

GREECE IN THE “NEW” ERA OF GLOBALIZATION

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Abstract

This paper is an attempt to assess the effects of the integration of the global economy, on a unique country, Greece. While some countries were clearly affected in a positive or a negative way by globalization, Greece appears to have experienced both gains and losses in this economic integration path. Greek businesses have taken advantage of the opening of the borders and made a massive incursion in the neighboring Balkan countries, expanding their markets fivefold or more. Shipping, the flagship industry of the country, has taken advantage of the huge relocation of manufacturing to South-East Asia, transporting raw materials and finished goods into the region and away from it. Tourism picked up steam also, capitalizing on the gains realized by the Athens Olympic Games in 2004. While some of the Greek industries were beneficiaries of the globalized economy, some others have been on a steady decline path. Manufacturing and agriculture have been diminishing, for several years, as a percentage of the country's GDP. The onset of the global economic crisis, in 2008, alarmed the economists in Greece and abroad, seeking to determine the root causes of the crisis and the extent of the expected repercussions. While during the normal economic cycles there have been some winners and losers from globalization, at this time of disruption, it is hard to tell if there will be any winners at all, who they will be and what needs to be done to be one of them.

Περίληψη

Με την παρούσα εργασία επιχειρείται μια αξιολόγηση των επιπτώσεων της παγκοσμιοποίησης στην Ελλάδα. Παρά το ότι, για πολλές χώρες είναι εύκολη η διαπίστωση, ως προς το θετικό ή αρνητικό αντίκτυπο της ενοποίησης της παγκόσμιας αγοράς σε αυτές, η Ελλάδα φαίνεται να απεκόμισε τόσο οφέλη, όσο και ζημίες, καθιστώντας το δύσκολο να αποφανθεί κάποιος με βεβαιότητα ως προς το επικερδές της παγκοσμιοποίησης για τη χώρα. Οι Ελληνικές επιχειρήσεις έσπευσαν να καλύψουν το κενό που δημιουργήθηκε με το άνοιγμα των βορείων συνόρων της χώρας, επενδύοντας τεράστια ποσά, και διευρύνοντας την αγορά τους κατά πέντε ή περισσότερες φορές σε σχέση με την υπάρχουσα. Οι θαλάσσιες μεταφορές, η πλέον δυναμική βιομηχανία της χώρας εκμεταλλεύτηκε τη μαζική μετεγκατάσταση της παγκόσμιας παραγωγής βιομηχανικών και άλλων αγαθών στην Κίνα και τη Νοτιοανατολική Ασία, μεταφέροντας πρώτες ύλες και έτοιμα αγαθά από και προς την περιοχή. Η τουριστική βιομηχανία, επίσης αναπτύχθηκε δραστικά, εκμεταλλευόμενη τα οφέλη που προέκυψαν από τους Ολυμπιακούς Αγώνες της Αθήνας το 2004. Ενώ κάποιοι από τους κλάδους της Ελληνικής βιομηχανίας ευνοήθηκαν από την παγκοσμιοποίηση της αγοράς, άλλοι κλάδοι όπως η γεωργία και η βιομηχανική παραγωγή συρρικνώνονται χρόνο με το χρόνο. Η έναρξη της παγκόσμιας οικονομικής κρίσης του 2008 σήμανε συναγερμό για τους οικονομολόγους και τους μάνατζερ στην Ελλάδα όπως και στις υπόλοιπες χώρες, οδηγώντας τους στην αναζήτηση τόσο του εύρους της κρίσης όσο και των επιπτώσεων της. Κατά τη διάρκεια των οικονομικών κύκλων, κατά κανόνα, παρατηρούνται χώρες που ωφελούνται, αλλά και άλλες που υφίστανται απώλειες. Κατά την διάρκεια της πρωτοφανούς οικονομικής κρίσης, δύσκολα μπορεί να προβλέψει κάποιος αν θα υπάρξουν ωφελημένοι, ποιοι θα είναι αυτοί και τι απαιτείται για να συμπεριληφθεί κάποιος στην ομάδα των κρατών αυτών.

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Key Words: Globalization, Greece, Balkans.

GREECE IN THE ERA OF GLOBALIZATION

It has been almost two decades since globalization unleashed its forces on the planet and has become the dominant socioeconomic, cultural, political and technological discussion subject. All of a sudden, it became apparent that the world is an open system, where tampering with one part affected the whole global society and the economy. The interconnectedness of the world economy is so strong, that the repercussions of the failure of the US banks are threatening the functioning and economic health of countries as diverse as Iceland, U.K., Japan and the BRIC group (Brazil, Russia, India and China).

Globalization has been defined in a variety of ways, the common denominator of which has been the “..widening, deepening and speeding up the interconnectedness in all aspects of contemporary social life”, according to Held and McGrew (2001).

Due to the wide variations of the effects of different aspects of globalization, one must make clear distinctions as to which dimension of the concept he or she is referring to. Economic globalization refers to the integration of the global economic activities through trade, capital flows and migration. Environmental globalization includes the global effects of human activity on the environment. Cultural globalization addresses the convergence of nations in their ways of living, their interests, hobbies and so on. Political globalization finally, deals with the wider acceptance of global political standards such as democracy, human rights, environmental standards and the functioning of global institutions such as the U. N., the World Bank, the World Trade Organization and the I. M. F. All of the above globalization aspects affect every single nation on earth, in every conceivable way.

The effects of globalization on individual nations, as well as groups of nations vary, with some having benefited more than others, while every nation has suffered in some respect undesired consequences beside the beneficial ones. Although assertions are being made by leading thinkers such as Anthony Giddens (2003), that isolationism is worse than becoming integrated in the global economy, not much has been said about the optimal degree of integration in the global community (Legrain, P. 2009). Additionally, Nobel laureate Joseph Stiglitz (2002), member of International Labor Organization's Commission on the social dimensions of globalization, proposes that the "destructive effects of it (globalization)" by far outweigh its benefits to society. He claims that up to this day, the economic integration has served mainly the interests of the large multinational corporations, rather than the people, effectively reducing the role of governments in their national economies (Stiglitz, 2002). The ILO Commission feared the diminished role of the governments, as a result of the global trend of "freeing up the markets". Ironically, today, we are becoming witness to the Commission's fear coming true. It was only few months ago, when the Governments of the European Union, the United States and other Developed Countries decided that the threat of the collapse of the free market system was imminent and the government intervention is imperative. The implosion of the global economy has undermined the faith in free markets.

Is Globalization good for the people?

Many influential people believe that the benefits of an integrated world economy clearly surpass the costs of it. Ideally, in a well-functioning globalized economy:

- There is a worldwide market for the companies and for the people there is more access to products of different countries.
- There is a steady cash flow into the developing countries.
- Due to the presence of a worldwide market, there is an increase in the production sector and there are lots of options for the companies to locate.
- There is greater exchange of information between two countries, which do not have anything in common.
- There is cultural intermingling and each one is trying to know about the other's cultural preferences and in the process of doing so, people are actually coming across things that they might like and in the course of time adopt them.
- Socially we have become more open and tolerant towards each other and they who live in the other part of the world are not aliens as we always thought. There are examples like, now Indian girls work in call centers and work nights, which was a taboo even two years back.
- There is a lot of technological development that we have undergone over the years. There are fewer brain drains since Asians are working in their own country though for a foreign company but are earning foreign exchange for their country (Hart 2006).

There are as many cons as pros to globalization some of which are listed below:

- It is true that Europeans and Americans are losing jobs and that is posing a problem for them, since the companies are outsourcing work to the Asian countries where the cost of labor is low and profits the company considerably (Slaughter & Swagel, 1997).
- There is immense pressure on the employed Europeans who are always under the threat of the business being outsourced.
- Corporations are building up units in other countries equally well equipped as they have done at their own country, thus transferring the product and process quality to other countries.
- There are some experts who think that globalization; along with the positive aspects is also leading to the importing of problems like communicable diseases such as SARS and recently the Swine Flu and social degeneration.

- There is also a threat of corporations ruling the world because there is a lot of power, which is given to them due to their global influence (Stiglitz, 2002)
- Streeten (2001), in his study of winners and losers of globalization, presented a concise , yet complete picture of globalization effects indicated in the table below.

Table 1. Winners and losers of globalization

Winners	Losers
The North (Japan, The U.S., Europe) and parts of Asia Output People with Assets Profits The highly skilled and educated Professional, managerial, and technical people People able to adjust to new situations quickly and easily Creditors Those independent of public services Large firms Men The strong Risk Takers Global Markets Sellers of technologically advanced equipment Global Culture Global Peace	Many developing countries (including most of Africa and Latin America) Employment People without Assets Wages People without skills The uneducated Workers People unable to adjust to new situations easily Debtors Those dependent on public services Small Firms women and children Human Security Local communities Sellers of primary and manufactured products Local Cultures Local troubles (here referring to Russia, Mexico and Turkey)
Proponents	Opponents
Businessmen and Economists	Environmentalists, Working People, Consumer Rights Groups, Family Organizations, Farmers, Religious Organizations, Advocates of democracy

*As adapted from Globalization: Threat or Opportunity? by Paul Streeten.
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We could go on identifying the pluses and the minuses of globalization in greater length, but what is certain is that the integrated economy has not treated all countries equally. Truth is that in the last ten years we saw the greatest redistribution of the world wealth ever, to the benefit of the developing nations, or at least some of them. China for one, which averaged a 9,7% growth over the past 30 years, surpassed Germany and became the third largest economy behind the USA and Japan (Stiglitz, 2006). India is following China's lead, although still far behind, with an increasing foreign trade every year and becoming the hotbed of new software development companies, making a leap from an agricultural economy to a post – industrial one. Other countries are following China's and India's lead such as Vietnam, Mexico, Singapore, Thailand and so on.

It is also true however, that hundreds of thousands of jobs have been off-shored, causing a major problem in developed countries, where governments see the discontent of the workforces, nervously waiting for the next layoff announcement by their employer and the outsourcing of their job to some country abroad with a tiny fraction of labor cost.

The globalization effects on Greece

Every country experiences globalization in a unique way. Some obtain greater benefits incurring less costs, others lose more than they gain, while a third category is somewhere in the middle. Greece is in our view, in the latter group. While it has benefited from the opening of the market, the free capital flow and the other positive aspects of globalization, she has also gone through the painful experience of losing large numbers of jobs and capital which, in part at least, could have been invested at home rather than the neighboring countries.

The Greek economy has always been intertwined with the European economy, following the trends of the latter, usually with certain lag. Traditionally the E.U. countries have been the main trade partners of Greece.

In spite of the close bonds Greece has with its economic partners in the European Union, the country has developed in the last decade a dynamic relationship with her neighboring countries from the north and the east, namely, Turkey, Bulgaria, Romania, Serbia, FYROM and Albania. Greek exports to South Eastern European countries reached 22,1% of the total exports of the country in 2007, up from 7,5% in 1997. The Imports were also up to 6,2% of total imports in 2007, compared to 1,9% in 1997. The Greek Foreign Direct Investment in SEE (cumulative) was \$2,2bn in 2007 compared to \$1,1bn in 1997. (Source: Ministry of Economics and Trade Affairs).

The integration of Greece's economy to that of the SEE countries is estimated to have added about 0,6 of a percentage point to the country's annual economic growth during the past ten years.

The opening up of a market of 100 million consumers provided a thrust to the Greek Exports offering a heaven to the country's entrepreneurs and leading to skyrocketing export levels.

Greek business expansion to SE Europe has also helped the competitiveness of the Greek products in the EU market. Using inexpensive resources and with low labor cost Greek businesses managed to increase their exports to the EU-15.

The influx of 1 million immigrants from the SEE in the country, boosted the flexibility in the Greek labor market, making it into an employer's paradise with a great excess in labor supply. The immigrants of course became also consumers once integrated in the economy supporting thus local consumption.

The annual profitability of the 12 billion € FDI in SEE is expected to bring back in Greece € 2 billion by the end of 2009, which will add 0,2 of 1% to annual GDP growth.(Source: Bank of Greece).

All of the above represent the positive aspect of the integration of Greece with the SEE economies, however, there have been some problem areas as well. With the opening of the northern borders of Greece hundreds of entrepreneurs closed shop, to rush into the neighboring countries taking advantage of the low labor, raw material, plant and equipment costs. The Northern Greece economic activity has slowed dramatically and social problems exacerbated.

The relocation of several Greek businesses cost the country close to 180.000 jobs, according to some estimates.

Another problem created by the opening of the SEE countries borders is the offering of a new alternative to FDI previously directed towards Greece. Statistics show how large amounts of FDI have been directed into the newly created free markets.

Moreover, the demand by EU-15 countries for Greek products has shifted to the lower cost SEE-produced products servicer, with the most pronounced effect on tourism moving to Turkey. However, it isn't only Turkey that is challenging Greece's position in the tourism market of the Southeastern and Mediterranean Europe. Bulgaria, Romania and Albania are becoming increasingly potent competitors, offering low prices and improving the quality of their services.

Greek Financial Services have a strong presence in the SEE region. The large Greek banks have large networks in virtually of the regions countries, expanding either by opening new branches or through Mergers and Acquisitions.

Finally, the most important Greek industry, shipping, is making huge gains establishing its prowess in the global market, being the biggest in the world, makes Greece a real global player. Shipping, which contributed by 4,5% to the country's GDP in 2006 and employs 4% of the country's workforce, generates significant foreign exchange , enough to cover 30,2% of the trade deficit in 2005, compared to tourism receipts of 26,2% and to EU net transfers of 11,6%. (Economic Bulletin Alphabank, No. 108, 2009). Given that 95% of the global trade is undertaken by ship, with Greece controlling 21% of the world's tankers and dry cargo fleet and 16% of the sea going fleet, the country becomes a heavyweight champion in the industry and a really global power.

Greece is therefore fully integrated in the global economy in which it plays a vital role. The country has benefited in several respects from globalization both through its bilateral relationships with other countries

and through its EU membership. It is hard to say, what would happen if Greece would not have participated in the transformation of the Balkans, or if she opted out of the EU, however most indicators point to the direction that the country gained more, by her engaging in the EU and the SEE, than she lost.

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