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MANUFACTURING IN GREECE AND ITS DEVELOPMENT TREND THROUGH THE FINANCING OF SUBSIDIZED EUROPEAN PROGRAMS AND THEIR IMPACT ON THE GREEK ECONOMY

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Abstract

The European Union plays a very important role in promoting regional development, competitiveness in the Member States, innovation and a range of strategic funding initiatives. Over the last 20 years, the Peloponnese region in Greece has benefited significantly from these programmes, particularly in the manufacturing sector. This work aims to examine the contribution of European programmes to the economic transformation and development of the Peloponnese, focusing on the manufacturing industry in the region.

European programmes play a crucial role in the transformation of the manufacturing sector in the Peloponnese region, providing financial support and promoting a culture of innovation and sustainability, where these programmes have enabled significant economic growth. The region continues to benefit from European Union funding and is well positioned to achieve further growth and competitive advantage in the global market.

Manufacturing is a key sector in many national economies and contributes to sustainable economic growth. At the same time, it is a sector sensitive to domestic and external shocks that lead to fluctuations in the business cycle. Changes in the economic development of countries have a strong impact on employment, employee compensation and the number of hours worked in the manufacturing industry.

One of the main questions in the regional economic literature is why certain economic activities are concentrated in a certain number of regions. This question is also important as cities and regions have experienced structural changes. According to Imbs et al. (2012), the evolution of sectoral specialization at the country level reflects the common dynamics of local and global processes, while structural transformation is associated with systematic changes in the geographical dispersion of activities.

In the literature of development economics, countries that are able to diversify from agriculture to manufacturing and services manage structural change as developing countries. Furthermore, when labor and other resources are shifted from less productive to more productive activities, the economy grows.

The size and structure of the manufacturing industry, as well as changes in this structure towards knowledge- and technology-intensive activities that create higher value added, have an impact on the rate of industrial growth and sustainable economic growth. They also affect the specialization of production, productivity, competitiveness, quality and volume of exports. Any inefficient operation

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and reduction in the value added created by a country's manufacturing industry require changes in the production structure. If the changes are effective, they increase both productivity and output, while rapid and properly implemented changes in the structure modify the results and have an impact on basic performance. The main drivers of structural change in the manufacturing industry are investment, innovation, technology, know-how, and efficient use of resources (UNIDO, 2013).

Keywords: Peloponnese, European Programs, manufacturing sector
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Theoretical Framework

Manufacturing industries are industries that transform goods, but also involve the repair and installation of industrial equipment and subcontracting work for third parties. The industrial manufacturing sector, as well as the metals and packaging sectors, are largely affected by globalization and the economic downturn in Europe, while emerging markets pose new challenges in terms of competition and opportunities for growth.

The manufacturing industry is a key sector in many national economies and contributes to the creation of sustainable economic growth. At the same time, it is a sector that is sensitive to domestic and external impacts that lead to fluctuations in the business cycle. In recent years, the manufacturing industry has undergone rapid changes. Rapid technological developments and globalization processes create new types of goods and services and new types of business models for their delivery.Changes in the economic development of countries have a strong impact on employment, employee compensation and the number of hours worked in the manufacturing industry.

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The manufacturing sector in Greece and in Peloponnese

The Peloponnese peninsula in southern Greece covers 21,439 km² (16.2% of the total Greek land area) and is inhabited by 539,535 inhabitants according to the 2021 census (ELSTAT, 2021). The Peloponnese Region produces 4.5% of the gross value added according to 2019 data (ELSTAT, 2022) https://www.statistics.gr/el/2021-census-res-pop-results

The region has a strong manufacturing base, significant agricultural production, but the majority of activities are in services including tourism, which has potential for

growth given increasing public and private investment. In 2009, the service sector dominated the economy (especially retail and wholesale trade, tourism and transport services), accounting for 65.9% of regional GDP. Industry and manufacturing contributed an additional 27.6%, with the manufacturing sector becoming increasingly important. Emerging sectors in the Peloponnese Region are energy (production of refined petroleum products, coke production, lignite mining and stockpiling, electricity generation and distribution), processed foods (production of tobacco products, processing and preservation of fruits and vegetables), and the production of metal products (Reid et al., 2012).
Table 2-4 presents a SWOT analysis for the Peloponnese Region, where it appears that one of the Region's strengths is its strong manufacturing base.

Table 2-4. SWOT analysis for the Peloponnese Region

Strong points	**Weak points**
Proximity and good transport connections to Athens	Overall low R&D intensity and non-existent business R&D investment
Advanced infrastructure networks	Traditional structure of the economy based on small, low-tech companies
Natural resources (including energy production)	Low level of ICT diffusion
Strong manufacturing base	Low level of science-business collaboration
Increasing the level of human resources for science and technology	Lack of innovation culture in businesses
Opportunities	**Threats**
Strengthening the competitiveness of agriculture and tourism and increased focus on quality (e.g. green products)	Economic specialization in low-tech sectors (agriculture)
Support for the dissemination of ICT	Competition from the low-cost economy
Improved support for upgrading the technological capacity of SMEs	

At a time when the Greek economy is recovering and showing a slow but steady growth trend, the Greek manufacturing sector is attempting to recover from the effects of the pandemic and return to growth, facing fundamental development challenges. The future of the manufacturing sector in Greece depends on businesses that are willing to embrace and adapt to both sustainable development and digital challenges. Market data has shown that the industrial manufacturing sector in particular must transform existing business models, work environments, values, processes and technologies in order to remain competitive and thrive in an ever-changing world, while maintaining its value (KPMG, 2023).

The Institute for Economic & Industrial Research (IOBE 2020) Study attempts to quantify the multiplier effect of manufacturing activities on the Greek economy. More specifically, it measures the direct, indirect and induced impact of the manufacturing sectors on the economy in terms of GDP, employment, and contribution to tax revenues. Despite the downward trend in the share of manufacturing in the Greek economy, which until 2016 was only 8.8% of its total gross value added, the multipliers remain significant. More specifically, 31% of Greek GDP (almost 55 billion euros) comes from manufacturing. For every €1 of manufacturing value added, a total of €3.1 is created in the Greek economy. Around 31.3% of total employment in Greece can be related to manufacturing (1.24 million employees). For every €1 million in turnover in manufacturing, around 22 new jobs are created, while for every new job created in manufacturing, a total of 3.5 jobs are created in other sectors of the economy. More than 250 thousand jobs in wholesale and retail trade and around 150 jobs in the primary sector are essentially financed by the manufacturing sectors. Thus, even after a long and deep recession, the multipliers of manufacturing in the Greek economy remain significant.

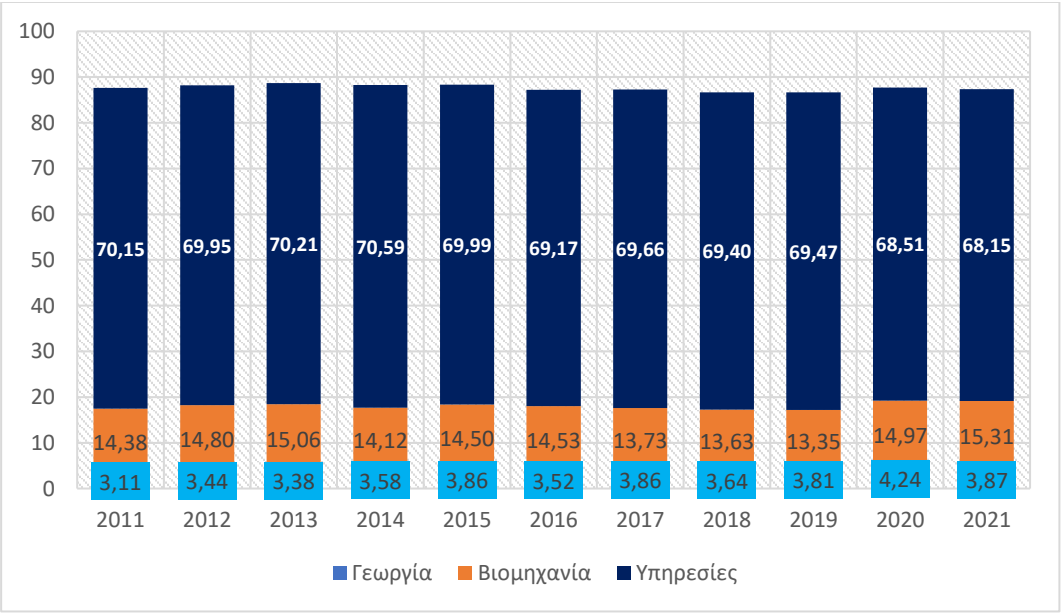


Chart 2 1 Greece: Percentage of GDP distribution among economic sectors (2011–2021)

Source: Statista (2023)

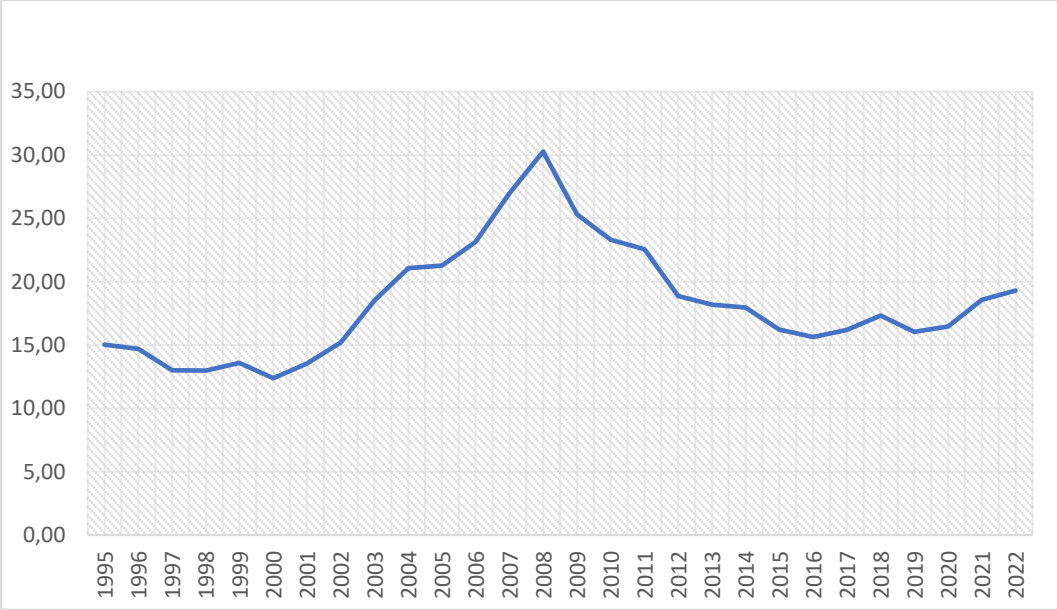
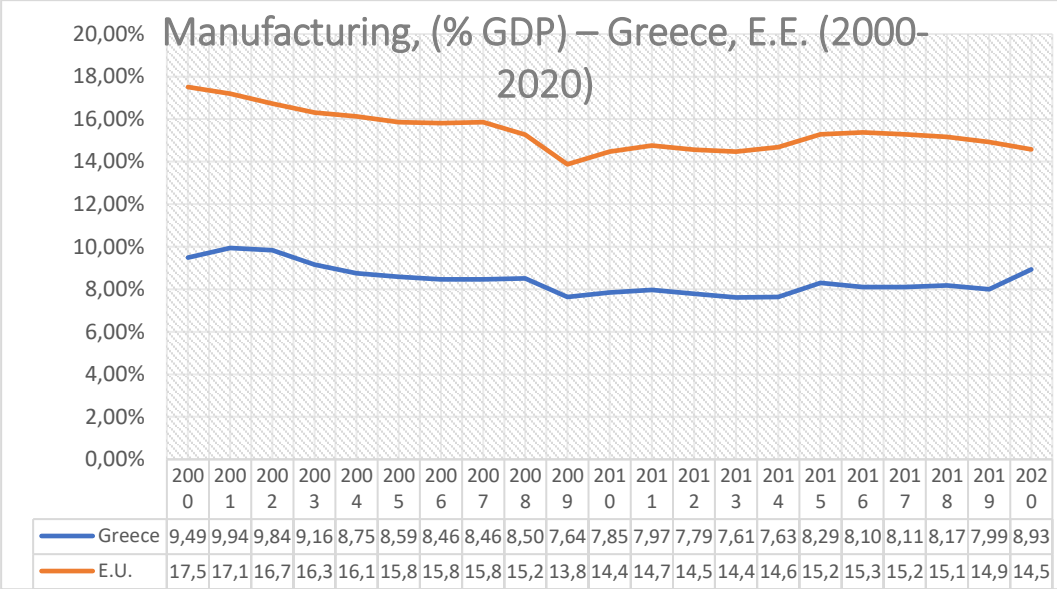


Chart 2 4 Manufacturing Production, Greece (1995–2022)

Source: Macrotrends (2023)

The manufacturing sector in Greece, despite its smaller share in the economy compared to the European average, continues to play an important role and has a significant impact, both in terms of economic production and social cohesion, due to strong multiplier effects.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Greece	9,49	9,94	9,84	9,16	8,75	8,59	8,46	8,46	8,50	7,64	7,85	7,97	7,79	7,61	7,63	8,29	8,10	8,11	8,17	7,99	8,93
E.U.	17,5	17,1	16,7	16,3	16,1	15,8	15,8	15,8	15,2	13,8	14,4	14,7	14,5	14,4	14,6	15,2	15,3	15,2	15,1	14,9	14,5

Figure 1. Manufacturing sector in Greece and in EU countries

Source: World Bank (2022)

Contribution of Subsidized European Programs

The main research objective of this proposal is to investigate the contribution of the programs to the economy, through the implemented approved investment proposals submitted during the period under review 2000–2020. The secondary research objective is to examine the requirements created through the incentive to obtain additional points in order to approve a proposal, setting parameters such as energy saving, environmental protection, elements of innovation in the production and administrative process.

Evaluating the European Union's financial programs, the study focuses on some major European Regional Support Programs such as, the 3rd Community Support Framework (CSF) (2000–2006) as well as the National Strategic Reference Frameworks (NSRF) (2007–2013) and (2014–2020). The findings show that by supporting the main objectives of these funding programs, the actors involved can enable sustainable social and economic development in the poorest European neighborhoods in order to achieve the average prosperity of the European Union.

More specifically, the NSRF Programs in the manufacturing sector target the following fields (EPAnEK, NSRF 2014-2020):

- Enhancing the competitiveness of Greek businesses in the domestic and international markets through investments.

- Moving manufacturing activity towards sectors and products with higher added value.
- Development of opportunity entrepreneurship and establishment of new businesses in the manufacturing sector.
- Strengthening the role of manufacturing services in the production system, focusing on investment plans to strengthen the presence of Greek manufacturing companies in the domestic and international market.
- Development of new products or product diversification towards high value-added sectors with a focus on the upgrading, standardization, and certification of Greek products.
- Improving the business base in sectors that are lagging behind or operating under outdated forms of entrepreneurship.
- Development of innovation and new technologies.
- Maintaining existing jobs and creating new jobs in the businesses being established.

Conclusion

The lessons and successes achieved in the Peloponnese can serve as a model for other regions that wish to reap the benefits that the European Union offers through integration and support. It focuses on innovation, sustainability and competitiveness, while continuing to thrive and contribute significantly to the economic development of Greece. Future programmes should continue to address the specific needs of the region, while ensuring that the manufacturing sector remains a key driver of economic growth [1]. In conclusion, the European Union's commitment to regional development through various funding programmes has a profound impact on the Peloponnese.