

# THESSALONIKI AS AN EMERGING REGIONAL HUB IN SOUTHEASTERN EUROPE

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The European Union was created, developed and evolved through the diversity of its national models which, despite their political, economic and cultural differences, focus on the individual citizen. From this perspective, citizens are the first and the final beneficiaries of the policies implemented in all the developmental sectors.



Greece is the only nation in South-East Europe that is part of the Eurozone, although several countries and territories in the region already use or have adopted the euro as their currency. Partly due to its strategic location and to the fact that it was, until recently, the only EU-member country in the Balkans, Greece has become the springboard for investing and doing business in South-East Europe.

If there is one area in which the outward-looking nature of Greek economic diplomacy has had significant results in recent years, it is the

Balkans. According to official data, more than 3,500 Greek-run or Greek-owned companies, mainly subsidiaries of firms based in Greece, are currently operating in the region. These enterprises and businessmen have invested more than 6 billion euro of Greek capital and created at least 200,000 jobs in neighbouring countries.

### **THESSALONIKI AND THE BALKANS**

The Balkans have always been at a crossroads of different cultures and civilisations, where different

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religions and peoples have existed side by side. It is a place where cultural differences give rise to tensions and suspicion. However, Greece, during the last decades, has stayed out of tensions in the area and has managed to sustain its developmental course, albeit not at the same rate over this period, and has become the leading international partner in the Balkans. The springboard in this effort is the area of Northern Greece. The future of Northern Greece and the country as a whole, depends, in final analysis, on the competitiveness of its productive network,

which directly correlates with the investments in production sectors exposed to national and international competition.

The prospects for Northern Greece in the competitive European and international environment are defined on the basis of its productive system capacity for adjustment and restructuring. Regional co-operation among the Balkan states becomes a major political priority, in view of stability, development and the incorporation of the South-East European economies in the EU. The Interbalkan Co-operation

## GATEWAY GREECE

Initiative has been designated as a strategic decision by the Balkan states, as it constitutes an honest and feasible mechanism of regional co-existence and co-operation, which can only eventuate in the improvement of political, economic and business relations.

The rise of Northern Greece as a pivotal factor, in the Balkan and South-eastern European developments, exploits the advantages of its geographic position, as the country's gateway to the area of interest - but also as European Union's gateway to its south-eastern borders. At the same time, it takes advantage of its dynamic pole of development, which is promoted by the metropolitan character of the greater Thessaloniki.

With the collapse of the communist regimes in the Balkans, the E.U. recognised Greece, and especially Northern Greece and Thessaloniki, as a bridge for developing Balkan economies.

Considering the geopolitical form of the broader area, the city of Thessaloniki is the central pole for implementing a national development strategy. It is the second largest city of Greece and the capital of the administrative region of Central Macedonia. With a population of over 1,000,000 people, it constitutes a modern European commercial and cultural metropolis, and one of the most important trade and communication centres, situated in the heart of the Balkans.

Thessaloniki is the gateway to the Balkans and the hub of a new trading network, capable of regaining its former importance as the sec-

ond city in the Roman, Byzantine, and Ottoman Empire.

While it can be taxing and politically dangerous to try to separate rumour from fact or wishful thinking from reality, it is evident that the changes in the area are steadily strengthening the city's economy and its reputation as a Balkan commercial centre. Especially, after Bulgaria's admission to the E.U., Northern Greece has become its pathway to globalization.

Thessaloniki is being hailed as the new metropolitan centre of the entire Balkan peninsula, as well as the centre for information and coordination in several international initiatives for Balkan reconstruction.

The city has a long history as a centre of regional trade and finance and this continues in modern times. Since 1995, Thessaloniki has its own Stock Exchange, whose mission is to become a major stock market in southeastern Europe and the Balkan region.

The impact of globalisation and the realisation that only through trade can smaller Balkan countries achieve competitiveness, both contribute to Thessaloniki's re-emergence.

Until today, more than 2,500 Greek companies have invested in sectors which show favourable growth prospects and need improvement and upgrading. Among the many areas of investment are information technology and telecommunications, banking and finance, food and beverages, energy and petroleum products, networks retail and wholesale trade, construction, basic

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metals, building materials, packaging equipment, tobacco, agriculture and fishing. Other sectors such as tourism, logistics, healthcare, education services and consulting are growing hand in hand with total market development.

The process of gradual homogeni-

sation of the Balkan economic area, through the lifting of international competition of the past, the liberalization of markets and the future accession of some countries to the E.U. create favourable conditions for financial expansion with expected benefits for Thessaloniki in general.

### ACCOMPLISHMENTS AND FUTURE PROSPERITY

The overall dynamic development and also the requirements for quality of life, have created for Thessaloniki a situation which can be described by citing two characteristic elements: the improvement of the quality of the environment and of the social and urban infrastructures.

It is partially true that in the late '90s Thessaloniki experienced a decade of stagnation and lack of developmental infrastructure. A series of important projects (such as the construction of a Subway system and the modernization of the "MACEDONIA" airport), remained government promises in writing, but were never translated into reality.

However, recent developments of particular importance to northern Greece are rapidly changing the prospects for the broader area: the agreements with Russia and Bulgaria for the construction of the Burgas-Alexandroupolis oil pipeline and for the commencement of work on the Greece-Turkey natural gas pipeline; the planned underwater pipeline to convey natural gas from Greece to Italy, and from there to the heart of Europe; the acceleration of rail links between Thessaloniki, Sofia and Istanbul.

Additionally, the National Motorway, the Egnatia Motorway and Northern Greece's prominence in shipping, translate into huge logistical advantages for market penetration.

Furthermore:

- The contract with the developer of Thessaloniki Metro and its

extensions, through a specific implementation schedule, acts as a catalyst for improving the quality of life.

- The Submarine Tunnel award procedure, which, after many years of delay, has engaged a contractor and whose implementation has begun, is a project that is improving transport and traffic.
- The modernization of "Macedonia" Airport is being completed with the construction of runway 10/28. Thus, Thessaloniki airport is now becoming an airport of international standards.
- The establishment of the International University in the next months in Thessaloniki will promote the exchange of knowledge and academic staff and enhance the city's role as a gateway to knowledge and prosperity.
- The completion of the Thessaloniki Port extension, with the full construction of the sixth dock, as well as the modernization of road and railway access and its operation of a logistics centre, will make it possible for Thessaloniki to maintain its prominence as the maritime gate of the Balkans. Hence, the port of Thessaloniki is, already, one of the top crucial Greek ports and the main port of entry to the Balkan hinterland. It is also the nearest European Union port to the Balkan countries.
- The projects of Greek Railways are multiple, some of the most

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important including the modernization of the existing network, the electrification, the reduction of travel time between large national and international destinations and the Suburban Lines of Thessaloniki to important urban centres of Central Macedonia.

Last but not least, the state's intention regarding the development of Research and Innovation in Central Macedonia has also been expressed by the act for the formation of an "Innovation Zone for Eastern Thessaloniki" (Z.K.A.TH.). This act establishes stability of cooperation between public bodies and enterprises. The objective is to develop technology and research in sectors crucial for the Greek economy and to make use of its results, so that these can be implemented in every product designed or service rendered.

In addition, more incentives for new investments are offered by the new investment law, as well as through Public and Private sector Partnerships, while the new generation of privatizations and the 3rd Community Support Framework can reform the area's economy.

As a result of all the above, Northern Greece's role, as the economic engine of South-East Europe, creates a significant multiplier effect for businesses wanting to operate throughout the Balkans and benefit from regional market access.

As Greece's neighbours develop market economies, create a new generation of entrepreneurs and generate an important consumer base, businesses based in Northern

Greece and especially in the broader area of Thessaloniki enjoy multiple advantages, reflecting the city's position as an emerging regional business hub.

### THESSALONIKI IN THE FUTURE

Urban and regional development in the beginning of the 21<sup>st</sup> century is characterised by a shift towards technology, innovation and selective urban development, similar to the tendency, immediately after the Second-World-War, towards mass industrialisation and intensive urbanisation. In the near future, it is expected that Thessaloniki will undertake several new specialized roles (communication centre, specialized services centre, technology development and diffusion centre, etc.), in order to become a decisive player, through health care, the development of Information and Communication Technologies and transportation networks, research and business activities, production activities and know-how transportation, and through the concentration of knowledge intensification activities.

Today, Thessaloniki remains a challenging business environment, but with much work to be done. Opportunities do - and will - exist for exporters and investors.

A central point, in order to face challenges and to exploit opportunities as well, within the framework of knowledge economy, is the development of a general strategy about innovation and competitiveness, as innovation is high on the agenda of business associations that are demanding a regional approach to it

– in complete contrast to the situation a decade ago.

At the same time, the area's geography forms an extremely favourable background for the development of Thessaloniki and for its transformation as the metropolitan centre of the Balkans and a pole of cross-border cooperation and European integration in the general area of S.E. Europe.

Add to all these the skills of the labour force, the hundreds of thousands of multilingual citizens, Aristotle University, Macedonia University, International University, Private Colleges, the huge merchant marine and the state-of-the-art infrastructure of this city, we can reach the sum of a most interesting investment and business opportunity in the fastest growing areas of S.E. Europe.

### Conclusions

Today, the future of Thessaloniki is being built on strong foundations, with short-term and long-term objectives and it is now clear that the city is becoming a hub in the Southeastern Europe, linking the region's emerging economies.

The tangible results of the initiatives being undertaken are already visible in most of everyday life sectors. However, the decade to come is crucial for the city, since it must now increasingly focus in adopting and implementing European standards and in fostering conditions for sustainable stability and prosperity.

If we were to describe the future for the broader area of Thessaloniki, this would mainly be based on in-

novation and balanced development, in the framework of planning that takes into consideration all the new challenges and the opportunities that arise in a European and international level and can be started from here and expand all around it. The goal for the next generation is to work intensively towards progress and economic cooperation, cooperation in the development of regional infrastructures, trade and culture.

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### USEFUL LINKS

[Municipality of Thessaloniki  
www.thessalonikicity.gr](http://www.thessalonikicity.gr)



## Special Thanks to:

- Hellenic Parliament
- Prime Minister's Office
- Ministry of Interior, Public Administration and Decentralisation
- National Centre for Public Administration and Local Government
- Ministry for the Environment, Physical Planning and Public Works
- Ministry of Rural Development and Food
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