euro was applied to the Greek economy, things became difficult for Greeks, everything is more expensive. That's what will happen to us, Bulgarians, also, when we get the euro, we will all die! (Serres H10, 2007)*

## **6 Conclusions**

### **6.1 Overall Assessment of CBC in Region**

Having examined the general aspects of CBC between the specific bordering regions in Bulgaria and Greece, we are able to present some overall findings concerning the nature and extent of current co-operation.

CBC in the CSR is still limited in general, even though certain efforts have been undertaken to establish the requirements for future collaborations. On the institutional level, the current initiatives mostly refer to 'soft' types of co-operation, namely projects on cultural, educational and environmental issues, while key informants and representatives express their will to support collaboration on 'harder' issues in the future. However, up until now CBC 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. On the other hand, the EU enlargement process creates certain potentials, since Bulgaria as a member is likely to participate in partnerships with Greece through the various EU funded projects.

On the enterprise level, CBC involves mainly subcontracting assignment, followed by trading agreements and some collaboration in tourist activities. Until now, the main motive was the substantially lower labour cost available in Bulgaria. However, following the accession of Bulgaria in the EU, new opportunities for CBC emerged. On the other hand, Bulgaria is still considered as a less developed country and hence it is expected to face all sorts of problems that prohibit co-operation (e.g. lack of institutions to support co-operation, legislative framework reforms and relative absence of trust between the two sides). Adding on that, certain barriers are also posed by the small size of the Greek firms located at the CSR, which impedes their future growth and the development of cross border partnerships.

The EU enlargement process has a different impact on the informal types of co-operation. The creation of 'soft' borders between Greece and Bulgaria seem to removes the motives for informal types of activities, since registering their activities

and acting in formal ways is presented as a more profitable option for the households previously engaged in informal CBC.

## **6.2 CBC: Enlargement Related Issues Emerging**

Since Bulgaria became a full member of the EU, there was an impressive change in many issues related to CBC. The very first finding concerns the creation of 'soft' borders between the two countries (Greece-Bulgaria), which can result in increased labour, product and capital mobility across the borders. It must be noted, however, that Greek investment activity had already been present in the Southern parts of Bulgaria, owing to the lower local labour cost. On the other hand, cross border labour mobility was lower than originally anticipated, since these newly established manufacturing units employ local employees in order to take advantage of the differences in wages. Since Bulgaria became a full member, these efforts are further strengthened by the simplification of procedures at the borders. Nevertheless, future trends still remain a question, given that increases in wages are observed as a result of the country's membership. Hence, it is necessary for CBC at this CSR to move beyond the exploitation of the cheaper labour that is available in Bulgaria and evolve into other forms as well.

On the other hand, legislative reforms and efforts undertaken by Bulgaria to fight corruption (also during the pre-accession period) seem to enhance trust levels between the two sides, thus supporting cross border co-operation efforts mainly between the institutions and the enterprises of the two sides. At the same, it could be argued that since 2007, the Greek-Bulgarian economic relations entered a new stage. The key characteristics are:

- A higher number of Bulgarians migrate to Greece.
- There is an inflow of Bulgarian consumers and tourists who come to Greece to buy expensive quality goods or visit the country.
- Some Bulgarian companies manage to distribute their products to the Greek market.

These characteristics can be attributed to the EU enlargement process that creates the potentials for the economic development of Bulgaria. Greek firms located close

to the borders can take advantage of these developments, given that a significant upward in purchasing power is also observed in the neighbouring areas, such as Blagoevgrad, while start-ups of trading business are also evident at the other side of the borders. The experience that Greece has acquired by being a member of the EU for more than 25 years is also a great asset for nurturing future co-operation following the accession of Bulgaria.

### **6.3 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.

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. An interesting phenomenon involves the development of a network between firms engaged in the tourism sector located at both sides of the borders (e.g. travel agencies and hotels). These firms appear to have comprehended the potential benefits of networking and it could be argued that this network is a potential cross border cluster, which has not been formally established as such yet.

### **6.4 Identity and Perception-Related Issues**

The common cultural, historic and language structures existing in the border regions of Greece and Bulgaria play an important role in identity issues emerging during CBC. These structures both enable and hinder communication and cooperation. One needs to remember that although Greece and Bulgaria fought as enemies in the 2<sup>nd</sup>

Balkan War, in WWI and WWII there was extended movement of people, folks and goods until WWII. The Cold War distracted these relationships. Since the early 1990s cooperation started developing. The excellent relationships between the two governments and the enlargement of the EU contribute in forgetting the negative aspects and focusing on common positive cultural grounds. People with some kind of ties with the other side decide more easily to make an investment there, apparently because it feels more familiar. On an institutional level issues of cultural co-operation became the bridge leading to closer CBC.

### **6.5 Trust- and Learning Related Issues Emerging**

Trust establishing mechanisms are evident in both enterprise and household CBC. Several trust-building factors, of different significance, arose from the interviews with the Greek firms. Geographic proximity, the existence of personal contacts, the common cultural background, including dimensions such as language, seems to affect trust-based relationships, given that it creates the opportunities for direct communication without interpreters and other intermediaries. The economic development of Bulgaria also affects trust levels by improving professional forms of co-operation involving lower risk and possible know-how transfers as the major gains. This development has also limited some trust hindering factors related to the mentality and entrepreneurial behaviour of Bulgarian managers in the past. The most important factor affecting trust is time. This dimension was reported and highlighted as the most critical one by all entrepreneurs.

The importance of time is also evident in the case of informal entrepreneurs although most transactions between them are of instant character. Understanding between them depends on the nature and the frequency of each CBC. What seems to be more important in securing trust is the cultural know-how of informal practices which are common in Greece and Bulgaria. This knowledge refers to language abilities, initial approach and bargaining strategies. Although we did not locate ethnic networks, close personal contacts (having friends, acquaintances and relatives in the other country) was the first step towards the establishment of trust in CBC.

## **6.6 Policy and Governance Related Issues**

There are certain policy related issues emerging in the specific CSR, regarding both the economic development and the CBC initiatives of the regions. One of the most important is the specific developmental problems that Prefectures of Serres and Drama face, which derive from the low investment incentives, the high unemployment rates and the relatively low competitiveness of the local economies. 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. An indicative example refers to the economic centre of Thessaloniki and its competitive role towards the neighbouring regions.

At the same time, local firms need financial support to remain competitive and face the intensified competition. Their opening towards the Balkan market and the investments pursued in Bulgaria proved to be an option for them based on the lower labour costs. However, following the country's accession to the EU, an upward in wage levels is expected, which could create additional problems for them. Therefore, specific policy measures are essential, such as investment incentives, better access to financing mechanisms for investments on intangible assets (e.g. participation in fairs) and improved utilisation of know-how transfer mechanisms that would support their extroversion. Moreover, a specific policy that could support future CBC involves the role of local institutions and business support organisations, which could act as intermediaries in enterprise-based CBC by offering partner-search services and settling the agreements between the two sides.

## **6.7 Future Prospects for CBC**

One must expect significant prospects for enhancement of CBC activities, since there is a convergence of the two socio-economic formations as well as of their institutional structure. The EU enlargement poses the most important impact on these prospects of CBC between the two sides, owing to the country's efforts to comply with the EU norms and rules and the Greek side's gradual openness towards

the neighbouring population. These developments seem to affect the level of trust between the two sides, creating the conditions for more efficient types of CBC in all levels. In essence, this was clearly mentioned by almost every participant in the project's fieldwork, who believe that the situation is considerably altered after the accession of Bulgaria in the EU and view the future of CBC in a more optimistic way than before. In that direction, it is worth mentioning that in late February 2008 the Greek and the Bulgarian governments announce that they will introduce common border and customs controls. Thus, persons crossing the borders will escape double checking, they will save time and bureaucracy will decrease.

In general, this CSR illustrates the constraints and possibilities for CBC in areas with specific characteristics such as underdevelopment, insufficient supportive state policies, poor infrastructure and limited investment incentives. 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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