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The inflow of Foreign Direct Investment in Greek Tourism, during the period of financial crisis and its contribution to the: GDP, Balance of Payments and Employment.

Master Thesis

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Abstract in Greek

Η έρευνα αυτή επιχειρεί να διερευνήσει τη ροή των Άμεσων Ξένων Επενδύσεων στην Ελληνική Τουριστική Βιομηχανία κατά τη διάρκεια της οικονομικής κρίσης και τη συμβολή της στο ΑΕΠ, το ισοζύγιο πληρωμών και την απασχόληση. Η έρευνα αυτή διαρθρώνεται σε δύο μέρη - την εννοιολογική προσέγγιση των άμεσων ξένων επενδύσεων και το δεύτερο μέρος που αναφέρεται στην εμπειρική ανάλυση των άμεσων ξένων επενδύσεων στην ελληνική τουριστική βιομηχανία, αποτελούμενη από συμπεράσματα και προτάσεις για την βιώσιμη τουριστική ανάπτυξη που θα συμβάλουν στην ανάκαμψη της εθνικής οικονομίας, δημιουργώντας μια νέα εποχή για την οικονομική ανάπτυξη. Συγκεκριμένα, η δομή της έρευνας έχει ως εξής. Στο πρώτο κεφάλαιο, αναλύεται η έννοια των άμεσων ξένων επενδύσεων, με τις μορφές τους και τους δείκτες παρακολούθησης. Επίσης, ερμηνεύει το ρόλο και τη συμβολή τους στη χώρα υποδοχής και παρουσιάζει τα επιχειρήματα των δύο αντιτιθέμενων πλευρών - των υποστηρικτών των άμεσων ξένων επενδύσεων και των αντιπάλων τους. Το κεφάλαιο αυτό αναλύει επίσης τους καθοριστικούς παράγοντες των άμεσων ξένων επενδύσεων.

Το δεύτερο κεφάλαιο παρέχει μια ιστορική επισκόπηση των ΑΞΕ που έλαβε η Ελλάδα από το 1953 έως το 2018 και περιγράφει τις μεταβολές στις εισροές και τα αποθέματά τους, καθώς και τα κρίσιμα ιστορικά σημεία που φαίνεται ότι τις επηρέασαν. Αυτό το κεφάλαιο αναλύει τη σημασία αυτών των επενδύσεων σε περιόδους κρίσης, περιγράφει τα κίνητρα και τους αποτρεπτικούς παράγοντες για τις ξένες άμεσες επενδύσεις στη χώρα μας και αναλύει τις δυνατότητές του ως μοχλό ανάπτυξης. Το τρίτο κεφάλαιο παρουσιάζει την εμπειρική ανάλυση των ΑΞΕ στην Ελληνική Τουριστική Βιομηχανία. Ειδικότερα, το Κεφάλαιο 3 αναλύει τις ευκαιρίες στον κλάδο του Ελληνικού Τουρισμού παρέχοντας μια γενική εικόνα της τουριστικής ζήτησης στην Ελλάδα και της συμβολής της στο ΑΕΠ, το ισοζύγιο πληρωμών και την απασχόληση.

Τέλος, το τελευταίο κεφάλαιο καλύπτει το επιχειρηματικό περιβάλλον της Ελλάδας και τη συμβολή των ΑΞΕ σε αυτό, ενώ αναλύει την περιπτωσιολογική μελέτη των 14 περιφερειακών αερολιμένων που διαχειρίζεται η Fraport Greece. Επιπλέον, τα συμπεράσματα και οι προτάσεις που αναφέρονται στην ανάγκη για διαρθρωτικές αλλαγές θέτουν τη βάση για περεταίρω διερεύνηση των ευκαιριών για την αειφόρο ανάπτυξη, αυξάνοντας την

ελκυστικότητα των Ξένων Επενδύσεων, ιδιαίτερα στον βασικό πυλώνα της ελληνικής οικονομίας - την Τουριστική Βιομηχανία.

Λέξεις-κλειδιά: Άμεσες ξένες επενδύσεις, Ισοζύγιο πληρωμών, Ακαθάριστο Εγχώριο Προϊόν.

Abstract in English

This research attempts to investigate the inflow of Foreign Direct Investment in Greek Tourism Industry, during the period of the financial crisis and its contribution to the GDP, Balance of Payments and to Employment. This research is structured in two parts - the conceptual approach of FDI, and the second part which is referred to the empirical analysis of FDI in Greek Tourism Industry, consisted of the conclusions and the proposals for a sustainable tourism development that will contribute to the national economy's recovery, creating a new era for economic development.

Specifically the structure of the research is the following. In the first chapter, the concept of FDI is analyzed, with their forms and their monitoring indicators. It also interprets their role and contribution to the host country and presents the arguments of the two opposing sides - the FDI supporters who have as a main argument the contribution of these investments to the economic development of the host country (mainly through the transfer of financial resources), and afterwards the FDI opponents who argue for the unequal competition that emerges for the domestic businesses. This chapter also analyzes the determinants of FDI.

The second chapter provides a historical overview of the FDI received by Greece from 1953 to 2018 and describes the changes in their inflows and reserves, as well as the critical historical points that appear to have influenced them. This chapter analyzes the importance of these investments in times of crisis, as well as describes the incentives and deterrent factors for FDI in our country and analyzes its potential as growth leverage.

The third chapter presents the empirical analysis of FDI in Greek Tourism Industry. More specifically, Chapter 3 analyzes the opportunities in Greek Tourism industry offering an overview of the tourism demand in Greece and its contribution to the GDP, Balance of Payments and to Employment.

Finally, the last chapter is comprised by the Greece's business environment and the contribution of FDI in it, while it analyzes the case study of the 14 regional airports managed by Fraport Greece. In addition, the conclusions and the proposals which are listed regarding the need for structural changes, set the wheel for a sustainable development through the increase of the attractiveness for Foreign Investment, especially in the key pillar of the Greek economy- the Tourism Industry.

Key Words: *Foreign Direct Investments; Balance of Payments; Gross Domestic Product*.

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Abbreviations

ADS	Average Daily Spend
AS	Average Spend (per trip)
CA	Capital Asset
CEE	Central and Eastern Europe
EEC	European Economic Community
EIB	European Investment Bank
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
GGB	General Government Bodies
HRADF	Hellenic Republic Asset Development Fund
NSRF	National Strategic Reference Framework
PD	Presidential Decree

Introduction

The implementation of investments is one of the major drivers of economic development internationally and the means of financial rehabilitation in the aftermath of an economic crisis. The investments' contribution can address important economic and social problems in the country such as unemployment, poverty, lack of infrastructure and resources in fields such as health, education and social security. However, in recent years of economic crisis there has been a noticeable change in the inflow of foreign investment, and in particular of FDI, which, coupled with the depletion of citizens' tax capacity, exacerbated the climate of uncertainty about the future of the Greek economy.

The present diploma thesis mainly focuses on, the analysis of tourism demand, the investigation of the FDI inflow in Tourism Industry and its contribution in the country's National Accounts. The investigation also focuses on factors that affect FDI, as well as those that create an inhospitable investment landscape in Greece. Specifically, some of these factors which are examined are: bureaucracy, political instability, the instability of the legal system, the delays and the frequent changes in administrative procedures, and especially taxation - factors that seem to discourage some of these investments.

Therefore, the purpose of the present research is to answer the question: which are the incentives and the barriers of FDI inflow in Greece, how the tourism demand fluctuates in the years of recession and how FDI in Tourism Industry contributed to the GDP, the employment and the Balance of Payment. Most of the Data concerning the tourism demand are taken from the sources: Bank of Greece, Hellenic Statistical Authority, World Economic Forum and SETE INTELLIGENCE, and are presented by the aspects of both, incoming and domestic tourism.

PART I - FOREIGN DIRECT INVESTMENT AND ITS THEORETICAL APPROACH

CHAPTER 1 – CONCEPTUAL DATA OF FOREIGN DIRECT INVESTMENT

1.1 The Definition of Foreign Direct Investment

Foreign Direct Investment is the long-term investment of individuals or corporations of foreign countries, who decide to operate in the domestic market by establishing subsidiaries, or by acquiring and holding at least 10% of a share capital, with the aim of obtaining financial benefits and exerting management control (direct ownership relations). Management control is interpreted as the influence that the mother company has on the subsidiary's behavior on issues of strategic importance, such as investment policy, technology choice, choice of intermediates and raw materials, labor and commercial relations, as well as relations with the national governments. Holding less than 10% is recognized as portfolio investment and not as FDI. In addition, management control is exerted either by holding a majority stake of the capital share in the subsidiary, or through a minority interest, as the measure of control depends on the extent to which the mother company influences the decision-making process of the subsidiary (Kyrkilis, 2010).

Generally in international literature, holding 25% of equity is considered a necessary condition for effective management control. It is noteworthy, however, that there are cases where one company may be controlled by another, without the first being a shareholder of the other company (indirect ownership relations). The cases referred to this version are the cases of franchising, licensing or subcontracting, where "the licensee has the right to control the quality of the product of the business user or subcontractor (Kyrkilis, 2010)". As stated above, the exertion of control of the mother company over its subsidiaries abroad may be accomplished by direct or indirect relations. Direct relations refer to the total or partial ownership of the equity of their overseas businesses, while indirect relations are established through contracts signed with foreign companies, without however having one share of ownership of the other.

FDI are inflows for their host countries, not only for cash but also for tangible and intangible resources such as equity, machinery, intermediate raw materials, technology, know-how and new production methods, quality control, marketing; elements necessary for the successful operation of the production process and the disposal of goods or services to the consumer. In general, these investments are a lever for growth for the host countries, as they promote the diffusion of technology and the development of human resources. There is, of course, the view that FDI does not promote economic growth, as they displace domestic investment (this is discussed below).

1.2 Forms of Foreign Direct Investment

FDI can be categorized by: the contribution of the stakeholders in these investments, the direction of the FDIs and the purpose of their investors.

The forms of FDI based on the contribution of the people involved include:

A) *A wholly owned subsidiary*, in which the foreign investor decides to establish, or acquire, a domestic business and is the sole shareholder, acquiring all the profits of the subsidiary and achieving the goal of having total control over the management and the strategy from the mother company. Also, the mother company has the potential to achieve economies of scale by increasing total output. Of course, the mother company assumes the full risk of this venture. Typically, one of the dangers it can possibly face is to be classified as a foreign business and to have negative consequences in the relations with the consumer public and the host government.

B) A *joint venture* is a form of investment, in which there is a partnership between one or more foreign companies with one or more domestic companies, to establish or acquire an existing (domestic) business. The contribution of tangible and intangible resources is achieved by all partners and usually each one offers the productive factor that outweighs the rest and owns equal amounts of ownership over the resources he/she has provided to the business. The joint venture improves the investor's competitive position and achieves economies of scale. It is also easier for a foreign investor to access a new market, as the domestic partner, knowing the market characteristics, can protect the business from various risks and further reduce the investment risk as it is shared by more partners. The latter, however, also results in both profits and managerial control being shared by more partners, causing significant disagreements.

C) During the *partial acquisition*, a part of the share capital of the domestic business is acquired, with the corresponding contribution of the productive factors. In this case, the elements of the acquisition are combined with the joint venture. Consequently, the parent company acquires part of the domestic business by signing an agreement that the mother company will contribute to the transfer of know-how and technology to the domestic business and that the products of the partners will be mutually distributed. This streamlines the production process and improves the competitive position of each partner through the common distribution network.

The forms of FDI based on their direction include the following:

A) *Inward* FDI, in which foreign capital is invested in domestic productive resources.

B) *Outward* FDI where domestic funds are invested in foreign productive resources.

The forms of FDI based on the investor's purpose include the following:

A) *Horizontal* FDI, which occur when the parent company decides to transfer to the host country of the investment, the entire production process through the acquisition of companies producing the same or slightly differentiated product. Investors' choice of horizontal FDI is based on the advantages that the parent has over its competitors, which are related to patents or elements that makes it unique. At the same time, the parent company establishing subsidiaries avoids the barriers of international trade, such as custom duties or the cost of transporting goods and saves a significant cost compared to what it would have been from exporting its products.

B) *Vertical* FDI, which occur when the parent company decides to acquire an enterprise that is either a supplier or a customer. Under this form of FDI, parts of production are transferred to the host country of the investment and not the whole process of production. In this way, the parent company can minimize its costs by selecting a country with cheaper labor and assuring all its raw materials from that country.

In addition, FDI can be categorized according to the reason for their establishment in the host country. Specifically, FDI is achieved in the search for rich productive resources (natural resources, low cost labor, technological and management capabilities), in search of new markets, in order to achieve profitability and upgrade the company's strategic position in the industry.

1.3 Monitoring indicators for Foreign Direct Investment

FDI monitoring indicators can be categorized into FDI flows, FDI stocks and FDI income which are analyzed below.

Initially, capital flows relate to new investments made during a period. These funds are recorded in the Financial Account. In addition to FDI, portfolio investments, financial derivatives and foreign exchange reserves are recorded in the Financial Account. FDI stocks, however, refer to the value of the investment at the end of a period. There are also, the income flows, which measure the income that investors gain from the return of the funds they have offered during the period under consideration.

1.4 The role and contribution of FDI to the economic development of the host countries

The impact of FDI on the host country has been for many years a subject of divisions for the scientific community (Papageorgiou & Chionis, 2003). On the one hand, FDI supporters argue that these investments contribute to the economic development of the host country through the transfer of financial resources, while on the other hand, their opponents are critical of the unequal competition that domestic businesses face; arguments of both sides are presented below.

According to the proponents of FDI, these investments contribute to the host country's economic development by: transferring financial resources, increasing savings, diffusing technology, creating new jobs and providing vocational training and specialized knowledge - factors that generally contribute to the increase of the economic and social prosperity. In particular, in cases where the domestic economy is unable to mobilize the resources needed to create productive-commercial activity, foreign investment inflows strongly contribute to economic growth (Glavinis, 2009). Furthermore, it has been observed that in cases where there is no major technological gap between the country of origin and the host country of investment, there is a healthy competition that allows new entrepreneurs to enter the market. Foreign investments have a positive impact on the overall economic productivity and this is for the benefit of consumers, breaking down monopoly market situations. This is achieved as host companies follow new production and management standards, which contribute to overall economic growth, notably by improving the quality of goods and services while reducing production costs. Also, in many cases FDI is the key factor to open up export channels with countries that would otherwise be difficult to reach, while at the same time the trade balance gets improved, increasing public funds and narrowing the gap between rich and poor countries.

On the other hand, there is the view that FDI does not promote economic growth, but in fact the opposite is the case. The arguments for this view are based on the fact that FDI displace domestic investment -first by drawing national savings from the capital market and then by transferring profits from the host country to the country of origin, reducing thereby the saving resources that can finance domestic investment (Kyrkilis, 2010). There are also cases where investments that take place in the host countries aiming at exporting goods to Western markets re-importing them at prohibitive prices for consumers in host communities (Glavinis, 2009). In addition, it is claimed that FDI control the diffusion of technology, and in particular know-how, as subsidiaries often appear reluctant to hold senior management positions in the host country. On the issue of job creation, critics of these investments argue that venture capital firms do not inject new jobs into the host country and therefore do not invest in the human factor. Another argument from FDI opponents relates to the competition, and in particular to the fact that FDI displace domestic products, through the competitive advantage coming from the use of technology and the adoption of lower prices, contributing to a further shrinking of the domestic production, whilst foreign companies often over-exploit natural (and human) resources, paying the least possible in return to the host country's economic development. Also, a significant negative impact is the fact that the increasing ownership of productive sectors by foreign investors, can make a sector of the economy monopoly, preventing domestic enterprises from investing in it, while also exerting significant influence on governments.

These approaches present stark contrasts to the consequences of multinational companies in the host country. However, in recent years, there has been considerable interest from the scientific community to investigate the factors on which the outcome of development impacts in the host country depends. Indicatively, some of these factors are the income distribution and the creation of external economies of scale.

1.5 The Determinants of FDI inflows

A key issue that also concerns both the academic community and the country's political governance is the investigation of the determinants - incentives for attracting FDI (Filippas, 2014). Having, as a key pillar for this research the FDI, an attempt is made to interpret the attractiveness factors associated with these investments. The existence of the various benefits that create countervailing benefits and attract FDI are mainly attributed to the inadequate organization of product markets and end products (Kyrkilis, 2010). These incentives usually come from the characteristics of the host country (geographic location, market structure and interconnection with the country of origin), government policy (economic incentives e.g.

repatriation of profits and tax exemptions, privatization), stimuli coming from the external environment, or global economic trends (Bitzenis, 2014).

Initially, the geographical location of the host country is a strategic factor and is one of the main contributors to attracting FDI inflows. The geographical advantages are related to the proximity of the country of origin of the investment, the infrastructures and the accessibility to distribution channels. However, there are other geographical location-related features, such as natural resources, which refer to alternative forms of energy, the existence of gas, oil and generally any element related to mineral wealth that can be exploited by businesses.

Then, the size of the host country market, the level of per capita income and the structure of domestic demand are analyzed (Myloni & Georgopoulos, 2015). In particular, market segmentation (which can support the diversification of the parent company's product or service) is analyzed, as well as the existence of intermediate-raw materials and services that support production.

Among the Macroeconomic factors are included the economic growth rate, the inflation (as its stable and positive levels over time are a positive sign for the economy of the host country), the creditworthiness and financial liquidity of the economy under consideration, while in parallel the growth of the world economy and the turn of international trade are examined. In addition, the stability of the tax system plays one of the most crucial roles, as high tax rates, as well as their frequent changes, in addition to raising levels of uncertainty for investors, bring additional risk to their investments.

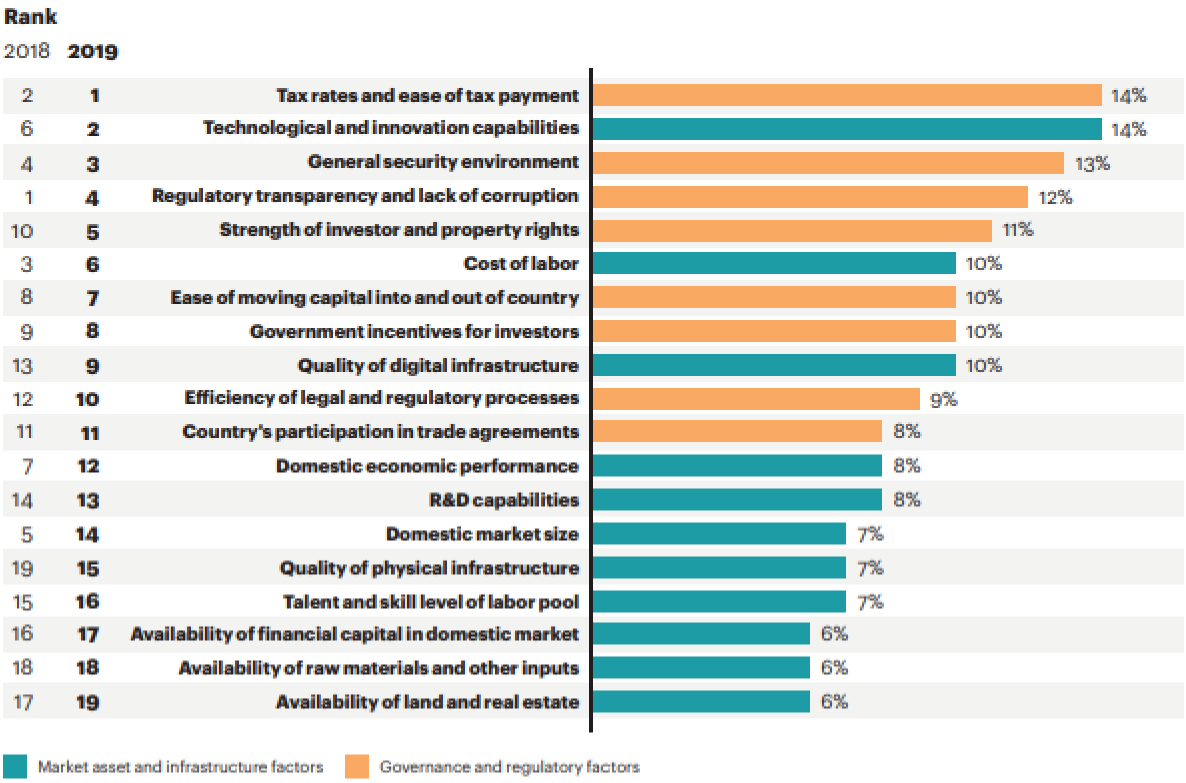
Microeconomic factors include labor costs, which investors seek to be low, while in the areas of mainly know-how and specialization, they seek to invest in human capital at high levels, as well as the costs related to research and development. At the same time, investors examine the possibility of having privileged access to the financing for their investment projects, the possibility of achieving economies of scale, as well as an important point of interest in developing FDI, are the prospects of acquiring the desired market share and maximizing profits.

Regarding government policy, the various financial incentives provided, such as the repatriation of profits, tax exemptions, privatizations and trade agreements, encourage foreign investment inflows.

Concerning institutional factors, transparency, independence of the judiciary, timely decision-making removing bureaucratic and capital constraints, combating corruption and crime (factors that hinder the development of healthy entrepreneurship) and political stability; eliminate uncertainty and stimulate investor's confidence and safety in the FDI host country.

Chart 1 presents the most important determinants of entrepreneurship as assessed in 2016 and 2017.

Chart 1: The most important factors in choosing where to make investments



Note: Percentages do not add to 100 because respondents could select two choices.
Sources: A.T. Kearney Foreign Direct Investment Confidence Index (2018 and 2019)

CHAPTER 2 – THE CASE OF GREECE

2.1 Historical Overview of the Implementation of Foreign Direct Investment in Greece

Due to World War II and the ensuing civil war, the 1950s is characterized as the decade of reshaping Greece's economic activity. Initially, FDI was very limited because of the protectionism for building and restarting domestic businesses. In 1953 with the Presidential

Decree 2687, was introduced the protection of foreign capital, setting out a series of incentives, some of them related to foreign exchange, tariff, tax, or various other guarantees for foreign investors (subsidies), while some others were promoting the implementation of significant investment agreements between foreign investors and the Greek Public.

Since 1960 there has been a general increase in the inflow of foreign investment (despite the fluctuations of the period 1968- 1972), mainly due to the change in the attitude of the Greek governments towards the inflow of foreign capital to Greece. The change in attitude towards foreign investors that coupled with the introduction of several incentives, such as tax exemptions and the removal of tariff restrictions (in particular by linking Greece to the EEC), have led to the development in the field of transport, electric equipment, mineral oil, chemicals and metals, catalyzing technological progress in the manufacturing sector. In this way, the Greek industry was increasingly developing, promoting new activities such as the manufacture of cars and ships. The majority of foreign investment was in the vertical direction, taking advantage of low production cost. This period is a reference point for foreign investment- especially from the EEC countries, as economic and political equilibrium created conditions of economic prosperity for Greek citizens and led in the increase of their incomes (Kyrkilis, 2010).

In the 1970s, there was an increase in FDI in consumer products such as food, beverages and textiles. Specifically, the year 1976 was characterized as the peak of foreign investment, with an increase of 1.171% that continued at an annual average rate of 22,6% in terms of invested capital.

The period 1980-1990 is generally characterized as a stagnation period, in terms of FDI in Greece, since global inflows recorded an annual growth rate of 17,6%, while at the same period Greece had an average annual decline rate of 1,6%. To this has definitely contributed the emergence of new markets, such as Central and Eastern Europe and Asia. Also, from 1981 and then and under the P.D. 2687/53, the monitoring of imported funds through the Bank of Greece, became more difficult as these items were recorded in the Balance of Payments, which also recorded portfolio investments and corporate loans from foreign banks (Kyrkilis, 2010). For this reason, the most reliable source is the annual publication of the United Nations Conference on Trade and Development (UNCTAD) named “World Investment Report”, which collects inbound and outbound FDI internationally.

Greece's accession to the European Union has brought significant benefits and opportunities to attract foreign investment, but it seems that our country has not take full advantage of these benefits to upgrade its location advantages and finally to have a constant increase in FDI. While there was an increase in FDI inflows between 1989 and 1992, with an average annual amount of $ 1,009 million, the period 1993-1994 presents a decline at $ 981 million. A notably incident is that in 1998-1999 there was a decline in US investment, with the percentage of FDI coming from them reaching 2%, compared to 13,5% in the late 1980s. In 1999 and the years that follow, it seems that the climate is starting to change and an increase in FDI inflows was remarked in the services sector, and especially in the sectors of trade, tourism and banking (Kottarides & Yakoulas, 2013). The country's accession to the Eurozone in 2001 was also instrumental in this, with the removal of currency restrictions and the free movement of capital. At the same time, foreign investors continue to express their preference in the manufacturing sector and in particular consumer goods.

The 2000s was generally characterized by a global increase in FDI inflows, which resulted in an increase of these investments in Greece (especially in the technology field) by 2006 ($ 5.409 billion in inflows). The adoption of the euro as a national and common currency of the Eurozone countries, as well as the organizing of the 2004 Olympic Games and the general liberalization of funds, has contributed to this.

For the period 2000-2006, according to Kyrkilis (2010), the stock of FDI inflows (mainly coming from EU and Eurozone countries) increased by a total of 160%. FDI inflows in our country for the period 2001-2006 seem to be initially concentrated in the financial services, transport and communication sector by 42% of total inflows, in the manufacturing sector and in particular in the intermediate and consumer goods, machinery and means of transport by 36%.

However, it seems that between 2000 and 2008, Greece's relative position in the EU of 27 countries, on the basis of FDI inflows, deteriorated compared to the 1990s. From these figures, it appears that the Greek economy, following the entry to the Monetary Union, continued to have difficulty in attracting FDI over other similarly sized EU peripheral countries, without substantially setting in motion significant transformations that would improve the business climate, the return on investment and competitiveness.

In detail, according to the data of the United Nations Conference on Trade and Development, in 2002 Greece was ranked in the last 20 countries along with Turkey, Bangladesh and some other

African countries, while an international outburst in the volume of FDI was observed (Papageorgiou & Chionis, 2003). Of course, while there are strong fluctuations in investment inflows in Greece, there is also a stagnation of inflows to other European countries such as Spain, Portugal and Italy, likely due to the opening of markets and the absorption of a significant portion of FDI inflows, from Eastern and Central European countries, which are characterized by low costs and high labor productivity. The loss of the momentum in attracting FDI in our country is more pronounced in 2007, 2009, 2010, 2014 and 2015.

In 2007, there was a decline of investment stocks in the financial sector by 39,03% and in the food sector by 49,87%. Afterwards, Greece entered the crisis period, resulting in a 23,3% decline in these investment stocks for the first time in 2008.While a relatively small increase was recorded in 2009 and 2010, followed a large decline in 2011 at a rate of 24,14%, which refers mainly to the financial and food sectors. A smaller but also significant decline was made in the plastic and metal products.

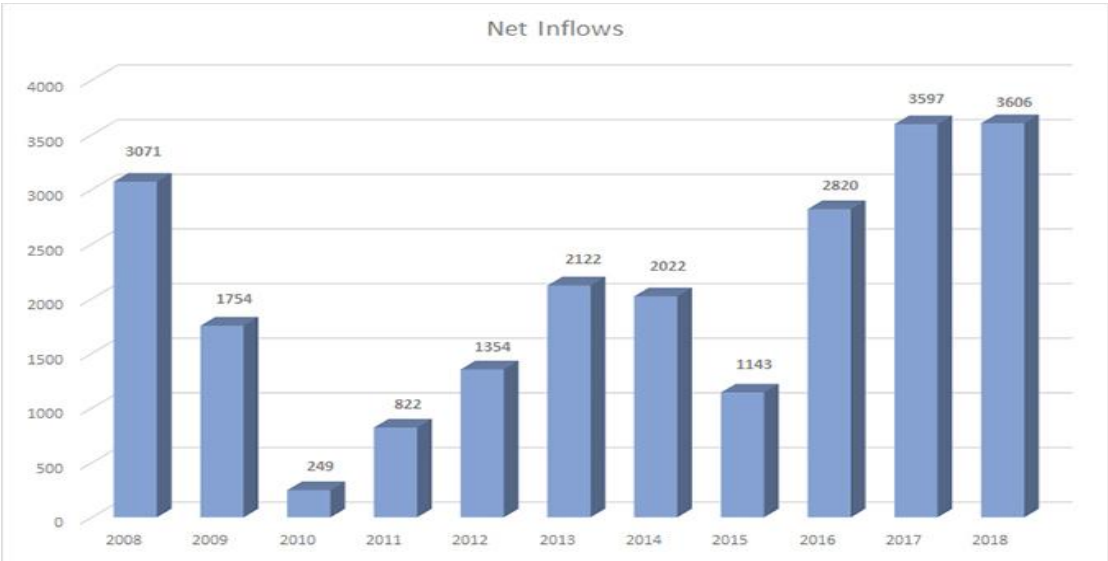
Therefore, the period 2007-2011 is the period when the positive climate of FDI is reversed in Greece due to the economic crisis. The countries with the largest investment reserves are France, the Netherlands and Luxembourg, while Germany, Belgium and Austria had increased their investments. Since 2011, more and more countries were annually reducing their presence in Greece by disinvesting. The sectors that showed some growth, but not enough to offset the sharp decline in investment, were those of commerce, gas, energy and entertainment. In 2012, FDI inflows reached $ 1,66 billion, while the re-invested funds from them, raised losses in the balance sheets of the companies, related to these investments.

According to the Annual Report of the Bank of Greece (year 2016), between 2013 and 2016, sharing FDI as well as those in the form of acquisitions and mergers recorded a declining trend, possibly related to the increased political and economic uncertainty and delays in privatization program. However, between 2013 and 2015, the share of FDI attracted by the Eurozone declined significantly, to the benefit of other OECD member countries, such as the US, Canada and Switzerland. Therefore, the impact of individual transactions on the overall FDI is particularly large in our country, which has a small share of FDI.

According to the latest data coming from Bank of Greece, net Foreign Direct Investment inflows during 2018 reached € 3.606 million vs. € 3.204 million during 2017, an increase of 12,5%. The year 2018 was the third consecutive year of increased foreign investment flows in Greece after an annual increase of 28,3% from 2016 to 2017 and of 118,5% from 2015 to 2016. Foreign investment activity in the country during the last decade originates mainly from companies of significant markets, such as the EU- with Germany and France being the top source countries of investment capital in the past decade, followed by Cyprus, as well as non-EU countries such as Switzerland, Canada and USA, China (incl. Hong Kong), which has significantly strengthened its position in recent years- Luxembourg, Spain and Italy complete the top-ten countries.

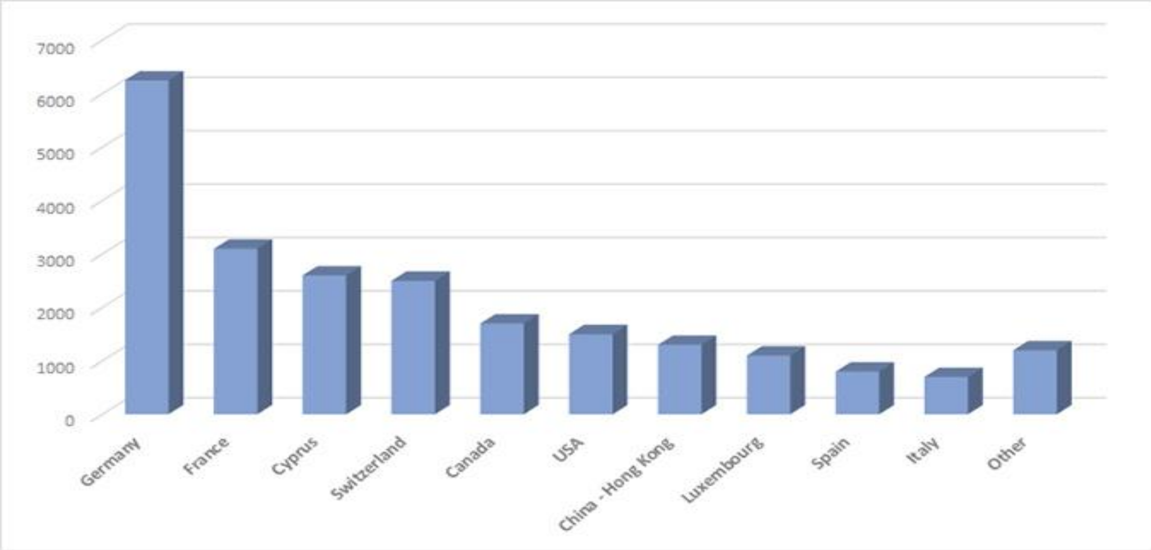
The charts of Net FDI inflows in Greece for the period 2008-2018 and the net inflows by country of origin for the years 2008-2016 are following presented.

Chart 2: Net FDI inflows in Greece during the period 2008-2018 (in million Euros)



Source: Bank of Greece
2017, 2018: Provisional Data

Chart 3: Net FDI inflows by country of origin of capital during the period 2008-2018 (in million Euros)



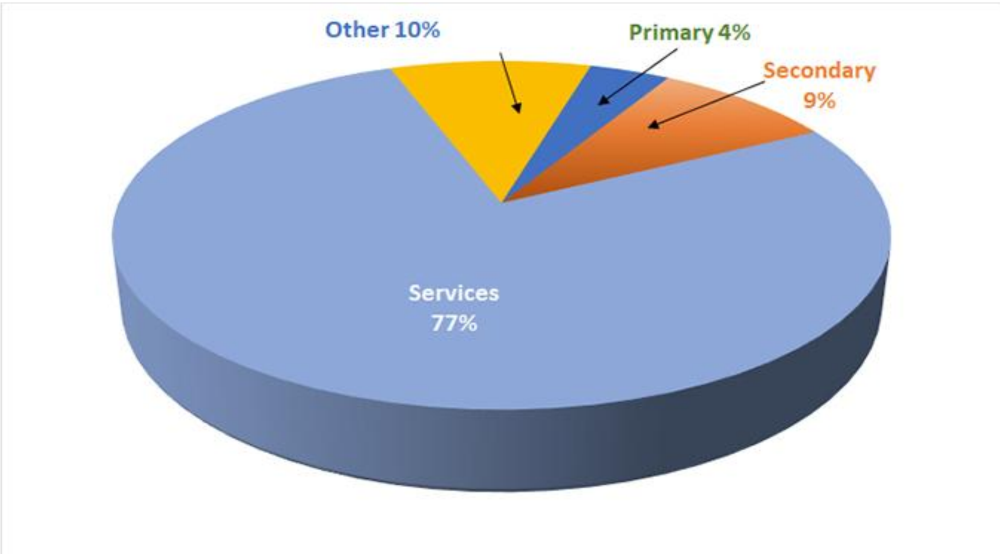
Source: Bank of Greece

2017, 2018: Provisional Data

Total value: 21,847 million Euros

Concerning the sectoral breakdown of foreign investment, it is obvious that Net FDI inflows in Greece in recent years focused mainly in the economic activity of the tertiary sector, followed by the secondary sector by a significant margin. The majority of developed countries show a similar structure of FDI.

Chart 4: Net FDI inflows by sector of economic activity for the period 2008-2018



Source: Bank of Greece

2017, 2018: Provisional Data

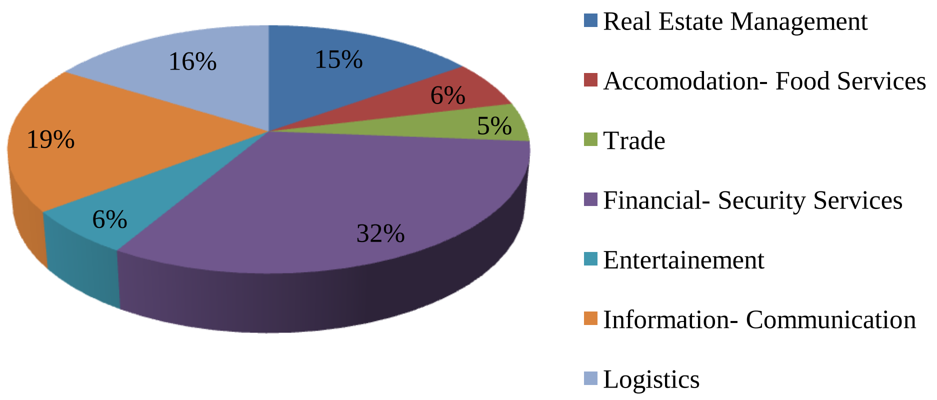
Total value: € 21,847 million

FDI inflow was focused on services. This trend was dictated primarily by the development of the country's financial system, the liberalization of telecommunications, and the stimulation of trade, mainly from the time before the beginning of the crisis. During the last few years there is an increase in investment in real estate and logistics.

The proportion of FDI in the secondary sector is relatively low compared to the country's opportunities, a trend that suggests considerable potential for investment. That is also the case for the primary sector, with very low FDI inflows, in a country with a lot of comparative advantages in this sector (climate etc.).

Regarding the Services sector there was significant investor interest over the period 2008-2018 included financial and insurance activities (in the lead, by far), telecommunications, logistics services and real estate. It should be pointed out that the category "real estate" for the following chart doesn't include private real estate purchases and sales, which, according to the Bank of Greece reached 2,119 million Euros during the period 2008-2018.

Chart 5: Structure of Net FDI inflows in services during the period 2008-2018



Source: Bank of Greece

2017, 2018: Provisional data

Total value: € 16,888 million Euros

2.2 Incentives and deterrents for Foreign Direct Investment in Greece

The motives for attracting foreign investment in Greece initially refer to the geographical location of the country linking the West with the East and the three continents of Europe, Asia and Africa (Kokkinou & Psycharis, 2004). For this reason, and for the reason that Greece is also a member of the Eurozone, its location constitutes a key driver of transport development in the wider region. Moreover, according to the Human Development Report (2018), Greece ranks 31st among the countries with the highest human development index. Greece's workforce has received a high level of education and, due to high rates of unemployment, wage cost is at a low level compared to the countries of central and northern Europe. Greece, in addition to its rich natural resources, has significant opportunities to take advantage of alternative energy sources, gas and in general any element related to the country's mineral wealth.

At the same time, significant business opportunities are emerging in fields such as shipping, tourism, agricultural production and the supply chain. Greece has also presented significant investment opportunities in the privatization of public enterprises in recent years.

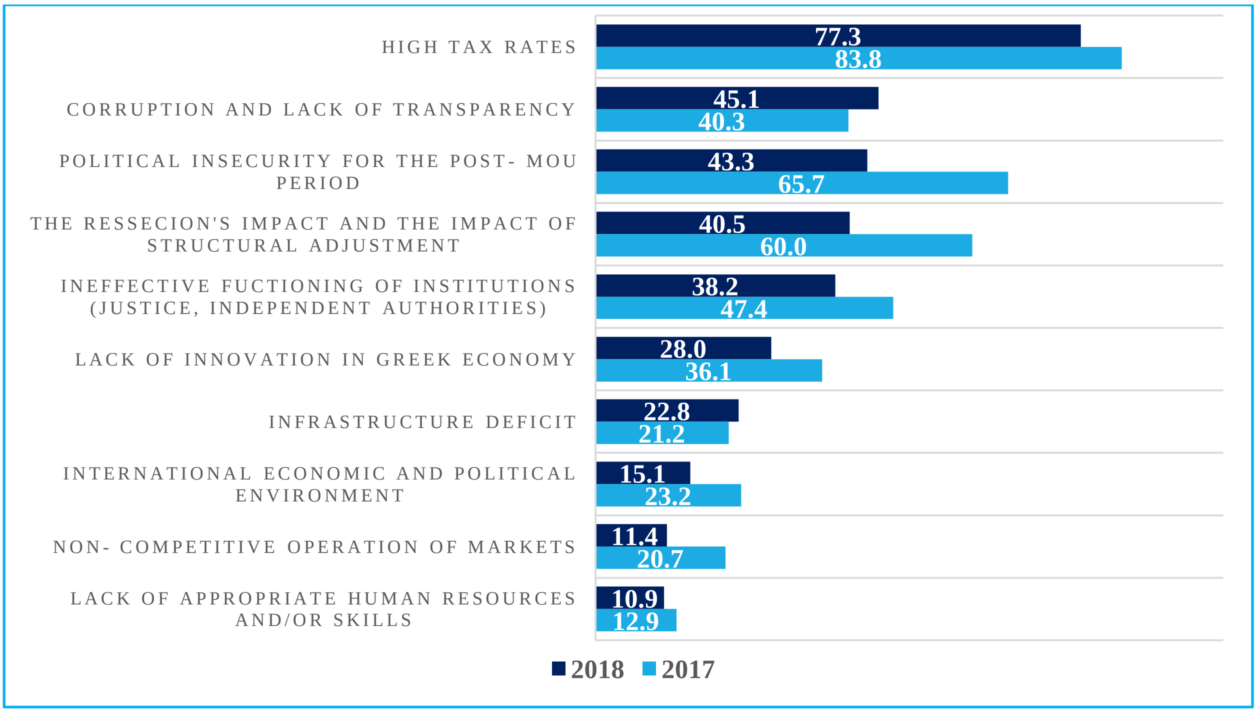
According to Kyrkilis (2010) the size and structure of the domestic market, the country's technological capabilities, as well as human capital with its continuous improvement, have a positive impact on annual FDI inflows. In Greece, however, due to the small size of the internal market and the low percentage of national income allocated to research and development, the incentives to attract FDI are significantly reduced. On the one side, the economies of scale are scarce, whilst the lack of technological inputs prevents the full utilization of the transferable resources of multinational companies. The reason for this is clearly related to the inadequate training in the use of these transferred resources, despite the educational level of human resources, whilst adjusting these resources requires high costs.

It has also been observed that the inability of the domestic market to attract FDI is exacerbated by the difficulty of accessing the main European markets, due to geography, which indicates an increase in transport costs, while also positioning the domestic market opposite to the single European market with its production and distribution network, is downgrading. This situation renders Greece's EU membership, a statistically insignificant variable in FDI attraction, although the membership itself was meant to have a positive impact on FDI inflows.

Moreover, it is noteworthy that Greece has lagged behind in achieving macroeconomic stability, in relation to geographically regional EU countries, while factors such as the institutional framework with its frequent changes or legislative complexity, the bureaucratic processes, the stiffness and the postponement of structural changes, the political instability, the difficulty of accessing finance, the insufficiency of infrastructure and technological research and of a competitive tax and insurance framework- still render Greek economy unsafe, significantly affecting the functioning of markets.

Based on the annual survey of Business Environment Observatory and from a Macroeconomic approach, FDI deterrents are mainly related to the high tax rates, the political instability, the domestic economic impacts of the crisis and the structural adjustment program, (justice, etc.), the corruption and the lack of transparency in the country, the lack of innovative capacity of Greek economy, the international political environment, the lack of infrastructure (ports, roads, airports, railways, digital infrastructure), the non-competitive functioning of product and service markets and the lack of adequately trained human resources. Here is the chart with the results of the survey:

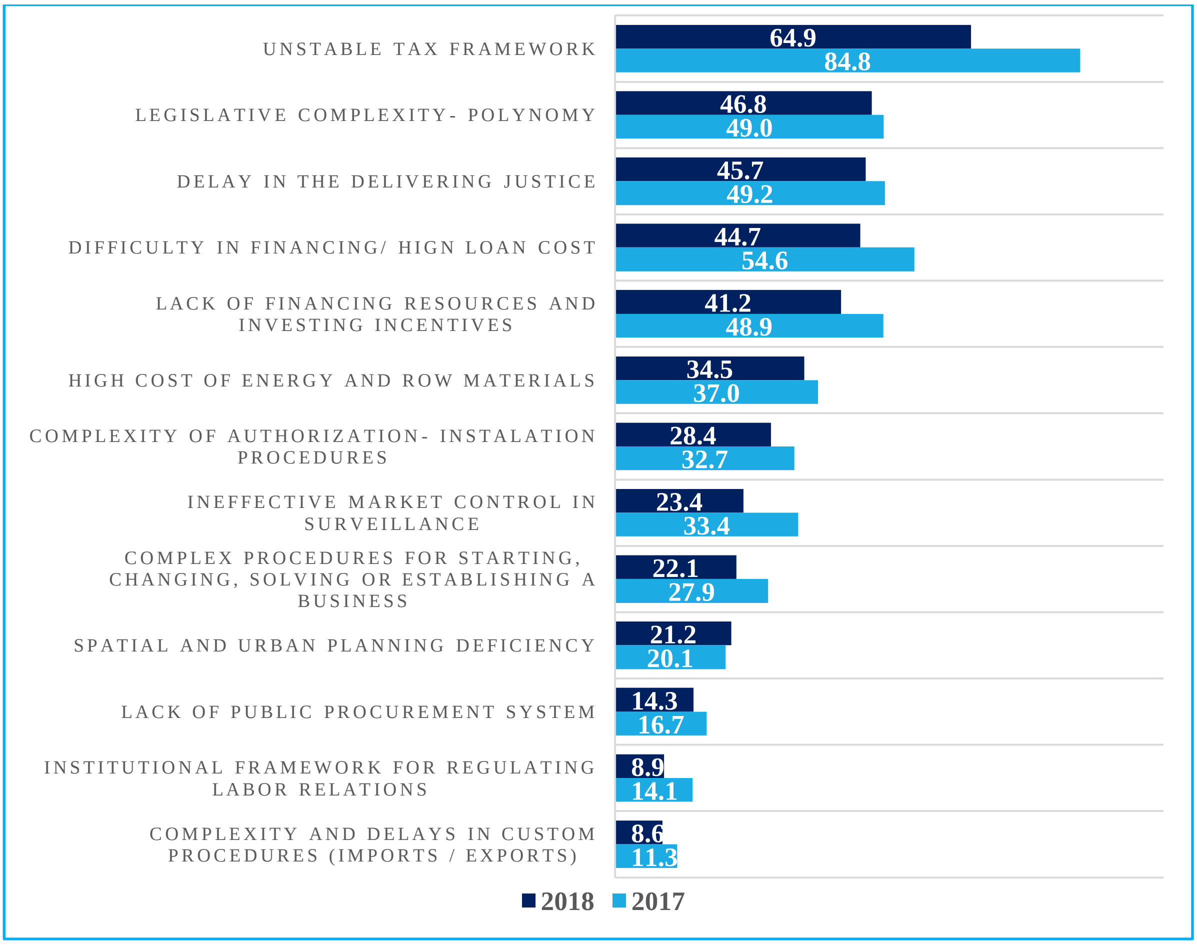
Chart 6: Evaluation of the Macroeconomic difficulties in making business



Source:https://www.sev.org.gr/Uploads/Documents/51058/5_Business_Pulse_results_press_conference_clean.pdf

According to the same survey, the obstacles concerning the Microeconomic Approach are identified by the following factors: unstable tax framework, inability to access financing - high cost of lending, delay in delivering justice and resolving disputes with the state and individuals, polynomy and unclear context, lack of financial resources and investment incentives, high cost of energy and raw materials, ineffective market control on surveillance, complexity of authorization-installation procedures in business operation, complex business start-up / change-over or bankruptcy processes, lack of spatial and urban planning, public procurement systems, institutional framework for regulating labor relations and finally, complexities and delays in custom procedures . Here is the chart with the results of the survey:

Chart 7: Evaluation of the Microeconomic difficulties in making business



Source: https://www.sev.org.gr/Uploads/Documents/51058/5_Business_Pulse_results_press_conference_clean.pdf

2.3 FDI in Greece being regarded as growth leverage

Attracting foreign investment in the Greek economy is an important development tool and primarily our country's response to the fiscal problems it faces, in the opening up of national markets towards international competition.

A transitional country such as Greece, which is characterized by insufficient domestic economic activity and therefore has constantly reduced tax revenues and which fails to meet its liabilities, lacks alternatives to put its economy on a growth track (Glavinis, 2009). Therefore, there are two options for a country to move on to the necessary infrastructure development projects.

The first option is international lending, which of course brings a significant cost to the borrowing country and requires its creditworthiness to allow future loans to be repaid. In a country such as Greece, where its credit ratings are intensely challenged and where new loans are mainly aimed at servicing the older ones- render its long-term growth, as well as its financial independence undermined. At the same time, low tax revenues resulting from its limited economic activity are usually spent on servicing external debt rather than on investing in the domestic economy. However, there are cases where the use of a loan has contributed to the development of infrastructures, and have provided significant revenue to the public funds, helping to repay the debt. However, properly evaluation of a loan, in countries plagued by corruption and inadequate public administration, is not always possible (Glavinis, 2009).

The second option is to accept financial aid from developed countries or international organizations. But again, the financial independence of the recipient country is limited, as the latter has to comply with the requirements of its creditors, which are often both technical and political. However, both options present a country's economic dependence on its partners, while at the same time bringing significant political, economic and social cost.

So for a country that may be unable or unwilling to borrow foreign capital, or receive financial assistance from other countries, and has an inadequate national financial system, the choice is to create the incentives for foreign investment attractiveness. That is the case because, there is a deficit in entrepreneurship so economic growth cannot be achieved from the domestic economy itself, and at the same time the choice of following a high taxation program constitutes a collection measure that may temporarily increase public revenues but potentially hinder growth and shrink business activity. In recent decades, Greece's growth has been largely based on European infrastructure development programs, the three Community Support Frameworks and the organization of the Olympic Games.

Now, in a time when exiting from the economic recession looks closer than ever, it is urgent that public debt be reduced but not with making drastic cuts in public spending (such as health, education and social security). So attracting FDI is what the country needs for this exit, to get out of the vicious cycle of debt and the austerity measures that plague Greek economy. Investments of foreign companies in Greece are necessary as they help to create new jobs, to diffuse technology and know-how, leading to a faster economic recovery, addressing the liquidity and financing problems of the economy.

Essentially, FDI functions as a kind of loan from the surplus countries, to those offering incentives and guarantees and highlighting them in significant investment opportunities (Liargkovas, 2007). A loan that, except of providing economic benefits to the national economy, it significantly contributes to the quality elements of the host country, which has to do with the quality of management and is indicatively related to human factor development.

Bitzenis' report (2014) was really typical as he argues that income derived from taxation of profits of foreign investment, can even contribute to the national budget and even finance deficits or debt of the domestic economy.

For the reasons aforementioned, attracting FDI is considered a crucial solution for the sustainable development and enhancement of the competitiveness of the Greek economy and it is imperative for the economy to undertake reforms and in particular, to adjust its tax policy to this end.

PART II - EMPIRICAL ANALYSIS OF FDI IN GREEK TOURISM INDUSTRY

CHAPTER 3- OPPORTUNITIES IN GREEK TOURISM INDUSTRY

3.1 Investing in Greek Tourism Sector

Greece as a country with more than 16,000 kilometers of coastline, more than 6,000 islands and islets, and a well-established tourism industry concerning summer tourism, presents a prime investment opportunity in the Tourism sector. The country may be one of the top global tourist destinations for sun and beach holidays, but also provides attractive propositions for year-round themed holidays, as it has a mild climate with an average of 300 sunny days per year. The competitive advantages of Greece, except of the rich cultural heritage- with a unique history and many archaeological treasures and world class monuments and museums- are also the natural beauty and the geographical variety, elements that strengthen Greece’s image as an ideal destination for both holidays and tourism-related investments.

The tourist industry in Greece has been one of the mainstays of economic growth and employment, notwithstanding that for years during recession Greece was facing huge economic and political problems, problems that international media were promoting for years, challenging public credibility concerning both tourists and investors.

So, it is evident that some losses were recorded in tourism demand- especially these derived from domestic population as during the economic turmoil, there was a fall in disposable income that resulted in a decrease in consumption of discretionary goods and services such as tourism (Papatheodorou & Pappas, 2016). But despite these facts a continued growth in tourist arrivals and revenues was driven mainly by:

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

The tourist industry with its current investments focuses on: the attraction of higher-value tourist segments and the opening of new tourist markets. According to Enterprise Greece, the main focus is also on transforming the traditional “sun & beach” tourist product into a number of higher-value, more focused products, centered around:

- Thematic sun & beach tourism, where specific “themes” such as wellness, romance or luxury are used to add value and to extend the typical sun & beach holidays
- Marine tourism, both in terms of attracting a larger amount of cruise liners and in terms of extending the offering for yachting/ sailing holidays
- City break tourism like in Athens and Thessaloniki, can significantly improve their attractiveness and competitiveness as international city break destinations, both for Western Europeans and also for emerging markets such as Russia, Turkey and Israel. Both the Ministry of Tourism and the municipalities of the two cities have voiced their strong support for investments and ventures that would improve this positioning and make the cities more attractive for city break tourism.
- Cultural and religious tourism- Greece is one of the richest countries in Europe in terms of cultural and religious monuments and historical significance. Greece has a total of 18 UNESCO “World Heritage” sites which place it in the top 10 of countries internationally, and a number of museums, smaller sites and monuments and places of historical or religious significance.
- Medical tourism which has been a source of growth for several countries or regions, driven by the desire of people to combine high-quality, lower-cost medical services with a hospitable tourist environment. With its abundance of skilled medical personnel, its proximity to major markets such as Europe and the Middle East and its excellent weather and environmental conditions, Greece can be a significant player in several areas of medical tourism.
- Meetings and Incentives (MICE) tourism positioning Greece as a major meeting and conference center for regional associations and companies. Until the recent past, Greece lacked infrastructure development related to conference centers and meeting facilities that are readily available for hosting large scale, globally attractive conferences. Since the 2004 Olympics, the country has significantly improved its related infrastructure and currently offers a number of meeting facilities across its main cities and destinations, ranging from large venues and theaters to smaller hotels and conference centers.
- Integrated resorts and holiday housing- the legislation (4002/2011) provides the right environment for significant and recurring capital inflows from foreign direct investment and strengthens the activities of the tourism industry along with the tourism-related domestic production sectors. This Law acts in combination with the Law for Residence permits (4251/2019), which offers to non EU citizens the right to get a residence permit, if they own

a €250,000 real estate asset, or a sharing contract under Law 1652/1986, or a 10-year lease of hotel accommodations or furnished tourist accommodation (houses) in tourist accommodation complexes according to Article 8, par. 2 of Law 4002/2011 (A' 180).

The upgrading of the tourist product is supported by a number of initiatives by the Greek state, the Greek National Tourism Organization, the relevant business associations, and the regional authorities and municipalities, and is considered to be a strategic avenue for growth in the Greek economy. For this attempt to succeed, it is crucial that all stakeholders collaborate effectively for a sustainable tourism development that takes full into account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities (Tsartas, Despotaki & Sarantakou, 2015).

According to Tsartas, Despotaki & Sarantakou (2015) the existence of tourism resources is a key driver and the competitive advantage for countries that aim for development. The shift to a more sustainable tourism development underlined the need to create a nexus of new tourism products, which would contribute to the shift from quantitative demand to a more qualitative one. The nexus of Special Interest Tourism (SIT) constitutes a rapidly growing Market and an inseparable part of the rejuvenation programs in mature mass tourism destinations in order either to renew their traditional products or to differentiate and aim at new markets or market segments.

Chart 8: SIT based on motives of tourism

Acquaintance (accommodation, tour, sport) with the nature and the outdoors ▪ *Agrotourism* ▪ *Ecotourism* ▪ *Skiing* ▪ *Mountaneering*	**Culture, region, science and education, promotion of products and services** ▪ *Cultural* ▪ *Religious* ▪ *Educational* ▪ *Urban*
Business reasons ▪ *Conference* ▪ *Exhibit* ▪ *Incentive* ▪ *Personal Business trip*	**Sea (tour, sports, accommodation and leisure)** ▪ *Maritime* ▪ *Yachting & sailing* ▪ *Cruise* ▪ *Water sports*

Source: SIT based on motives of tourism
https://www.researchgate.net/publication/322055295_New_Trends_for_Tourism_Products_The_Issue_of_Tourism_Resources

Chart 9: The notion of "locality" and the bottom up planning positively affected the development of SIT.

Social reasons, health and quality of life	**Hobbits, combining leisure and tourism**
▪ *Spa / Therapeutic* ▪ *Medical* ▪ *Wellness* ▪ *Social* ▪ *Tourism for Special Needs people* ▪ *Senior tourism*	▪ *Casino* ▪ *Theme parks* ▪ *Golf* ▪ *Adventure* ▪ *Mega events*
Holidays, organised real estate holiday homes and timeshare ▪ *Holidays organised* ▪ *Real estate cottages* ▪ *Timesharing*	

Source: SIT based on motives of tourism
https://www.researchgate.net/publication/322055295_New_Trends_for_Tourism_Products_The_Issue_of_Tourism_Resources

Some aspects in order to address the question of why to invest in Greece:

- Brand Value: several Greek destinations are among the core preferences of global tourists, and are internationally recognized as having premium holiday appeal.
- Geography and Landscape – From the multitude of sunny islands and beaches to the snowy peaks and forests, Greece offers an unlimited variety of attractive destinations for 365- days of vacation.
- History and Culture – More than four millennia of recorded history and an abundance of sites, museums and locations where someone can see history unfold in front of his/her eyes.
- Established Infrastructure – More than 800,000 hotel beds, more than 500 conference facilities, more than 8,000 yachting births, direct air links from major European airports to more than 20 destinations and a nexus of water ways in progress.

The most important investment opportunities

- Privatization of several key state-owned tourist and transport assets (marinas, regional airports, infrastructures of thermal springs, tourist properties etc.) by the Hellenic Republic Asset Development Fund

- Development of specialized tourist products and facilities focused around specific themes (gastronomy, culture, wellness etc.), categories (medical tourism, MICE etc.), markets (Russia, Israel, Asia etc.) or segments (elderly, couples etc.)

But before analyzing the business environment in Greek Tourism industry and its prospects, it is essential to study the development of Tourism in Greece and its contribution to the GDP, Employment and the Balance of Payments.

3.2 The development of the Incoming Tourism

Having already analyzed the investment opportunities in Greek Tourism Industry, it is essential to analyze the statistical data of the incoming and domestic tourism in Greece during the period 2012- 2018, and to explain what is the contribution of Tourism to the country's National Accounts and especially to the GDP, to the Balance of Payments and to Employment.

The data presented by SETE firstly concern the arrivals of non-residents by country of origin (in thousands). From Table 1 and 2, we can see that during the period 2012- 2018, there was a continuous increase in the arrivals of tourists in Greece. Also from the data presented in the table 1, it is recorded that the majority of the incoming tourism derives from Eurozone countries as well as EU countries outside Eurozone and these countries mark a steady increase of visiting Greece. On the contrary, the category "other countries" note a decrease in visiting Greece during 2015-2016. Also worth mentioning is the fact that from 2013, to 2014 the total of the arrivals marked the biggest percentage increase (23%). In year 2018 International Tourism in Greece made a remarkable record of, 30.123 thous. arrivals. This fact means that the arrivals increased by 10,8% from year 2017, and the most important is that this record means that from 2012 the total arrivals have increased by 94,1%.

Table 1- Arrivals of non-residents by country of origin (in thous.)

Arrivals of non-residents by country of origin (in thous.)							
Countries of Origin	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Eurozone	**5.903**	**6.379**	**7.457**	**8.189**	**8.935**	**9.863**	**11.436**
Austria	236	236	285	327	359	396	521
Belgium	327	345	409	483	467	527	587
France	977	1.152	1.463	1.522	1.314	1.420	1.524

Germany	2.109	2.268	2.459	2.810	3.139	3.706	4.381
Spain	156	92	136	94	203	164	226
Italy	848	964	1.118	1.355	1.387	1.441	1.667
Cyprus	425	399	448	470	652	632	698
Netherlands	478	581	657	639	771	947	1.015
Others	347	342	480	489	644	631	818
EU countries outside Eurozone	**3.900**	**4.148**	**5.793**	**6.785**	**8.282**	**8.720**	**9.961**
Denmark	205	202	240	238	242	279	385
United Kingdom	1.921	1.846	2.090	2.397	2.895	3.002	2.943
Romania	230	279	543	540	1.026	1.149	1.389
Sweden	320	369	338	352	413	493	509
Czech Rebuplic	289	287	348	437	280	339	368
Others	935	1.164	2.234	2.822	3.426	3.457	4.368
Other Countries	**5.714**	**7.392**	**8.784**	**8.625**	**7.583**	**8.611**	**8.725**
Albania	469	505	488	491	722	829	987
Australia	118	129	183	183	169	324	322
Switzerland	300	347	377	391	438	449	521
USA	374	467	592	750	779	865	1.097
Canada	103	187	146	182	153	198	346
Russia	875	1.353	1.250	513	595	589	520
Others	3.476	4.406	5.748	6.114	4.726	5.358	4.932
Total arrivals**	**15.518**	**17.920**	**22.033**	**23.599**	**24.799**	**27.194**	**30.123**

Source: Bank of Greece

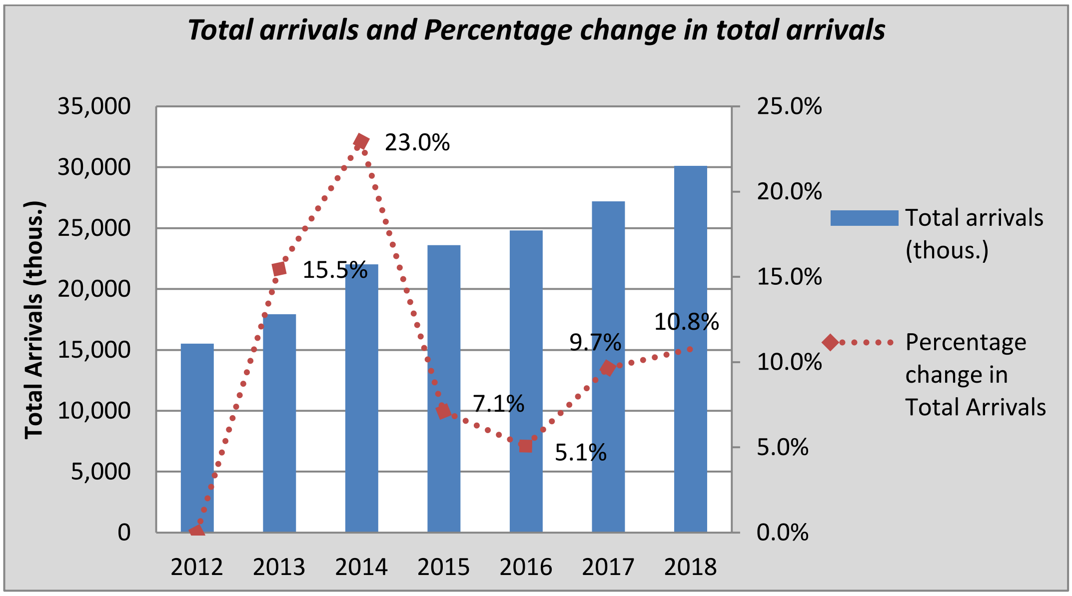
**Cruise data is not included*

Table 2- Percentage change in total arrivals of non-residents

Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Total arrivals	**15.518**	**17.920**	**22.033**	**23.599**	**24.799**	**27.194**	**30.123**
Percentage change in Total Arrivals	-	15,5%	23,0%	7,1%	5,1%	9,7%	10,8%

Source: Data processing from SETE and Bank of Greece

Chart 10: The development of total arrivals in Greece during the period 2012- 2018



Concerning the overnight stays of non-residents, the figures in table 3 and 4 show that, the total overnight stays are in line with the results of the survey for the development of total arrivals. This means that Eurozone countries have the most overnight stays in Greece noting a consecutive increase during 2012-2018. Apart from that, in the period 2015-2016, the category "other countries" reduced the overnight stays in Greece. Concerning the total overnight stays of non- residents, in year 2012 the overnight stays was 140.919 thous, and the years 2013-2014 recorded the biggest percentage increase (13,7% and 15,3%). In addition, it is also remarkable the fact that in 2018 the overnight stays of non residents in Greece was 227.012 thous. and so from 2012 the total overnight stays have increased by 61,1%.

Table 3- Overnight stays of non-residents in Greece by country of origin (in thousands)

Overnight stays of non-residents in Greece by country of origin (in thousands)							
Countries of Origin	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Eurozone	**65.190**	**70.691**	**78.801**	**82.221**	**84.650**	**92.051**	**103.278**
Austria	2.366	2.422	2.874	3.152	3.267	3.506	4.547
Belgium	3.245	3.312	3.748	4.597	4.306	4.704	5.309
France	9.676	11.420	14.501	14.411	11.573	12.268	13.747
Germany	26.991	28.950	30.302	31.366	32.989	37.637	42.596
Spain	1.194	942	1.080	766	1.869	1.447	1.890

Italy	7.921	9.055	10.248	11.966	11.598	12.042	13.944
Cyprus	5.401	4.969	4.973	4.998	6.379	6.682	5.473
Netherlands	5.170	6.479	6.853	6.727	7.430	8.517	9.111
Others	3.226	3.140	4.221	4.238	5.241	5.248	6.660
EU countries outside Eurozone	**33.891**	**34.966**	**44.456**	**50.622**	**56.018**	**57.075**	**60.941**
Denmark	1.888	1.802	2.018	2.126	1.984	2.559	3.155
United Kingdom	19.840	18.607	20.448	23.773	26.583	26.552	25.716
Romania	1.768	2.070	3.890	4.133	6.835	7.571	8.506
Sweden	2.808	3.475	3.153	3.195	3.472	4.340	4.095
Czech Rebuplic	2.767	2.692	2.922	3.555	2.328	2.791	2.839
Others	4.819	6.321	12.025	13.840	14.815	13.263	16.630
Other Countries	**41.838**	**54.594**	**61.532**	**52.185**	**49.733**	**60.729**	**62.793**
Albania	2.078	2.259	1.841	1.915	2.978	3.235	3.429
Australia	1.251	1.656	2.319	2.047	2.093	4.148	4.300
Switzerland	3.127	3.585	3.602	3.876	3.865	3.961	4.697
USA	4.666	5.684	6.816	8.560	8.178	9.549	11.669
Canada	1.519	2.726	2.002	2.376	1.881	2.454	4.853
Russia	9.501	14.320	13.119	5.466	6.049	5.885	5.164
Others	19.696	24.364	31.832	27.945	24.689	31.496	28.681
Total Overnight stays*	**140.919**	**160.251**	**184.789**	**185.027**	**190.402**	**209.855**	**227.012**

Source: Bank of Greece

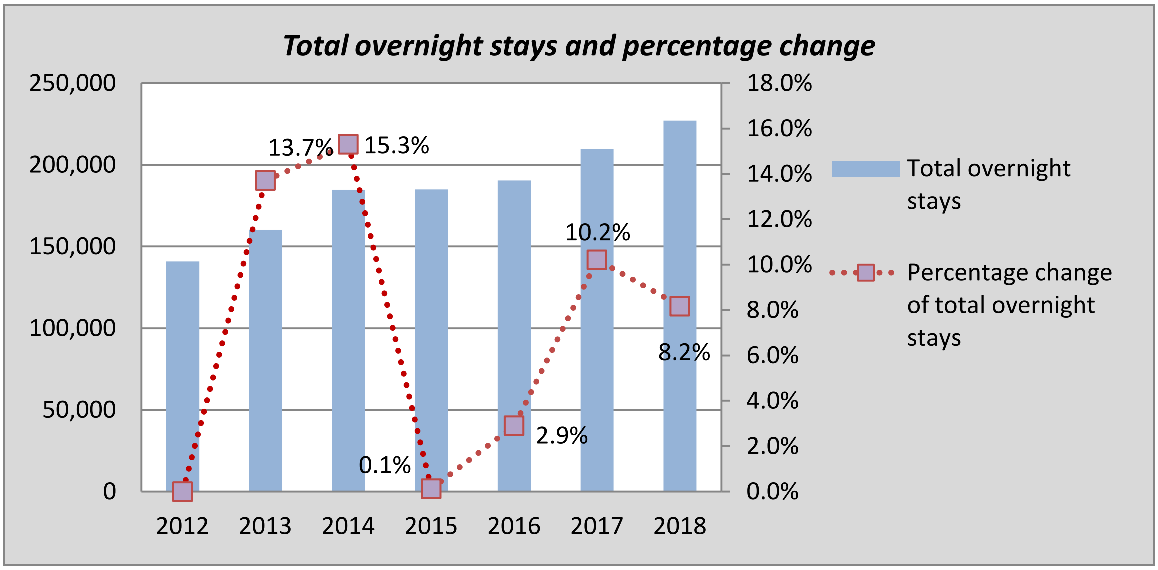
**Cruise data is not included*

Table 4- Percentage change of the overnight stays of non-residents in Greece

Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Total Overnight stays	**140.919**	**160.251**	**184.789**	**185.027**	**190.402**	**209.855**	**227.012**
Percentage change of Total Overnight stays	-	13,7%	15,3%	0,1%	2,9%	10,2%	8,2%

Source: Data processing from SETE and Bank of Greece

Chart 11: The development of total overnight stays in Greece during the period 2012- 2018



In terms of the expenditure by country of origin (the receipts for Greece), the image is mixed with some fluctuations. Eurozone countries retain the highest rates of expenditure although in 2016 a reduction in expenditure was noted. More specifically, concerning the total expenditure in 2016 the percentage decrease, was -6,8%. It is also obvious from table 6 that in 2013 the percentage increase reached the 16,8%. In 2018, the receipts reached € 15,653 million, which is also the highest price for the period under consideration, increasing the receipts from 2012 by 56,1%.

Table 5- Expenditure by country of origin (in million €)

Expenditure by country of origin (in million €)							
Countries of Origin	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018***
Eurozone	**4.340**	**4.861**	**5.451**	**6.009**	**5.580**	**6.296**	**7.102**
Austria	194	212	245	300	251	257	364
Belgium	260	283	312	373	318	341	399
France	764	905	1.129	1.194	889	994	954
Germany	1.654	1.900	1.995	2.245	2.128	2.553	2.962
Spain	111	70	78	66	129	88	123
Italy	543	600	704	833	722	753	939
Cyprus	277	247	255	249	310	334	361
Netherlands	315	410	435	439	481	640	615
Others	221	233	299	309	352	336	385
EU countries outside Eurozone	**2.229**	**2.319**	**2.792**	**3.395**	**3.517**	**3.576**	**3.907**

Denmark	131	116	147	142	133	147	213
United Kingdom	1.419	1.355	1.553	2.019	1.944	2.065	1.937
Romania	96	121	188	179	391	374	450
Sweden	191	227	201	221	221	272	279
Czech Rebuplic	149	153	157	202	123	132	162
Others	244	347	547	632	704	586	866
Other Countries	**3.456**	**4.527**	**4.762**	**4.276**	**3.652**	**4.330**	**4.644**
Albania	147	167	143	147	170	190	236
Australia	156	177	239	237	182	395	362
Switzerland	297	333	338	375	336	341	399
USA	426	569	655	943	728	814	1.040
Canada	132	259	164	223	141	179	365
Russia	944	1.339	1.157	421	436	418	341
Others	1.354	1.684	2.066	1.930	1.658	1.993	1.901
Total Expenditure**	**10.025**	**11.707**	**13.005**	**13.679**	**12.749**	**14.202**	**15.653**

*Source**:** Bank of Greece*

** The data for 2018 are subject to change*

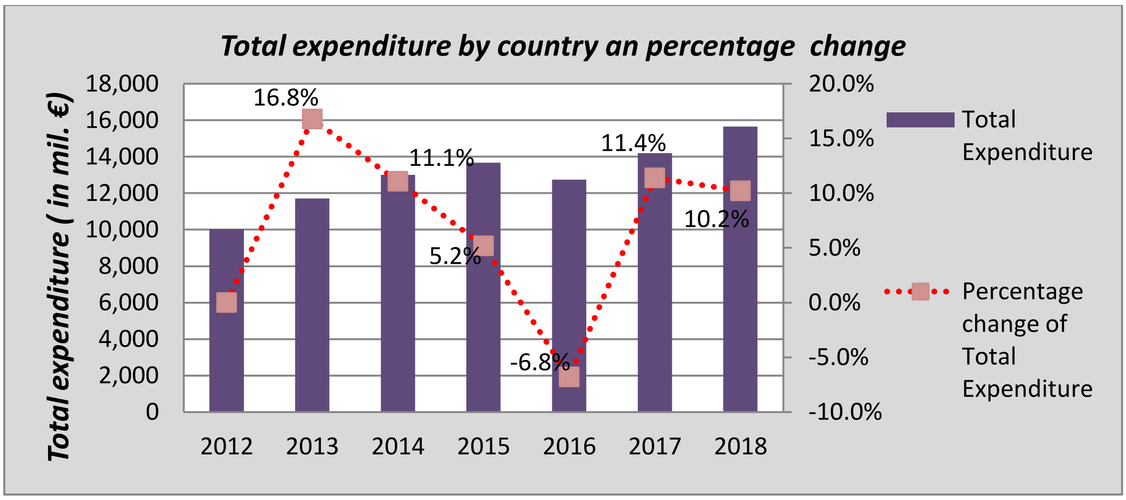
***Cruise data is not included*

Table 6- Percentage change of the total expenditure

Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Total Expenditure (in million €)	**10.025**	**11.707**	**13.005**	**13.679**	**12.749**	**14.202**	**15.653**
Percentage change of Total Expenditure (%)	-	16,8%	11,1%	5,2%	-6,8%	11,4%	10,2%

***Source**: Data processing from SETE and Bank of Greece*

Chart 12: The development of total expenditure in Greece during the period 2012- 2018



In general, it suffices to say that although the arrivals in period 2012-2018 increased by 94,1%, the increases recorded on overnight stays and receipts was noticeably lower, by 61,1% and 56,1% respectively.

The average spend per trip (AS) of incoming tourism in Greece for 2018 was € 520, less by 19,5% than the AS recorded in 2012 (€ 646). The AS recorded some fluctuations in period 2012-2018, depicting the declines in Average Spend per trip in years 2014: -9,7%, 2015: -1,8%, 2016: -11,3% (reaching the lowest spend per trip of the period under consideration) and finally in 2018: -0,4%. In comparison with the other categories, Eurozone countries recorded the highest average spend per trip.

Table 7- Average Spend per Trip by country of origin (in €)

Average Spend per Trip by country of origin (in €)							
Countries of Origin	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018***
Eurozone	**735**	**762**	**731**	**734**	**625**	**638**	**621**
Austria	823	898	861	919	700	649	698
Belgium	795	822	762	773	680	648	681
France	782	786	772	785	677	700	626
Germany	784	838	811	799	678	689	676
Spain	714	756	570	710	636	535	545
Italy	640	623	630	614	521	523	563
Cyprus	658	618	570	530	476	528	517
Netherlands	653	706	661	687	624	676	606
EU countries outside Eurozone	**571**	**559**	**482**	**500**	**425**	**410**	**392**
Denmark	637	575	610	598	549	525	554
United Kingdom	739	734	743	842	672	688	658
Romania	416	435	346	331	381	326	324
Sweden	596	615	594	628	536	551	547
Czech Rebuplic	514	532	452	462	439	390	440
Other Countries	**605**	**612**	**542**	**496**	**482**	**503**	**532**
Albania	314	331	293	299	236	229	240
Australia	1.327	1.370	1.305	1.295	1.076	1.218	1.124
Switzerland	991	961	896	958	768	760	767
USA	1.139	1.219	1.107	1.257	935	941	948
Canada	1.281	1.388	1.125	1.222	925	903	1.054
Russia	1.079	989	925	822	732	710	655

Total Border Survey**	646	653	590	580	514	522	520

Source: Bank of Greece

** The data for 2018 are subject to change*

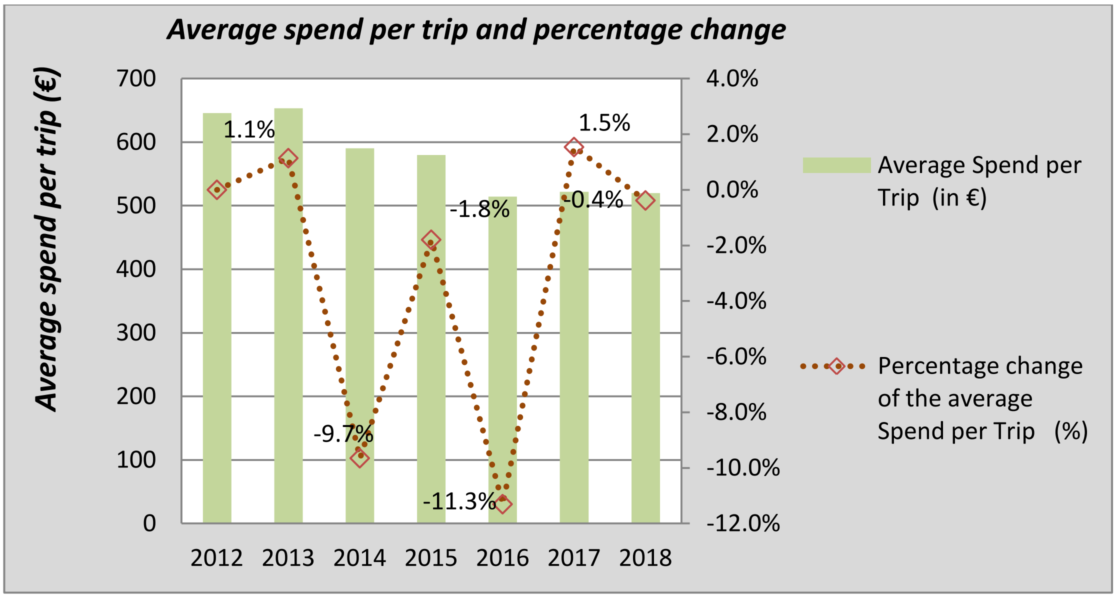
***Cruise data is not included*

Table 8- Percentage change of the average Spend per Trip (in €)

Year	2012	2013	2014	2015	2016	2017	2018
Total Border Survey	646	653	590	580	514	522	520
Percentage change of the average Spend per Trip (%)	-	1,1%	-9,7%	-1,8%	-11,3%	1,5%	-0,4%

Data processing from SETE and Bank of Greece

Chart 13: The development of average spend per trip in Greece during the period 2012- 2018



In terms of the Average Daily Spend (ADS) by country of origin, the image is also mixed with consecutive fluctuations from 2012 to 2018. Specifically, in 2018 the ADS reached at € 69, lower than in 2012, by just € 2,1 or -3%. It is noteworthy that a reduction in the ADS was recorded in 2014: -3,7% as well as in 2016: -9,4%. Moreover, the category of “other countries” recorded the highest average daily spend, although visitors stay shorter in Greece.

Table 9- Average Daily Spend by country of origin (in €)

Average Daily Spend by country of origin (in €)							
Countries of Origin	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018***
Eurozone	**66,6**	**68,8**	**69,2**	**73,1**	**65,9**	**68,4**	**68,8**
Austria	82,2	87,7	85,4	95,3	76,9	73,3	79,9
Belgium	80,1	85,5	83,2	81,2	73,8	72,6	75,2
France	78,9	79,3	77,9	82,9	76,8	81,0	69,4
Germany	61,3	65,6	65,8	71,6	64,5	67,8	69,5
Spain	93,1	73,8	71,9	86,8	69,2	60,6	65,1
Italy	68,6	66,3	68,7	69,6	62,3	62,6	67,3
Cyprus	51,4	49,6	51,3	49,9	48,7	50,0	66,0
Netherlands	60,9	63,3	63,4	65,2	64,7	75,1	67,5
EU countries outside Eurozone	**65,8**	**66,3**	**62,8**	**67,1**	**62,8**	**62,7**	**64,1**
Denmark	69,2	64,6	72,7	66,9	66,9	57,3	67,6
United Kingdom	71,5	72,8	75,9	84,9	73,1	77,8	75,3
Romania	54,1	58,6	48,3	43,3	57,2	49,4	52,9
Sweden	67,8	65,3	63,7	69,1	63,7	62,6	68,0
Czech Rebuplic	53,7	56,7	53,7	56,7	52,9	47,4	57,0
Other Countries	**82,6**	**82,9**	**77,4**	**81,9**	**73,4**	**71,3**	**74,0**
Albania	70,9	73,9	77,8	76,7	57,2	58,7	68,9
Australia	125,0	106,8	103,0	115,9	86,9	95,2	84,3
Switzerland	94,9	92,9	93,8	96,7	87,0	86,2	85,1
USA	91,3	100,0	96,1	110,2	89,0	85,2	89,1
Canada	86,6	95,1	81,9	93,7	75,2	72,8	75,1
Russia	99,3	93,5	88,2	77,1	72,1	71,0	66,0
Total Border Survey**	**71,1**	**73,1**	**70,4**	**73,9**	**67,0**	**67,7**	**69,0**

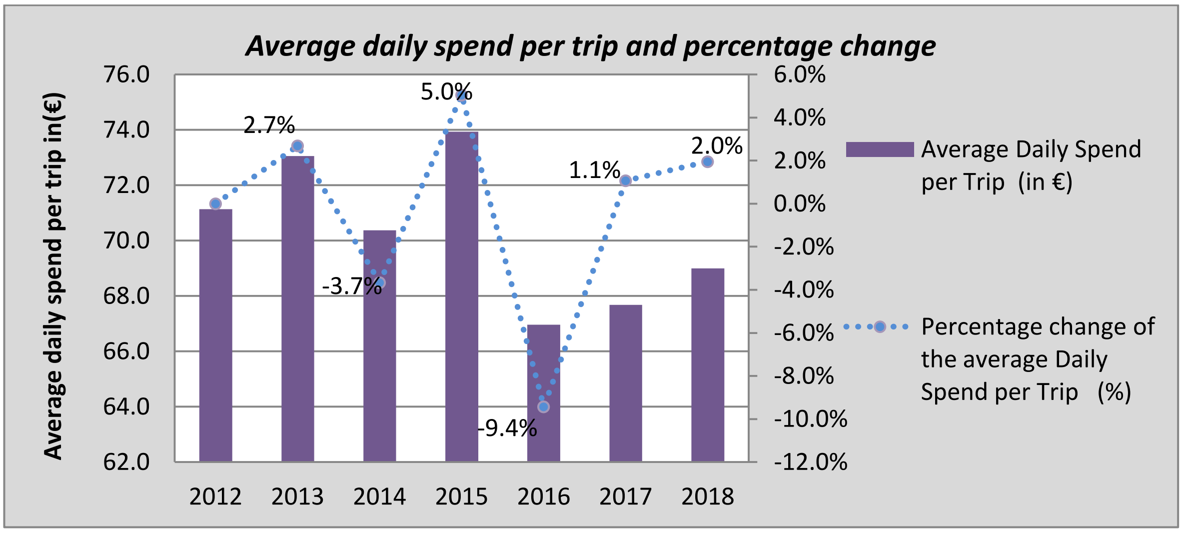
Source: Bank of Greece
** The data for 2018 are subject to change*
***Cruise data is not included*

Table 10- Percentage change of the average Daily Spend by country of origin

Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Average Daily Spend per Trip (in €)	**71,1**	**73,1**	**70,4**	**73,9**	**67,0**	**67,7**	**69,0**
Percentage change of the average Spend per Trip (%)	-	2,7%	-3,7%	5,0%	-9,4%	1,1%	2,0%

Source: Data processing from SETE and Bank of Greece

Chart 14: The development of average daily spend per trip in Greece during the period 2012-2018



Concerning the Average Length of Stay, as we can see in table 11, there was a downward trend the period 2012-2018 recording a consecutive fall in average length of stay, with the exception of 2017: +0,5% (considering the decimals). Specifically, in 2018, the Average length of stay was 7,5 days, lower by 17,4% compared to 2012 (9,1 days). In 2018 was recorded the lowest length of stay (7,5 days). Again the Eurozone countries mark the longest stay in Greece.

Table 11- Average length of stay by country of origin

Average length of stay by country of origin							
Countries of Origin	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018***
Eurozone	**11,0**	**11,1**	**10,6**	**10,0**	**9,5**	**9,3**	**9,0**
Austria	10,0	10,2	10,1	9,6	9,1	8,9	8,7
Belgium	9,9	9,6	9,2	9,5	9,2	8,9	9,1
France	9,9	9,9	9,9	9,5	8,8	8,6	9,0
Germany	12,8	12,8	12,3	11,2	10,5	10,2	9,7
Spain	7,7	10,2	7,9	8,2	9,2	8,8	8,4
Italy	9,3	9,4	9,2	8,8	8,4	8,4	8,4
Cyprus	12,8	12,5	11,1	10,6	9,8	10,6	7,8
Netherlands	10,7	11,2	10,4	10,5	9,6	9,0	9,0
EU countries outside Eurozone	**8,7**	**8,4**	**7,7**	**7,5**	**6,8**	**6,5**	**6,1**
Denmark	9,2	8,9	8,4	8,9	8,2	9,2	8,2
United Kingdom	10,3	10,1	9,8	9,9	9,2	8,8	8,7
Romania	7,7	7,4	7,2	7,6	6,7	6,6	6,1

Sweden	8,8	9,4	9,3	9,1	8,4	8,8	8,0
Czech Rebuplic	9,6	9,4	8,4	8,1	8,3	8,2	7,7
Other Countries	**7,3**	**7,4**	**7,0**	**6,1**	**6,6**	**7,1**	**7,2**
Albania	4,4	4,5	3,8	3,9	4,1	3,9	3,5
Australia	10,6	12,8	12,7	11,2	12,4	12,8	13,3
Switzerland	10,4	10,3	9,6	9,9	8,8	8,8	9,0
USA	12,5	12,2	11,5	11,4	10,5	11,0	10,6
Canada	14,8	14,6	13,7	13,0	12,3	12,4	14,0
Russia	10,9	10,6	10,5	10,7	10,2	10,0	9,9
Total Border Survey**	**9,1**	**8,9**	**8,4**	**7,8**	**7,7**	**7,7**	**7,5**

Source: Bank of Greece

** The data for 2018 are subject to change*

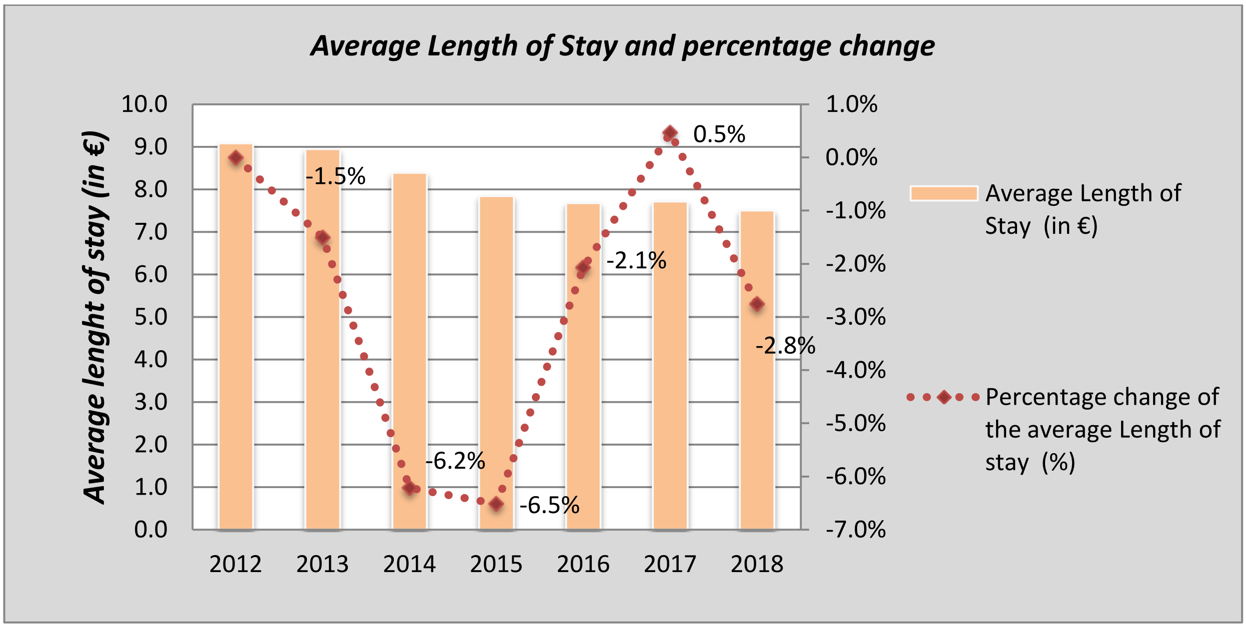
*** Cruise data is not included*

Table 12- Percentage change of the average length of stay

Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Average Length of Stay (in €)	**9,1**	**8,9**	**8,4**	**7,8**	**7,7**	**7,7**	**7,5**
Percentage change of the average Length of stay (%)	-	-1,5%	-6,2%	-6,5%	-2,1%	0,5%	-2,8%

Source: Data processing from SETE and Bank of Greece

Chart 15: The development of average length of stay in Greece during the period 2012- 2018



In conclusion, the main indicators of incoming tourism demonstrate that although the arrival of foreigner people rises from 2012 to 2018, the average length of stay decreases and so does the average spend per trip. In addition, it makes sense that Eurozone countries are the ones who have been recorded as the first travelers to Greece, with the longer overnight stays, and the highest expenditure per trip, thanks to the common currency. In addition, the category of “other countries” recorded the highest average daily spend, although visitors stay shorter in Greece.

3.3 The development of the Domestic Tourism

Concerning the domestic tourism, the elements are based on the annual survey that Hellenic Statistical Authority (EL.STAT) conducts on the domestic population (residents of Greece), recording the number of people who have made at least one personal trip with 1 or more overnight stays.

As it is obvious in table 13, there is a fluctuation in the number of the domestic population who made at least one personal trip with at least one overnight stay. In particular, in year 2013, was recorded the biggest reduction in the number of travelers - a percentage decrease of 15,5% related to year 2012. In years 2015 and 2016 were also recorded diminishes in the number of travelers in a percentage of 6% and 4,6% accordingly, while in 2017 there was a significant increase in domestic travelers of a percentage of 11,9%. In 2018 the number of travelers with one or more overnight stays was the biggest in the period under consideration that is to say 3.250 thous. From 2012 to 2018 there was a slight increase in the number of the domestic travelers by 6%.

Regarding the travel expenses for domestic tourism, table 13 shows that there was a fluctuation in figures with a significant decline in 2013 (19,2%) and in 2015 (6,5%). In 2015 capital control constraints may had led the Greek people to reduce spending on tourism. But in 2018 the expenses of domestic tourism overcame the 2012 figure, recording a 16% increase.

Table 13- The development of the domestic tourism (in thous)

Year	2012	2013	2014	2015	2016	2017	2018
Number of people who have made at least one personal trip with 1 or more overnight stays (in thous.)	3.065	2.590	3.062	2.878	2.747	3.074	3.250

Percentage change in number of people who have made at least one personal trip with 1 or more overnight stays	-	-15,5%	18,2%	-6,0%	-4,6%	11,9%	5,7%
Travel expenses for one or more overnight stays (in thous. €)	1.478.725	1.195.091	1.352.466	1.264.126	1.286.736	1.398.365	1.714.552
Percentage change in travel expenses for one or more overnight stays	-	-19,2%	13,2%	-6,5%	1,8%	8,7%	22,6%

Source: Hellenic Statistical Authority (EL.STAT)

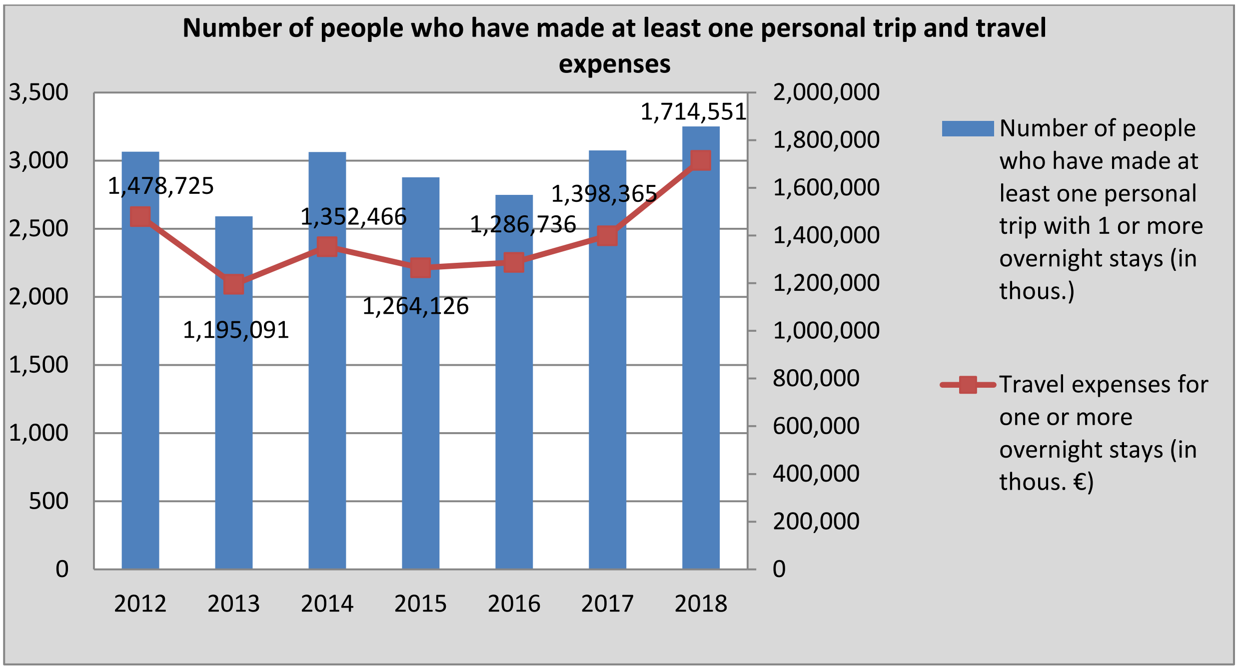
Notes:

1. Elements based on an annual survey of domestic population (residents of Greece)

2. The figures in the table refer to personal trips of 1 or more overnight stays and people aged 15 and over

3. Travel to relatives and friends with 1 or more overnight stays is a subset of 1 or more overnight stays

Chart 16- The development of the domestic tourism during 2012-2018



3.4 How Tourism contributes to the GDP, Balance of Payments and to Employment

The activity of tourism affects many sectors of the economy, such as transport (e.g. travel by airplane and transfer by bus), accommodation (in hotel or elsewhere), dining, entertainment (including visits to sites) and retail trade. Therefore tourism is an activity that - in any case - affects many and different parts of the social and productive fabric of a country. The importance of tourism as a factor in the country's GDP and employment will be examined in detail below. Based on the Hellenic's Statistical Authority first estimation for 2018, GDP at current values is counted €184.714 million while in 2017 it came to €180.218 million, recording an increase of 2,5%. Analyzing the data for tourism in table 14, the results that arise for the contribution of the GDP are the followings:

Table 14-The contribution of tourism to the GDP

Expenditure Category	2017, m €	2018, m €
Inbound Tourist Expenditure	€14.203	€15.864
Cruise Tourist Expenditure	428	416
Cruise Company Expenditure	158	154
Air transport	1.468	1.657
Maritime transport	90	98
Domestic tourism	1.398	1.454
Investments	1.294	1.920
Direct Tourism Impact	€19.039	€21.562
as % GDP	10,6%	11,7%
IOBE Multiplier	2,2	2,2
Direct and Indirect	€41.885	€47.437
as % GDP	23,2%	25,7%
KEPE Multiplier	2,65	2,65
Direct and Indirect Result	€50.452	€57.140
as % GDP	28,0%	30,9%
GDP	€180.218	€184.714

Source: INSETE Intelligence
GDP data are subject to change

First of all, the direct impact of tourism to the GDP amounted to €21.562 billion or 11,7%, while in 2017 was recorded to €19.039 billion. Considering also the multipliers' effect, the total contribution of tourism to the GDP ranged from €47.437 billion to €57.140 billion or between 25,7% and 30,9%.

The fact that the contribution of tourism to the GDP fluctuates from 25,7% to 30,9% points out how important is tourism for the Greek economy, considering that 90% of tourism is considered as an export activity. After this, follow the Balance of Payments analysis.

Table 15-The contribution of tourism to the Balance of Payments

	2017 (m €)	2018 (m €)	% Δ
Balance of Trade	-19.834	-22.489	*-13,4%*
Travel receipts (incl. Cruise)	14.630	16.280	*11,3%*
as % deficit of Balance of Trade	74%	72%	
Estimate of Revenues from Transport	1.716	1.908	
Travel receipts and transports/ Balance of trade	82%	81%	
Exports of Goods	28.040	32.373	*15,5%*
Exports of Goods except Ships and oil	20.051	22.225	*10,8%*
Travel receipts / Exports of Goods	52%	50%	
Travel receipts and transports / Export of Goods	58%	56%	
Travel receipts / Exports of Goods except Ships and Oil	73%	73%	
Travel receipts and transports / Exports of Goods except Ships and Oil	82%	82%	

Source: BoG – Processing INSETE Intelligence

Regarding the contribution of tourism to the Balance of Payments, it is worth mentioning that the 72% of the deficit of Balance of Trade was covered by travel receipts including cruises. This contribution might be even bigger, considering the fact that the Bank of Greece monitors the receipts of transportation in different indexes. So the contribution of inbound tourism might rise to 81% for the cover of the deficit of Balance of Trade.

In addition, the travel revenues depict the 50% of the total receipts of Greek export activity and if air and marine transport was included this figure might rise to 56% of the total receipts of Greek exports. Furthermore, if exports in ships and fuel were excluded the revenues from tourism might amount to 73%, of the total receipts of Greek exports, and also if the revenues of transportation (air and marine) for tourism purposes were included this figure will represent the 82%, of the total of Greek export activity in goods excluding ships and fuel.

Table 16-The contribution of tourism to Employment

	% Distribution of Tourism Revenues	Multiplier
Accommodation	45.3	2.50
Food services	18.0	2.50
Maritime transport	9.0	2.41
Road transport	7.1	3.25
Air transport	5.4	2.98
Retail trade	4.9	3.69
Entertainment	3.8	1.90
Travel agencies	3.7	3.68
Car rental	1.8	1.39
Conferences	1.0	4.13
Weighted Average		2.65

Source: KEPE, IOBE–Processing: SETE Intelligence

From the aspect of employment, tourism also seems to be a key pillar for the Greek economy. Considering that only accommodation and catering depict the 63,3% of tourism expenditure in Greek economy.

Also the multiplier effect, of various sector of the Greek economy contributes indirect in tourism activity. More specifically, from the data in table 16 arises that for every 1€ spend in tourism activity, there is an extra 1,65€ created indirectly, effecting additional economic activity. As a subsequent for every 1€ receipt from tourism, GDP rises by 2,65€. So tourism is characterized as a crucial contributor to employment, because through the increasing demand for services relating to tourism, more and more new jobs will be created in the various sectors of the tourism activity. The contribution of tourism to employment is depicted in table 16 which summarizes the distribution of tourism revenues in the fields of tourism activity.

Table 17-The development of tourism in Greece

Year	2012	2013	2014	2015	2016	2017	2018
Contribution to the GDP	16,4% [WTTC]	16,3% [WTTC]	17,3% [WTTC]	18,5% [WTTC]	18,6% [WTTC]	27,3% [INSETE]	30,9% [INSETE]
Contribution to Employment (of total employment [WTTC])	18,30%	18,20%	17,30%	23,10%	23,40%	24,80%	25,90%
Total Employment [WTTC]	688.800	657.100	699.000	821.900	860.315	934.500	988.600
International Tourism Receipts (cruise receipts are not included) [BoG]	10,4 bn. €	11,7 bn. €	13 bn. €	13,6 bn. €	12,7 bn. €	14,2 bn. €	15,6 bn. €
International Tourist Arrivals (cruise passenger arrivals are not included)	16,9 mi.	17,9 mi.	22 mi.	23,6 mi.	24,7 mi.	27,2 mi.	30,1 mi.
Average per capita tourism expenditure (cruise receipts are not included)	616 €	653 €	590 €	580 €	514 €	522 €	520 €
Market Share	1,5% World, 2,9% Europe	1,6% World, 2,9% Europe	1,8% World, 3,8% Europe	2% World, 3,1% Europe	2% World, 3,1% Europe	2% World, 4% Europe	-
Seasonality	56% of international tourist arrivals are recorded in July - August - September	56% of international tourist arrivals are recorded in July - August - September	56% of international tourist arrivals are recorded in July - August - September	55% of international tourist arrivals are recorded in July - August - September	56% of international tourist arrivals are recorded in July - August - September	57,3% of international tourist arrivals are recorded in July - August - September	54,8% of international tourist arrivals are recorded in July - August - September

Concentration of Supply	66% of hotel beds are concentrated in 4 areas of Greece [HCH]	66% of hotel beds are concentrated in 4 areas of Greece [HCH]	70% of hotel beds are concentrated in 4 areas of Greece [HCH]	69% of hotel beds are concentrated in 4 areas of Greece [HCH]	70% of hotel beds are concentrated in 4 areas of Greece [HCH]	70% of hotel beds are concentrated in 4 areas of Greece [HCH]	70% of hotel beds are concentrated in 4 areas of Greece [HCH]
Hotel Capacity	9.670 hotels / 771.271 beds [HCH]	9.677 hotels / 773.445 beds [HCH]	9.851 hotels / 792.304 beds [HCH]	9.757 hotels / 784.315 beds [HCH]	9.730 hotels / 788.553 beds [HCH]	9.783 hotels / 806.045 beds [HCH]	10.121 hotels / 798.650 beds [HCH]
Top 5 markets	Germany (2.108.787), U.K. (1.920.794), FYROM (1.300.000), France (977.376), Russia (874.787) [H.ST. & BoG]	Germany (2.267.546), U.K. (1.846.333), Russia (1.352.901), France (1.152.217), It aly (964.314) [H.ST. & BoG]	Germany (2.459.228), U.K. (2.089.529), France (1.463.159), Russia (1.250.174),Ita ly (1.117.711) [H.ST. & BoG]	Germany (2.810.350), U.K. (2.397.169), France (1.522.100), Italy (1.355.327) , Russia (512.789) [H. ST. & BoG]	Germany (3.138.735), U.K. (2.894.655), Italy (1.386.902), France (1.313.536), Russia (595.482) [H. ST. & BoG]	Germany (3.706 thous.), U.K (3.002 thous). Italy (1.441 thous.), France (1.420 thous,), Russia (589 thous.) [H.ST. & BoG]	Germany (4.381 thous.), U.K (2.943 thous). Italy (1.667 thous.), France (1.524 thous,), Switzerland (521 thous.) [H.ST. & BoG]
Top 5 airports (in international tourist arrivals)	Athens (2.651.062), Heraklion (2.067.475), Rhodes (1.593.298), Thessaloniki (901.573), Corfu (824.000) [H.STAT.]	Athens (2.651.062), Heraklion (2.067.475), Rhodes (1.593.298), Thessaloniki (901.573), Corfu (824.000) [H.STAT.]	Athens (3.388.647), Heraklion (2.595.702), Rhodes (1.926.675), Thessaloniki (1.569.814), Corfu (1.074.289) [AIA & Civil Aviation Authority]	Athens (3.388.647), Heraklion (2.559.805), Rhodes (1.902.051), Thessaloniki (1.569.224), Corfu (1.092.647) [AIA & Civil Aviation Authority]	Athens (4.526.035), Heraklion (2.885.154), Rhodes (2.091.066), Thessaloniki (1.724.599), Corfu (1.243.718) [AIA & Civil Aviation Authority]	Athens (4.79 7.365), Heraklion (3.147.704), Rhodes (2.178.663), Thessaloniki (1.929.916), Corfu (1.300.189) [AI A & Civil Aviation Authority]	Athens (8.121. 761), Heraklion (3.319.392), Rhodes (2.362.308), Thessaloniki (2.162.117), Corfu (1.509.219) [A IA, Fraport Greece & Civil Aviation Authority]

From the figures of table 17 it arises that:

1. from 2012 to 2018 the contribution of tourism to the GDP constantly rises,

2. the contribution of tourism to employment is very significant as at least the last two years, one out of four people work in the tourism industry,
3. the International Tourism Receipts (cruise receipts are not included) for 2018 are calculated to 15,6 bn. €,
4. the International Tourist Arrivals (cruise passenger arrivals are not included) follow and increasing trend with the arrivals of 2018 amounted to 30,1 million people,
5. Average per capita tourism expenditure (cruise receipts are not included) presents a decrease from 616€ in 2012 to 520€ in 2018,
6. Greece's Market Share ranges from 1,5% to 2% worldwide and from 2,9% to 4% in Europe,
7. concerning seasonality, more than the half of international tourist arrivals are recorded in July - August – September,
8. regarding the concentration of supply 70% of hotel beds are concentrated in 4 areas of Greece,
9. the hotel capacity refers to more than 10.000 hotels with 798.650 beds,
10. the top 5 markets as recorded in 2018 are Germany, UK, Italy, France and Switzerland,
11. the top 5 airports (in international tourist arrivals) are, Athens, Heraklion, Rhodes, Thessaloniki and Corfu.

Having already studied the development of Greek Tourism and its contribution to the GDP, Balance of Payments and to Employment, it is now time to study the Greece's business environment and its prospects for FDI attractiveness.

CHAPTER 4- GREECE'S BUSINESS ENVIRONMENT AND THE CONTRIBUTION OF FDI

4.1 Greece's business environment- Investment prospects for Tourism Industry and the whole economy

The Tourism industry is an industry inextricably linked to the rest of the economy, transport, construction, commerce, energy, etc. In this way, it benefits from the positive course of these fields, while at the same time diffuse a multiplier of its profits throughout the economy. So in order to discuss about the prospects of the Tourism Industry, it is crucial to study the whole economic activity of the country.

Incoming tourism has contributed most to both containment of the recession and recovery, contributing to the Greek economy, by almost € 125 billion during 2009-2018. According to SETE, the fiscal adjustment and achievement of the primary surplus targets was the main catalyst that helped substantially boost Greece's confidence in domestic and foreign entrepreneurs, investors and consumers. Both fiscal adjustment and primary surplus restricted the slowdown of the domestic economic activity and contributed to the country's progress- recorded mainly by the sharp increase in imports and exports of Goods and Services (G&S) and secondarily, by the increase in GDP measured.

Tourism, having achieved remarkable growth during the economic crisis, contributed greatly to the recession's decline first and then to the return of Greek economy to positive growth rates. This was followed by a correspondingly large increase in employment. Indicatively:

• Not only did ingoing tourism in 2009-2018 provided approximately € 125 billion to the Greek economy, but also the overwhelming majority of the country's 230 million visitors enjoyed positive experiences, at a time when the country was an "easy target" for media.

• Income from inbound tourism has doubled from 2012 to 2018.

• Tourism employment during 2009-2018 increased by 12,7%, as opposed to other sectors of the economy where employment declined by 18,2% during the same period.

As a result of its dynamics, Greek tourism in 2018:

• contributed directly to the creation of 11,7% of the country's GDP with € 21,6 billion, while its contribution (directly and indirectly) is estimated at up to 30,9% of the GDP with € 57,1bn.

• at tourism peak, it suffices to say that only the accommodation and catering employment (411 thous. employees), contribute to 16,7% of employment and overall (directly and indirectly) about 40%, while being a key driver of unemployment reduction, in particular for women and young people.

• The tourism sector had a significant investment activity of € 5 billion, of which € 1,9 billion. in domestic added value.

• Tourism is a largely extrovert activity, with more than 90% of tourism revenue coming from abroad. These revenues, including cruise, airline and maritime revenues, are totaled € 18,2 billion and increased by + 11,3% or + € 1,8 billion compared to 2017.

Tourism revenues have a significant contribution in Greek economy’s future plans. Particularly in the period 2019-2023 it is expected a rapid increase in the investment of the General Government Bodies (GGB) - as well as a rapid increase in business investment with a significant contribution of the Foreign Direct Investment. The latter amounted to € 3,64 billion in 2018, up from € 3,2 billion in 2017, € 2,45 billion in 2016 and € 1,46 billion in 2015. GGB's investments and business investment is expected to increase at high rates from 2019 with the implementation of the NSRF 2014-2020, as well as with the expected increase of privatization investments. Also, the rapid increase in housing investment is already signaling a significant increase in the volume of building permits issued by 19,3% in 2017 and by 21,4% in 2018.

Concerning the estimated investment deficit in Greece, are summarized by SETE the following: During the estimated period of 2019-2022, the Capital Asset (CA) investments in Greece will amount to € 25,91 billion (12,9% of GDP) in 2020 and € 32,74 billion (15% of GDP) in 2023, from € 24,26 billion (12,96% of GDP) in 2017 and from € 21,3 billion (11,2% of GDP) in 2018. This will be a remarkable, balanced and competitive increase in investment resulting from internationally competitive growth of the Greek economy, on the basis of increased exports and domestic demand for consumption and investments. It will be an increase in investment that will be fully funded by the resources available to the economy. These available resources include:

- financing - with credit expansion showing positive progress from Q2 2019,

- EU resources: NSRF 2014-2020, European Investment Bank (EIB) financing and Juncker program
- FDI which already amounted to 1,9% of GDP and 16,9% of CA investments in 2018
- financing from the equity of enterprises: the Greek stock exchange is already setting conditions for capital increases the next years in some dynamic businesses.

It is also expected to increase the investment of the GGB's, which is fully compatible with the need to achieve high primary surplus in the period 2019-2022 and 2023-2030. Noted that also the European Commission also foresees a 10,1% increase in CA investments in 2019 and a 10,8% in 2020 (Spring 2019 Economic Forecasts). If these high CA investment rates confirmed in the next years, then high growth rates of the economy will be more likely to be confirmed.

Regarding the mobilization of business equity, it is noted:

(1) the acceleration of the process of solving the problem of over-indebted companies in banks - with the contribution of their key shareholders,

(2) the positive course of the Greek stock market after completion of the 3rd Assessment and significant venture capital inflows from abroad (for FDI and portfolio investment) in 2017, 2018 (excluding 4th Quarter 2018) and 1st Quarter 2019, and

(3) increase in cash reserves of the listed companies.

All this signifies the favorable prospects for business financing, created from the 2nd half of 2019.

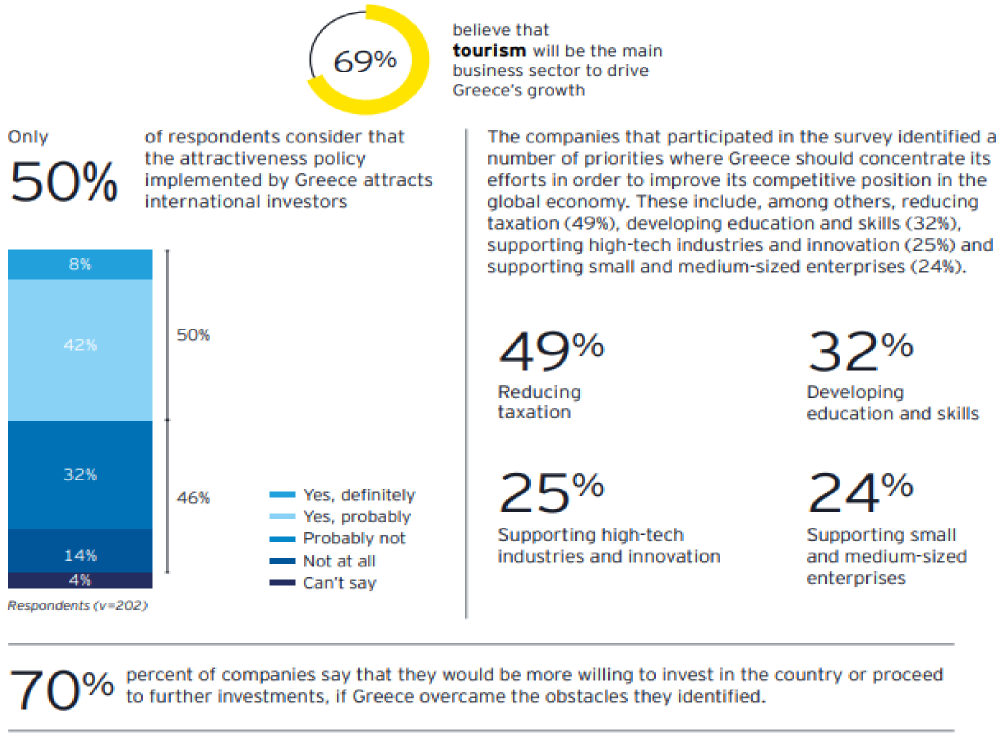
In terms of the real estate market, it is evident both from the upward trend in the volume of building permits issued, as well as the upward trend in rental prices for business and transactions - especially in commercial and tourist real estate - in 2018, and finally, due to the already rising trend in office prices and real estate in general, that domestic and foreign investors have already taken advantage of the significant opportunities that exist from the underestimation of assets and the significant lack of investment for a decade in this important market.

4.2 The investors' aspect for the opportunities in Greek Tourism Industry

According to Ernst & Young (EY) attractiveness survey of 2019, more than two out of three (69 percent) investors believe that the driving force behind growth in Greece in the years to come will be tourism and for this reason Greece is going to be an important investment destination concerning Tourism. This finding is largely expected, but also worrying, as it reflects the country's high dependence on a field very sensitive to international geopolitical disturbances. The survey noted that there is a growing interest to invest in Greece, but also an immediate need for changes and structural reforms in order for this interest to be developed into concrete investment projects.

The survey also analyzed the country's investment performance in recent years, and according to the EY European Investment Monitor (an extensive database studied by EY), during the last decade (2009-2018) Greece ranks 32nd in terms of the number of Foreign Direct Investments (FDI) it has attracted, having received a total of 129 investments or 0,27% of all investments made in Europe. When discussing about last decade's improvement, Greece seems to have lagged behind, while Serbia has risen from 23rd to 12th position, Lithuania from 31st to 16th, and Bosnia-Herzegovina from 36th to 18th. But Greek Tourism industry is one of the few sector that has grown significantly in recent years, and prospects for further growth are essential, especially if infrastructure is improved. Moreover, Greece also has several undeveloped areas for tourism development of Greenfield projects – investments that start from a zero base, create new infrastructure and job opportunities.

Chart 17: Ernst & Young (EY) attractiveness survey of 2019

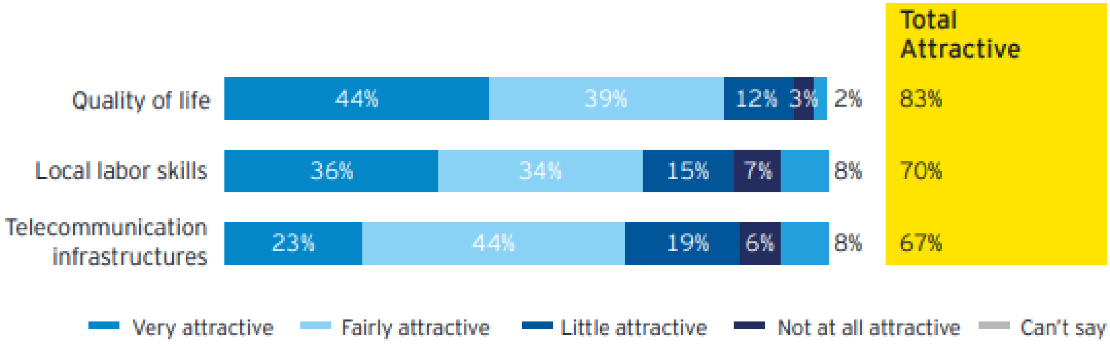


Source: EY Attractiveness Survey 2019 - Greece | Executive Summary
https://www.ey.com/Publication/vwLUAssets/ey-attractiveness-survey-2019-greece-executive-summary/$FILE/ey-attractiveness-survey-2019-greece-executive-summary.pdf

According to the investors surveyed, the main positive elements of the country's attractiveness as an investment destination include among others the quality of life (83 percent of respondents), the level of skills of human resources (70 percent) and telecom infrastructure (67 percent). As deterrents have been mentioned the restrictive access to funds (61 percent), the bureaucratic and the blurry administrative environment (67 percent) of the public sector, and the taxes charged on enterprises (264 percent).

Among the priorities of Greece, according to investors should be: the reduction of taxes (49 percent), the support for education and training (32 percent), as well as for the high tech and innovation (25 percent), and the support for small and medium-sized enterprises (24 percent). By these improvements 70% of the investors will be willing to invest in Greece. Moreover, investors seem to be positive about the country's image and about its prospects: 47 percent believe that the image of the country as an investment destination has improved during the last year. Also, 76 percent believe that the country's attractiveness will improve further in the next three years, whilst 30 percent were considering to set up or expand their activities in Greece next year.

Chart 18- Ernst & Young (EY) attractiveness survey of 2019



Source: EY Attractiveness Survey 2019 – Greece/ Executive Summary https://www.ey.com/Publication/vwLUAssets/ey-attractiveness-survey-2019-greece-executive-summary/$FILE/ey-attractiveness-survey-2019-greece-executive-summary.pdf

Concerning EY's European attractiveness survey it arises that the drivers of an FDI project are by 70% the access of new markets or new customers, by 13% the acquisition of better control of the company's value chain/supply chain, by 11% the lower production costs, by 9% the management of the impact of technological change, by 7% the access to new talent pool and skills and by 3% the advantage of tax conditions.

Therefore, some of these drivers in combination with the impressive tourism performance of Greek Tourism during the last years, have sparked the interest of domestic and foreign investors. Especially in hospitality, large chains and hotel management companies have entered the Greek market dynamically, seeing its excellent prospects. Over the last two years, a total of € 3,8 billion was invested in new hotel development and refurbishment, with 41,3% of total spending on 4 and 5-star hotels, according to Algean Properties, which processed data of INSETE and the Hellenic Chamber of Hotels Affairs. With a total of 209 hotel chains (+5,6% compared to 2017), Greece is fourth in Europe, after Spain (253), Italy (240) and Germany (222).

In the Global Review Index - used to evaluate the performance of individual hotels or groups of hotels and to monitor the evolution of a hotel's performance over time - Greece in 2018 is the first, with 86,3% of the Mediterranean countries. Following are Spain and Cyprus (84.2%), Italy (83,8%), Croatia (83,7%), Turkey (81,3%) and France (78,9%). The highest rate of tourist satisfaction with their stay is recorded in Santorini (89,2%) followed by Mykonos (88,5%), Sardinia (85,1%), Saint-Tropez (85%) and Ibiza (83,8%).

Indicatively, in 2018, in terms of value, hotel investment amounted to 21,7% of total investment - a sharp increase from 2017, when the figure was just 2,4%. Major deals include among others, the acquisition of Amanzoe Luxury Hotel & Resort by Grivalia Properties for € 5,8 million and the acquisition of "Glyfada Stars" by Grivalia Properties for € 17 million. International investment funds have strengthened their presence in Greece in recent years. Most anticipated in 2019 was the reopening of Asteras Vouliagmenis in March, under the management of Four Seasons Hotels & Resorts. Thomas Cook, despite its recent bankruptcy, launched four new units in the summer (two in Kos, one in Crete and one in Rhodes), also Angsana Corfu was the first hotel expected to open in the second half of the year by the Singapore BanyanTree, in Corfu. Following the successful first unit in Heraklion, Accor Hotels opens in Athens a second unit of Ibis Style's global brand. Marriot Hotels plans to open three new units in 2019 and 2020 in Athens, Mykonos and Patras, while TUI will create two more in Crete and Santorini, in addition to its 2018 Halkidiki hotel.

Apart from individual real estate, it is also of great interest to launch mega projects, with a wealth of luxurious units that will help make Greece a luxury destination worldwide. With a budget of € 1.5 billion, the Atalanti Hills in Fthiotida will be a comprehensive project of golf tours and events that will reshape the Greek tourist landscape. The plan includes the construction of three 5-star hotel units totaling 420,823 m^2 and a capacity of 2,990 beds. In Elounda, construction of Elounda Hills is expected to begin in 2019. With a budget of € 400 million, the project includes luxury villas and construction of three 5-star hotel units with a total capacity of 730 beds. In Sitia, the Itanos Gaia project with a total budget of € 418 million includes the construction of five 5-star hotel units and a golf course. Finally, it seems that the redevelopment of Elliniko will soon be in progress including the development of two luxury hotels with a total capacity of 2,200 beds, a casino as well as commercial activities, family-friendly venues, museums, cultural centers, health and wellness centers, sports facilities and leisure facilities. The investment of € 8bn in Elliniko is expected to contribute 2,4% to the country's GDP on the horizon of completion, while at the same time contributing more than € 14bn in tax revenues to the state and with 75.000 of employment positions.

Except of the investments related to hospitality, there are very important investment plans in infrastructure which have a major contribution in the development of Tourism Industry. The Greek state has voiced the need for the development especially in transportation including plans for the completion of the road network and its interconnection, the ports and the marinas of the country. Indicatively, the Greek railway infrastructure was sold in 2016 to Italian railway. Moreover, in 2015 were signed contracts with the Hellenic Republic Asset Development Fund (HRADF), with Fraport AG Frankfurt Airport Services Worldwide and its Greek partner

Copelouzos Group for the 40-year concessions to operate, manage, develop and maintain 14 regional airports in Greece. The transaction closing was completed the autumn of 2016, at which time full payment of the €1.234 billion upfront concession fee was made by the Fraport consortium in tandem with the takeover of operations at the 14 airports. The case of the 14 airports constitutes one of the major investments for economic growth during the economic recession and for this reason follows a thorough analysis of this investment's contribution to Tourism Industry and the whole economy.

4.3 The case of Fraport

As it was mentioned, Fraport AG Frankfurt Airport Services Worldwide and its Greek partner Copelouzos Group signed in 2015 contracts with the Hellenic Republic Asset Development Fund (HRADF) for the 40-year concessions to operate, manage, develop and maintain 14 regional airports in Greece. The project for the 14 Greek regional airports is considered as one of the largest and most beneficial investments based on national and social criteria and a key infrastructure investment for Greece and, indeed, Europe. The transaction required the full payment of the €1,234 billion upfront concession fee by the Fraport consortium in tandem with the takeover of operations at the 14 airports. As part of the international tender process for the regional airport concessions launched in 2013, HRADF selected the Fraport consortium as preferred bidder in November 2014.

Regarding the development and modernization of the airports' infrastructure the project includes the expanding, restructuring and refurbishing of the existing passenger facilities as well as constructing new ones. Also, Fraport Greece is focused on optimizing processes in the terminals to achieve improvements that are immediately visible to passengers.

Greece's tourism industry will benefit from the promotion of the airports' cities and regions as travel destinations in Fraport's global network, will increase passenger traffic and will extend the tourist season. Apart from that, the growth in tourism will enhance employment not only in Fraport's network, but also in other economic sectors boosting local economies.

The Greek Regional Airports Project – A Win-Win Project for Greece

- The 14 Greek Regional Airports Project is a major private investment. It is considered to be one of the largest concession projects in Greece and presents significant potential benefits to the tourism sector, Greece's economy as a whole, the people of the regions served by the regional airports, as well as to millions of international tourists visiting Greece every year.

- In the highly competitive international tourism industry, the 14 regional airports serve as vital gateways for one of the country's most important sectors. The Greek Regional Airports include 3 mainland gateways (Thessaloniki, Aktion and Kavala) and 11 airports on Greek islands (Chania, Corfu, Kefalonia, Kos, Mykonos, Mytilene, Rhodes, Samos, Santorini, Skiathos and Zakynthos). Together, these airports received more than 23 million passengers in 2015 (up 6 percent year-on-year). Around 73 percent of these passengers are international travelers.

- In early 2013, Greece's state-owned Hellenic Republic Asset Development Fund (HRADF) initiated a transparent, international bidding process for two 40-year concessions to operate, maintain and upgrade seven regional airports under each concession (Cluster A & Cluster B). The Fraport-Copelouzos consortium participated in this tender process which attracted leading international bidders.

- HRADF selected the Fraport-Copelouzos consortium as preferred bidder in November 2014 for the 40-year operating concessions for both Clusters A and B, based on the highest bid of 1,234 billion euros for both clusters. Fraport and Copelouzos Group established their joint company Fraport Greece in 2015 to act as the concessionaire for the two concessions.

- At the time of the project closing full payment of the €1,234 billion euros upfront concession fee was made by Fraport Greece in tandem with the takeover of operations at the airports. Along with the upfront concession payment, an annual fixed concession fee of 22,9 million euros, plus an annual variable concession fee is required to be paid.

- The Greek Regional Airports' ownership is retained by the Greek State.

- During the 40-year concession period, Fraport Greece will be responsible for the operation, maintenance and upgrading of the 14 Greek Regional Airports. Regarding the contract, around 330 million euros will have been invested by Fraport Greece in improving the airports until 2021. In subsequent years, further investments should be made for maintenance and possible capacity expansions, depending on traffic volumes –

totaling more than 1 billion euros in investments (including the 330 million infrastructure investment in the initial phase).

Fraport Greece's Development Plan for the New Era at the Greek Regional Airports

As part of its mandate for taking over management and operations at the 14 airports, Fraport Greece has prepared a comprehensive plan for the modernization and development of the airports. The company's plan includes immediate projects and development works for upgrading the airports' facilities, which will contribute significantly to improving the overall customer travel experience, while responding to the expected increase in passenger traffic.

Fraport Greece's major development works to be implemented during the first four years of the concession period included building five new passenger terminals – at the airports in Thessaloniki, Kerkira (Corfu), Kefalonia, Kos, and Mytilene (Lesvos) – and modifications at other airports. This will result in an increase of 100,000 m^2 in terminal size at the 14 airports, reaching a combined total 300,000 m^2.

The significant improvements for increasing the total capacity of the airports and the quality of services also include: increasing the number of check-in counters from 213 to 297, (+40%), the number of security-check lanes from 44 to 84 (+90%), the number of departure gates from 103 to 147 (+43%), and the number of aircraft parking stands from 115 to 150 (+30%).

Refurbishment projects at the 14 airports will be implemented for: all 15 runways, the existing terminals (200,000 m^2 in total), sanitary facilities (10,000 m^2 in total), 14 fire stations, airport apron areas, and 100 diesel generators. Baggage screening systems featuring the latest technology (inline system) will be installed at all of the airports.

An important element of Fraport Greece's new era for the 14 gateways is to renew and modernize the external and internal image of the airports. Indeed, the neat and, in some cases new, architectural designs will offer a new image at these 14 "gateways of Greek tourism" – thus creating a pleasant travel experience to millions of passengers every year.

The following summarizes the enhancement changes that will be implemented per airport (in alphabetical order) under Fraport Greece's investment plan until 2021:

Aktion Airport (PVK)

• Terminal expansion by 2,381 m^2 and refurbishment

• HBS inline screening

• Reorganizing airport apron area

• Refurbishing airside pavement

• 75 percent increase in the number of check-in counters (from 8 to 14)

• 60 percent increase in the number of departure gates (from 5 to 8)

• Doubling the number of security-check lanes (from 2 to 4)

Chania Airport (CHQ)

• Rearranging the terminal’s internal utilization

• Rearranging the departure gate lounge

• Expanding the security control area

• HBS (Hold Baggage Screening Systems) inline screening

• Expanding the waste water treatment plant or connection to municipal service

• Reorganizing the apron area

• Refurbishing the airside pavement

• 25 percent increase in the number of departure gates (from 8 to 10)

• Doubling the number of security-check lanes (from 4 to 8)

Kavala Airport (KVA)

• Terminal expansion by 2,029 m^2

• Remodeling the current terminal

• HBS inline screening

• Refurbishing and expanding the fire station

• Expanding the waste water treatment plant or connection to municipal service

• Reorganizing the airport apron area

• Refurbishing the airside pavement

• 20 percent increase in the number of check-in counters (from 8 to 10)

Kefalonia Airport (EFL)

• New terminal

• HBS (Hold Baggage Screening Systems) inline screening

• Relocating the waste water treatment plant

• Reorganizing the airport apron area

• Refurbishing airside pavement

• 71 percent increase in the number of check-in counters (from 7 to 12)

• 100 percent increase in the number of departure gates (from 3 to 6)

• Doubling the number of security-check lanes (from 2 to 4)

Kerkira Airport – Corfu (CFU)

• New terminal

• Expanding terminal by 10,294 m^2 and remodeling current terminal

• HBS (Hold Baggage Screening Systems) inline screening

• Refurbishing and upgrading the fire station

• Reorganizing airport apron area

• Refurbishing airside pavement

• 27 percent increase in the number of Check-in Stations (from 22 to 28)

• 33 percent increase in the number of departure gates (from 9 to 12)

• 33 percent increase in the number of security-check lanes (from 6 to 8)

Kos Airport (KGS)

• New terminal

• New fire station

• Refurbishing/expanding the waste water treatment plant

• 201 percent increase in the total size of the airport at 24,000 m^2

• 75 percent increase in the number of check-in counters (from 16 to 28)

• 125 percent increase in the number of security-check lanes (from 4 to 9)

Mykonos Airport (JMK)

• Expanding and remodeling the terminal – 50 percent increase in the total size of the terminal at 13,350 m^2, with the construction of a new terminal area

• New fire station

• Reorganizing apron

• 33 percent increase in the number of check-in counters (from 12 to 16)

• 17 percent increase in the number of departure gates (from 6 to 7)

• 25 percent increase in the number of security-check lanes (from 4 to 5)

Mytilene Airport (MJT) – Island of Lesvos

• New terminal

• New fire station

• New waste water treatment plant

• New airport apron area

• 185 percent increase in the total size of the airport at 7,185 m^2

• 29 percent increase in the number of check-in counters (from 7 to 9)

Rhodes Airport (RHO)

• Remodeling the current terminal

• Reorganizing the airport apron area

• New fire station

• 13 percent increase in the number of check-in counters (from 40 to 45)

• 13 percent increase in the number of departure gates (from 16 to 18)

• 71 percent in the number of security-check lanes (from 7 to 12)

• 25 percent increase in the number of baggage reclaim belts (from 4 to 5)

Samos Airport (SMI)

• Expanding and remodeling the current terminal

• New fire station

• Reorganizing the airport apron area

• 19 percent increase in the total size of the terminal at 9,605 m^2

• 40 percent increase in the number of check-in counters (from 10 to 14)

• 25 percent increase in the number of departure gates (from 4 to 5)

• 50 percent increase in the number of security lanes (from 2 to 3)

Santorini Airport (JTR)

• Expanding and remodeling the current terminal

• New fire station

• Reorganizing the airport apron area

• 236 percent increase in total terminal space at 15,640 m^2, by replacing part of the current terminal and constructing a new terminal

• 113 percent increase in the number of check-in counters (from 8 to 17)

• Doubling the number of security-check lanes (from 1 to 2)

• 20 percent increase in the number of departure gates (from 5 to 6)

• 250 percent increase in the number of security-check lanes (from 2 to 7)

Skiathos Airport (JSI)

• Extending and remodeling the current terminal

• Reorganizing the airport apron area

• 39 percent increase in the total size of the airport at 9,511 m^2 after an extension of the total size of the current buildings of the terminal

• 11 percent increase in the number of check-in counters (from 9 to 10)

• 33 percent increase in the number of departure gates (from 3 to 4)

• Doubling of security-check lanes (from 1 to 2)

Thessaloniki Airport (SKG)

• New terminal

• Terminal expansion by 30,998 m^2, incl. new landside access

• Remodeling of existing Terminal

• HBS inline screening

• New fire station

• Expanding the waste water treatment plant or connection to municipal service

• Reorganizing the airport apron area

• Refurbishing airside pavement

• Terminal expansion by 31,380 m^2

• 47 percent increase in the number of Check-in Stations (from 30 to 44)

• 75 percent increase in the number of security lanes (from 4 to 7)

• 50 percent increase in the number of departure gates (from 16 to 24)

• Doubling the number of security-check lanes (from 6 to 12)

Zakynthos Airport (ZTH)

• Refurbishing and remodeling current terminal

• HBS inline screening

• Refurbishing air traffic control tower

• New fire station

• Relocating power transformers and generators

• Reorganizing airport apron area

• Refurbishing airside pavement

• Reorganizing landside roads & parking

• New security guardhouse

• 33 percent increase in check-in counters (from 15 to 20)

• 150 percent increase in the number of security-check lanes (from 2 to 5)

Fraport Greece's concession project for the 14 regional airports is by now the biggest investment in the country's tourism industry, with huge benefits at the local and national level. The concession provides important revenue for the Greek State, especially during the difficult and crucial period of the recession and a significant boost for tourism. Furthermore, Fraport Greece's investment will also serve as a growth driver for local communities, contributing decisively to their economic development through the increase in tourism traffic, as well as by creating new employment opportunities.

Fraport Greece's Incentives for the Development of New International Routes

Fraport Greece steadfast in its commitment for the support of tourism development, offers an incentive that paves the way for the introduction of new international routes during the winter months. In just a year of operating in the Greek aviation market, Fraport Greece is fulfilling its objective for the enhancement of traffic by implementing a two-year incentive program starting in the winter of 2018-2019.

Although the current airport charges policy is deemed as competitive, Fraport Greece contributes in the extension of the tourist season. More specific, this incentive, for developing new routes during the winter months - makes premise for a 50% discount on airport charges, playing a key role in the prospects of economic growth at the 14 destinations, while strengthening its partnership with airlines.

According to Fraport Greece's Executive Director of Commercial and Business Development, Mr. Vilos, the company is confident that this incentive will assist in the increase of passenger traffic in the winter months as well as to the extension of the tourist season, which is the biggest challenge for both the local communities and the company itself. The company is making every effort to maintain and develop the upward trend in the 14 Greek airports, demonstrating its belief in the dynamic of the Greek tourist product which it hopes to shield from fluctuations in competitive markets and make it attractive throughout the year. Through specific and targeted actions and synergies, it continues its work contributing to the development of the local and national economy.

New connections for the 2018 summer season at the 14 airports

In summer season of 2018 Fraport Greece welcomed at its 14 airports many new flights, a result of its cooperation with airlines and the high level collaboration with the Hellenic Slot Coordinator. In 2018 it was recorded 21% increase in passenger traffic compared to May 2017 and new connections were established from London, Birmingham, Glasgow, Newcastle, Belfast, Edinburgh, Berlin, Dusseldorf, Nuremberg, Zurich, Hamburg, Dresden, Erfurt, Munster.

That season's first inaugural flight was made by Qatar Airways in March with the new Doha-Thessaloniki connection, followed by many other inaugurate new routes from EU countries to the 14 airports. During May, Jet2.com, British Airways and Germania also inaugurated new routes starting the summer season dynamically.

Fraport Greece’s distinctions

During the EMEA Finance's Project Finance Awards 2017, Fraport Greece won the award for the Best Transport Infrastructure deal in CEE.

For the successful completion of the project the sponsors of Fraport Greece, Fraport AG and Copelouzos Group invested 750 million euros equity and the partnership of leading financial institutions signed with Fraport Greece a long-term funding up to about 1 billion euros.

Fraport Greece was also awarded the gold award for the strategic upgrade of infrastructures at the 14 airports that it has been managing since April 2017. The award was in recognition of the company’s successful implementation of the investment program that, among others, includes the simultaneous expansion and renovation of the commercial spaces over 14 airports throughout Greece. In just under two years, a large number of new outlets and restaurants have been developed, always in keeping with the elements of the famous Greek hospitality and service. In order to achieve better passenger service and unique travel experience, Fraport Greece, accepted the challenge of revamping 14 airports in Greece. By 2021 with the completion of the investment program for the expansion and upgrading of the 14 airports, the commercial areas will triple in space, exceeding 30,000 square meters. New restaurants and coffee shops are already in place with focus on local flavors, as well as famous food and beverage chains such as Burger King, Starbucks and Goody's. An extensive program to expand and upgrade all commercial shops is also currently underway.

Completed infrastructure works, the progress of works and the support to national economy in numbers

On the occasion of the 2 year anniversary, since the commencement of the concession, Fraport Greece presented the progress of works and the benefits to the Greek economy.

The works at the airports in the islands of Zakynthos and Crete - at the town of Chania - and the northern city of Kavala in mainland Greece have been completed. Passengers now enjoy an upgraded travel experience, new services and experience a hassle free and speedy arrival and departure process. While works at the airports in the Aegean islands of Samos, Mytilene, Rhodes and Skiathos as well as in the Ionian Sea island of Kefalonia and the city of Aktion in western Greece, is projected to be gradually completed by the end of this year.

The upgrading program and the modernization of the infrastructures will be completed by 2021, with the delivery of five new airports in the islands of Kos, Santorini, Mykonos, Corfu and the city of Thessaloniki.

The benefits of the investment for the support of the Greek economy are plenty and go way beyond the:

- payment of the concession price of € 1,234 billion made in April 2017
- annual payment fee of € 22,9 million
- annual variable payment fee of 28,5% of the EBITDA payable after the completion of the investment program
- € 1 per departing passenger (approximately € 14 million in 2018) paid to the Greek State to finance the Civil Aviation Authority, the state-managed airports and routes under the public service obligations scheme, and the
- approximately € 13 million per year payment for the provision of services by the Greek Fire Brigade and the Hellenic Air Force.

In addition, since the concession commencement date, Fraport Greece has also paid:

- € 21.201.594 to the Greek public sector, for social security contributions and taxes
- € 21.341.718 as income and other taxes with an additional € 15.267.908 payable within 2019.

Fraport Greece feels confidence that the number of employees is still growing. Direct jobs have increased by 32% reaching 700, while indirect ones have exceeded 14.000.

Undoubtedly, this investment is a basis for boosting the Greek economy, especially during this critical period for the country. The benefits at the national and regional level are multiple and the cooperation of the two companies is a guarantee for successfully supporting tourism as the heavy industry of Greece, reinforcing competitiveness of the economy and creating new jobs."

Furthermore as Fraport AG's executive board chairman Dr. Stefan Schulte stated: "well-managed airports worldwide have proven to serve as economic engines for their communities".

The infrastructure investment in Greece is meant to act as a catalyst for the growth of the country's significant tourism industry.

Conclusions

To conclude, the current diploma thesis was an attempt to highlight the growth potential of foreign direct investments in Greece- a country that tries for almost a decade to overcome its fiscal and financial problems. So for this country that is difficult to borrow foreign capital, or receive financial assistance from other countries, and has inadequate financial resources- the main choice is to create the incentives for foreign investment attractiveness, in the fields of economic activity that the country has its competitive advantages.

The prime example of the country's competitive advantage is Tourism. It suffices to say that, almost 30,1 million people of foreign countries, traveled to Greece in 2018, spending €15,8 billion and from 2012 total arrivals have increased by 94,1%, while receipts have increased by 56,1%. This unprecedented record, except of giving a crucial boost in Greek economy, sparks the investors' interest to inaugurate new investment plans in the country.

From the aspect of Greek economy, Tourism presents significant investment opportunities in privatization of several key state-owned tourist and transport assets (marinas, regional airports, infrastructures of thermal springs, tourist properties etc.) as well as opportunities in developing specialized tourist products and facilities focused around specific themes (gastronomy, culture, wellness etc.), categories (medical tourism, MICE etc.), markets (Russia, Israel, Asia etc.) or segments (elderly, couples etc.). Moreover, investments in Greek Tourism industry are gaining more and more international interest due to: the Brand Value of several Greek destinations, the unlimited variety of attractive destinations for 365- days of vacation with the nexus of the special interest tourism and the established infrastructure.

It is a fact that Tourism enhances entrepreneurship, increases employment and empowers local communities and the 90% of tourism is concerned as an export activity. Indicatively for Greece its contribution to the GDP from 2012 to 2018 constantly rises, and specifically for 2018 it amounted to 30,9%. Concerning the contribution of tourism to the Balance of Payments, it is worth mentioning that the 80% of the deficit of the Trade Balance was covered by travel receipts including cruises. Regarding employment, tourism also seems to be a key pillar for the Greek economy as almost 1 out of 4 people work in Tourism Industry and this contribution increases from year to year, creating new professional opportunities in various sectors of the economy. Related to this, the multiplier effect of various sector of the Greek economy contributes indirect in tourism activity, since for every 1€ spend in tourism activity, there is an extra 1,65€ created indirectly, effecting additional economic activity. All these factors point out the significance of tourism in the development of Greek economy, especially in the years of economic restructuring.

In addition, from the investors' aspect more than two out of three (69 percent) believe that the driving force behind growth in Greece in the years to come will be tourism and for this reason Greece is going to be an important investment destination concerning Tourism. This growing interest to invest in Greece, at the same time constitutes an immediate need for changes and structural reforms. Among, the impediments of FDI attractiveness are: the restrictive access to funds, the bureaucratic and the blurry administrative environment of the public sector, and the taxes charged on enterprises. So among the priorities of Greece, according to investors should be: the reduction of taxes, the support for education and training, as well as for the high tech and innovation, and the support for small and medium-sized enterprises. By these improvements 70% of the investors will be willing to invest in Greece. The drivers of an FDI project are: the access of new markets or new customers, the acquisition of better control of the company's value chain/supply chain, the lower production costs, the management of the impact of technological change, the access to new talent pool and skills and the advantage of tax conditions.

Therefore, some of these drivers in combination with the impressive tourism performance of Greek Tourism during the last years, have sparked the interest of domestic and foreign investors. Especially in hospitality, several foreign large chains and hotel management companies have entered the Greek market dynamically, seeing its excellent prospects.

Except of the investments related to hospitality, there are very important investment plans in infrastructure which have a major contribution in the development of Tourism Industry. Such a worth mentioned project is the 40-year concessions to operate, manage, develop and maintain 14 regional airports in Greece, signed by the Hellenic Republic Asset Development Fund (HRADF) and the Fraport consortium.

The benefits of this foreign investment for the support of the Greek economy are plenty and are referred to: the payment of the concession price of € 1,234 billion made in April 2017, the annual payment fee of € 22,9 million, the annual variable payment fee of 28,5% of the EBITDA payable after the completion of the investment program, the € 1 per departing passenger (approximately € 14 million in 2018) paid to the Greek State to finance the Civil Aviation Authority, the state-managed airports and routes under the public service obligations scheme, and the approximately € 13 million per year payment for the provision of services by the Greek Fire Brigade and the Hellenic Air Force. In addition, since the concession commencement date, Fraport Greece has also contributed to the national economy with € 21.201.594, for social security contributions and taxes and with € 21.341.718 as income and other taxes with an additional € 15.267.908 payable within 2019. Fraport Greece contribution in direct jobs have increased by 32% reaching 700, while indirect ones have exceeded 14.000.

Undoubtedly, this investment is a basis for boosting the Greek economy, especially during this critical period for the country. The benefits at the national and regional level are multiple while support tourism as the heavy industry of Greece and reinforce competitiveness of the economy.

Finally in the near future many other FDI related to Tourism will contribute to the country's National Accounts and the current research could be developed and more precise for the contribution of the total of FDI to the GDP, the Balance of Payments and to Employment. The function of the Tourism Satellite Account is anticipated that will shed light to the whole research, because its main difficulty was the inadequate information about the impact of FDI in Tourism and the whole economy, whilst the current information is restricted to the contribution of the whole sector in National Accounts.

Proposals

The general conclusion about Greece's need to attract foreign investment especially in times of recession lies in the question that the structural changes needed to spur economic recovery and growth to attract investments, have to be accelerated. Addressing the economic crisis in Greece is intertwined with the attraction of foreign investment and the convergence of the Greek economy with those of Western European countries. Convergence with these countries can be achieved by the following means (Bidzenis, 2014):

- Structural changes to increase competitiveness and productivity.
- Low production costs by exploiting natural resources, focusing on the quality of human resources, reforming the Social Security System and labor relations.
- Develop investment programs with secured resources, support small and medium-sized enterprises and encourage entrepreneurship.

- Opening up of the markets to create new jobs through an attractive investment environment.
- Restructuring the tax system (reduction of the tax rates, equality, transparency, law enforcement and compliance with a defined tax system with slight variations over the years).
- Reducing corruption and the underground-economy by increasing control mechanisms, reducing bureaucracy by digitizing and simplifying business-state processes.
- Mostly for start-ups, it is important to reduce the social security contributions and reduce tax rates, aiming to attract FDI.
- Provision of tax incentives (eg tax exemptions) to achieve cooperation with foreign companies.
- Access in finance.
- Removal of capital control restrictions.
- Support of the key pillar of economic sectors such as health, education and security.
- Strengthening the rural economy by encouraging farmers to develop agricultural activity.
- Strengthening the shipping sector.
- Strengthening Greek academic institutions and education in general, promoting cooperation with foreign institutions for research.
- Modernization of the state-owned infrastructures to support business development related to trade and tourism.

The exit of the Greek economy from the vicious circle of recession will be achieved by restarting production in the sectors where our country has a competitive advantage. Such a competitive advantage is presented in Tourism Industry and Greek economy seems to have now reached the point where such a restart can be achieved by attracting foreign investment. Proposals for the attraction of foreign investments which will boost Tourism Industry and therefore the whole economy are as follows:

- Protecting and highlighting the natural beauty and particularities of each individual place through a comprehensive strategic plan that includes individual plans per region.
- Creating integrated tourism product based on quality and an integrated strategy for the promotion of Tourism products in Greece and abroad.
- Expansion of the tourist period (mainly through the development of transport), attraction of higher-value tourist segments, increase of average daily spending and opening of new tourist markets.

- Utilizing and improving the functionality of existing tourist infrastructure and developing an integrated plan for the upgrading and development of all infrastructures.
- Enhance investment in upgrading and creating quality accommodation, luxury hotels, integrated accommodation and tourist accommodation.
- Adoption of quality standards and best practices.
- Creating an attractive tariff regime for Athens ports and airports.
- Priority in tourism infrastructure investment, high quality projects. Fast-Track process for big investments. Reduce bureaucracy for all investments.
- Development of cruise passenger terminals.
- Development of a network of marinas to boost leisure tourism, permanent mooring and repair infrastructure.
- Faster Visa Schengen issuance and multiple visas, especially for those who buy holiday homes in Greece, co-operate with tours and more visa centers.
- Upgrading tourism education. Creation of international programs for tourism professions and management at tertiary education of the country. Encouraging the operation of secondary schools of tourism professions, checking and certifying them to provide a high standard of study.
- In addition to the model of "sun and sea" tourism development, should pursue growth in quality alternative tourism and special interest tourism, as culture, Greek gastronomy, sports-based on the specific features of each region's nature, winter destinations, for tourism activity all year.
- Digitalization and virtualization of the cultural elements of Greece, providing such services as "virtual museums" and 3D site tour and upgrading of the sites themselves, offering higher quality services and facilities and improving the local infrastructure.
- Investments in the development of specialized medical centers, elderly care facilities or long-term rehabilitation and wellbeing retreats.
- Development of MICE tourism.
- Effective collaboration for a common target among different stakeholders from the government, tourism boards, businesses and local communities

Therefore, boosting the incentives of attractiveness in investment projects, while reducing the barriers to it, is crucial to stimulate entrepreneurship in our country. The importance of FDI attractiveness in Tourism, lies in the fact that with the inflow of foreign investment, we can accelerate the restructuring of the economy towards a more extroverted model of sustainable development.

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