1

1000 N7A 5-10

NAME OF AUTHOR/NOM DE L'AUTEUR

LEONIDAS TERAPSIDIS

TITLE OF THESIS/TITRE DE LA THÈSE

THE POLITICAL ECONOMY OF GREECE'S RELATIONS WITH

THE EUROPEAN COMMUNITIES IN A MEDITERRANEAN PERSPECTIVE

UNIVERSITY/UNIVERSITÉ

NORMAN PATERSON SCHOOL OF INTERNATIONAL AFFAIRS, CARLETON UNIVERSITY

DEGREE FOR WHICH THESIS WAS PRESENTED/

GRADE POUR LEQUEL CETTE THÈSE FUT PRÉSENTÉE

M.A. in International Affairs

YEAR THIS DEGREE CONFERRED/ANNÉE D'OBTENTION DE CE DEGRÉ

1979

NAME OF SUPERVISOR/NOM DU DIRECTEUR DE THÈSE

PROF. M. DOLAN

Permission is hereby granted to the NATIONAL LIBRARY OF
CANADA to microfilm this thesis and to lend or sell copies
of the film.

L'autorisation est, par la présente, accordée à la BIBLIOTHÈ-
QUE NATIONALE DU CANADA de microfilmer cette thèse et
de prêter ou de vendre des exemplaires du film.

The author reserves other publication rights, and neither the
thesis nor extensive extracts from it may be printed or other-
wise reproduced without the author's written permission.

L'auteur se réserve les autres droits de publication; ni la
thèse ni de longs extraits de celle-ci ne doivent être imprimés
ou autrement reproduits sans l'autorisation écrite de l'auteur.

DATED/DATE

1979/01/14

SIGNED/SIGNÉ

PERMANENT ADDRESS/RÉSIDENCE FIXE

38, OLYMPOU ST, THESSALONIKI, GREECE

NOTICE

The quality of this microfiche is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

If pages are missing, contact the university which granted the degree.

Some pages may have indistinct print especially if the original pages were typed with a poor typewriter ribbon or if the university sent us a poor photocopy.

Previously copyrighted materials (journal articles, published tests, etc.) are not filmed.

Reproduction in full or in part of this film is governed by the Canadian Copyright Act, R.S.C. 1970, c. C-30. Please read the authorization forms which accompany this thesis.

**THIS DISSERTATION
HAS BEEN MICROFILMED
EXACTLY AS RECEIVED**

AVIS

La qualité de cette microfiche dépend grandement de la qualité de la thèse soumise au microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

S'il manque des pages, veuillez communiquer avec l'université qui a conféré le grade.

La qualité d'impression de certaines pages peut laisser à désirer, surtout si les pages originales ont été dactylographiées à l'aide d'un ruban usé ou si l'université nous a fait parvenir une photocopie de mauvaise qualité.

Les documents qui font déjà l'objet d'un droit d'auteur (articles de revue, examens publiés, etc.) ne sont pas microfilmés.

La reproduction, même partielle, de ce microfilm est soumise à la Loi canadienne sur le droit d'auteur, SRC 1970, c. C-30. Veuillez prendre connaissance des formules d'autorisation qui accompagnent cette thèse.

**LA THÈSE A ÉTÉ
MICROFILMÉE TELLÉ QUE
NOUS L'AVONS REÇUE**

- 1 -

The Political Economy of Greece's Relations with
the European Communities in a
Mediterranean Perspective

by

Leonidas Tezapsidis, M.A.

© November 1978 by Leonidas Tezapsidis

A Thesis submitted to the Faculty of
Graduate Studies and Research in partial
fulfilment of the requirements for the degree of
Master of Arts
in International Affairs

The Norman Paterson School of International Affairs
Carleton University
Ottawa, Ontario
Canada
27 November 1978

The undersigned hereby recommend to the Faculty of Graduate Studies and Research acceptance of this thesis, submitted by Leonidas Tezapsidis, in partial fulfillment of the requirements for the degree of Master of Arts.

John H. Sigler, Director,
The Norman Patterson School of International Affairs

Michael B. Dolan,
Supervisor

ABSTRACT

In order to understand the rationale of the Greek Association and forthcoming full membership in the EEC, this paper examines the motives of both parties. For the Community, the second enlargement - which includes Greek accession - is part of Western Europe's wider political and economic interests in the Mediterranean - its traditional *mare nostrum*. Greece's interest in integration is more ambiguous considering that past experience has shown less-developed countries to benefit less than their more developed partners. A range of other motives determines its interest in the Community, not the least of which are political considerations and the high opportunity costs of not joining. In spite of certain economic costs, membership would consolidate the status quo internally, and aid from the Community would ease economic adjustments which would have to be made, given the post-war economic strategy. In addition, Community policies in the Mediterranean have increasingly limited the options open to Greece.

TABLE OF CONTENTS

INTRODUCTION		1
CHAPTER I	EUROPEAN NORTH AND SOUTH: A SYSTEMIC ANALYSIS	4
CHAPTER II	THE EUROPEAN COMMUNITIES AND THE MEDITERRANEAN BASIN	21
	Table 1 - EEC Trade Relations (1971) with the Mediterranean Countries	28
CHAPTER III	GREEK POLITICS AND FOREIGN POLICY ISSUES IN THE POST-WAR YEARS	36
	Table 2 - Inflows of US Capital to Greece (1947-54)	37
CHAPTER IV	THE GREEK ECONOMY	70
	Table 3 - Capital Inflows to Greece Under Law 2687/53	77
	Table 4 - Average Annual Rate of Increase in Manufacturing Production 1950-75	78
	Table 5 - Growth of Real GDP and Productivity in Greece and EEC-9	80
	Table 6 - Invisible Earnings	83
	Table 7 - Percentage Distribution of Capital Formation (1963-72 Average) at 1963 Prices	85
	Table 8 - Area, Population, Density and Income by Region	86

CHAPTER V	THE ATHENS ASSOCIATION AGREEMENT AND ITS IMPACT ON THE GREEK ECONOMY	93
	Table 9 - Greek Exports by Main Areas	112
	Table 10 - Greek Imports by Main Areas.	112
	Table 11 - Evolution of External Trade	115
	Table 12 - Greek Exports to EEC-6 and Rest of the World by Commodity Groups	120
	Table 13 - Greek Share of EEC-6 Industrial Imports in 1963/5 and 1973/5	121
	Table 14 - Numbers of New Firms (S.A. & Ltd.) in Greek Manufacturing	123
CHAPTER VI	FULL MEMBERSHIP IN THE CONTEXT OF THE COMMUNITY'S SECOND ENLARGEMENT	129
	Table 15 - Industrial Exports to EEC-9 by Spain, Portugal and Greece	136
	Table 16 - Firm Size, Labour Force, and Value Added in Manufacturing (1970)	144
	Table 17 - Competitive Position of Greek Manufacturing	152
	Table 18 - Ad Valorem Duties on Selected EEC and Greek Industrial Imports in 1975	154
	Table 19 - Place of Agriculture in Greek Economy	159
	Table 20 - Comparison of Greek Support Prices and EEC Common Prices	164
	Table 21 - Main Agricultural Markets of Greece, 1974	170
CHAPTER VII	ALTERNATIVES TO FULL MEMBERSHIP	172
CONCLUSIONS		183
LIST OF REFERENCES		185

INTRODUCTION

On July 9, 1961, after two years of intensive negotiations, the Athens Association Agreement was concluded between the European Economic Community and Greece.

The objective of the Agreement was to promote the continuous and balanced strengthening of trade and economic relations between the Parties, while taking full account of the need to ensure an accelerated development of the Greek economy, and to improve the level of employment and the living conditions of the Greek people.

(Secretariat of the Council of the European Communities, 1975 : 4)

It envisaged a customs union, the harmonization of agricultural policies, financial aid and other steps that would ensure Greece's "progressive integration into the entire fabric of Community life" (European Communities, *Bulletin*, 1976b : 7), thus paving the way for eventual accession.

It was on July 15, 1975, that the Greek government officially applied for full membership in the Communities, a request that was accepted in principle by the Council of Ministers in February 1976, and that led to the opening of negotiations in September of the same year.

The eagerness for such economic association-integration, between a group of highly industrialized countries and a developing nation like Greece would seem to be on shaky

grounds, at least as far as economics is concerned. Theoretical analysis (Myrdal, 1957), and experience from European and Latin American schemes, have shown that economic integration will most benefit units which are at much the same level of development; "the integration of an underdeveloped country with another at higher level of development, will not assist, but may hinder the more backward economy" (Mikesell, 1963 : 221). On the other hand, those who have advocated the Association-Full membership options argue that Greece will benefit on both political and economic levels.

Considering the above, we feel that in order to understand the rationale and motives of the Association-Full membership decisions, it is necessary to examine the political economy of Greece's relations with the Community in the wider context of post-war political and economic developments taking place both within Greece and the Mediterranean area of which it forms a part, and the Community itself.

In Chapter I we examine, at a systemic level, the long-term post-war trends characterizing the Western European System, and especially the development of its relations with what Nikólinakos (1977) calls "European South"; i.e., the ensemble of peripheral political economies of the Mediterranean Basin which have been closely linked, economically and politically, with the leading industrial European nations. This is followed in Chapter II, by an analysis of the Community's Mediterranean Policy, focusing especially on the, often divergent, short-term interests of the individual EEC member states.

Having provided the essential historical setting, and the broader interests and needs of Western Europe in the Mediterranean, the remaining chapters proceed with a detailed examination of the Greek political economy and her relations with Western Europe, in the context of internal and external developments. More specifically, in Chapter III we examine the evolution of Greek foreign policy and relations with the EEC from the negotiations for Association in the late 1950s, through to the 1970s culminating with the application for full membership in 1975. In Chapter IV, Greece's external relations are placed in perspective by a discussion of the economic strategy pursued during the post-war period, and the main economic problems facing the country as a result of this strategy. Chapter V assesses the evolution of relations between the Community and Greece under the Association, and attempts to determine the distribution of costs and benefits among the various sectors of the Greek economy. In Chapter VI, we examine the prospects of Greece within the Community, taking into account the global aspects of the EEC's forthcoming second enlargement. Finally, Chapter VII attempts to critically evaluate alternatives to full membership open to Greece, given the economic strategy pursued in the post-war period, and the balance of political and social forces currently prevailing in the country.

CHAPTER I

EUROPEAN NORTH AND SOUTH : A SYSTEMIC ANALYSIS

In this section, we shall define the "North versus South" problem in Europe, and describe the new forms that it has taken and is likely to take, as a result of certain economic, social and political developments in the world and in Europe, in particular.

In our context, the "European South" comprises, not only Southern Europe proper, but also the other countries of the Mediterranean Basin (Nikolinakos, 1977); moreover, the "European South" or Europe's periphery is a dynamic concept: in the past, it consisted of the mainly agricultural South European countries, and colonies or protectorates in the Middle East and North Africa. Since the early 1960s, however, its borders have started moving further southwards,¹ a tendency confirming its importance for the economy and politics of Western Europe. This recent southward expansion seems to be the result of certain postwar developments in Europe and in the Mediterranean area: the industrialization, to a certain extent, of the Southern European States, the collapse of colonialism, the establishment of socialist regimes in Eastern

1. Yaounde I and II (1964, 1969), and Lome Convention (1975); trade and aid agreements with former colonies in Africa, the Caribbean and Pacific (ACP).

Europe and the Balkans, and the structural changes occurring within the countries of W. Europe themselves.

The "European South" in a Historical Perspective

Pre-Second World War Period

The EEC has negotiated a series of so-called "Association Agreements", by which a number of countries are able to claim privileges in trade, and also sometimes in aid, as Associated States of the Community. The very language reflects the underlying notion of a relatively weak client state being granted certain privileges derived from a special historical relationship with a more powerful metropolitan centre. It was intended for the relatively underdeveloped countries of Southern Europe and the Mediterranean, and for former colonies in Africa.

(Shonfield, 1973 : 59)

It is important to examine the concept of the "European South" in a historical perspective, and in relation to its economic and political role; one way is to perceive it in terms of the needs of the European system regarded as a whole. The basic hypothesis that we shall be making here, is that the "European South", looked upon in a "metropolis-satellite" framework, has developed as an important, inseparable element of the European economic system, for historical, economic, political, and geographical reasons (Coppens, 1972 : 139). The countries of the Mediterranean Basin, forming part of the "European South", can be divided into two groups:

(i) Countries of the northern littoral (Southern Europe): Portugal, Spain, Greece, Turkey and Yugoslavia; all these countries have been independent, at least since the 19th century.

(ii) Countries of the southern littoral, that were once colonies of the W. European powers: Algeria, Morocco, Tunisia, Syria, Lebanon (France); Cyprus, Malta, Israel, Jordan and Egypt (UK); Libya (Italy).

An analysis of the commercial relations between these two groups, and each of the leading nations in Europe - France, Britain, Germany - in the period before the Second World War, shows that without a single exception, the former countries have played the same fundamental role: suppliers of raw materials and agricultural products on one hand, and markets for the industrial products of the developed European countries on the other.

Greece, for instance, although legally an independent state since 1828, was practically (until 1939) under the political and economic control of the W. European Powers, a 'pawn' in their power games in the Eastern Mediterranean. Her great dependence on foreign loans,² and the traditional composition of trade typical of an underdeveloped country, led her to bankruptcy in 1893, and partial default in 1931. In 1937, exports covered only 62.8% of total Greek imports (despite tight import controls), and were directed mainly to Germany (31%), United States (16.5), Britain (9.6). Even more significant was the dependence on exports of few luxury crops,

2. Greece found herself in deep debt after the War of Independence (1821-27), mainly to foreign creditors in Britain and France. Continual wars with Turkey led to a further deterioration of her financial position; in 1893, the control of the country's public finances was taken over by an "International Control Committee", comprising representatives from Germany, Britain, France, Austria, Russia and Italy.

absorbed by a small number of countries,³ which could thus take advantage of their bargaining position, and manipulate the country politically (for instance, Nazi Germany in the 1930s).

The cases of Spain and Portugal, old-time imperial powers, did not differ in essence from the Greek case, in the early 20th century, although their colonies allowed them greater flexibility, as far as import sources and export outlets were concerned.⁴

This unequal structure of trade relations was even more evident in the case of colonies and dependencies of the Southern littoral of the Mediterranean Basin. France, for instance, was the main trade partner of Syria and Lebanon; almost the sole supplier of goods for Algeria, Morocco and Tunisia.⁵

It is also worth mentioning the case of Egypt, whose

3. In 1937, tobacco accounted for 44.5% of total exports (Germany absorbing 42% of it), currants and sultanas 12.4% (UK 50%, Germany 20%), olives 6% (US 30%, Italy 20%), minerals 6% (Germany 35%). (Great Britain, 1944b).

4. In 1933, Spain's exports (66.5% foodstuffs and wines, 7.8% manufactures), were directed mainly to the UK (23.3%), France (19.6%), and Germany (8.8%). (Great Britain, 1944c). Portugal's exports in 1937, covering only 52% of her total imports, were directed to the UK (21.5%), her colonies (12.9%), Germany (10.8%), and France (10.2%). (Great Britain, 1942b).

5. Seventy-five per cent of Algeria's imports came from France in 1938, while 84.2% of her exports were directed to the French market. For Morocco, the figures (for 1937) were respectively 34.5% and 45%; for Tunisia, 66% and 60% in 1937. (Great Britain, 1944a, 1942a, and 1945 respectively).

cotton was of prime importance for Britain; growing debts to European creditors resulted eventually in foreign intervention not only in the economic, but also in the political affairs of the country.

In summary, the countries of the Mediterranean Basin, forming part of Europe's periphery or "European South", have been historically dominated (to a varying degree) by the leading W. European nations, both economically and politically. In the pre-Second World War period, given that the European Powers had developed a global imperial system, of which the "European South" was only a constituent part, it is rather difficult to determine the extent to which the countries of this region contributed to the development of the European capitalist system (Nikolinakos, 1977). Their very position in Europe's periphery, however, has played an important role in determining their present political and socio-economic structure, as we shall show later in the case of Greece.

Post-Second World War Period

Relations between W. Europe and the Mediterranean Countries in the post-war years have to be seen in the context of the profound changes that have been taking place both in Europe and the Mediterranean since the 1940s. The most important events, in our opinion, are the following:

1. The colonial system collapsed, with almost all colonies (incl. the Mediterranean ones) gaining their independence;
2. Britain, France and Germany were forced to give up their

leading world position to two new poles of power outside Europe, the US and the USSR;

3. Most Balkan states and all the Eastern European Countries (formerly under W. European political and economic influence), were forced to accept the USSR's protection. On the other hand, the US presence in W. Europe and the Mediterranean was consolidated; the countries of W. Europe pulled themselves together,⁶ and the European Communities were created under the auspices of the US in 1957;

4. European Capitalism itself has undergone profound structural changes (since World War II) that have created problems for the individual nation-states:

the dramatic improvement in communications ... and also the huge concentrations of corporate power in the hands of international businesses, taken together, demand the establishment of a new dimension of international public power.

(Shonfield, 1973 : 16)

As a result of this internationalization of capital in the early 1950s⁷ (mainly US firms transferring operations to Europe), the

6. According to Caporaso (1974 : 148), "the process of European recovery and subsequent economic integration were part of a comprehensive Western response to the beginning of the Cold War. This response had three components: there was a political-strategic component, manifested in a containment policy; a regional security policy, represented by NATO; and an economic component, reflected in the Marshall Plan, and later, the ECSC and EEC. Thus Europe was launched in response to political changes in the global environment and was subsequently to reflect changes in that environment."

7. In the post-war period, direct foreign investments constitute the main type of international capital (portfolio investments in the pre-war years); for the case of Greece, see Freris (1976 : 13).

European capital is forced to expand outwards, in order to benefit from economics of scale, and compete with US multi-nationals.

5. The Southern European countries (Spain, Portugal, Greece), have gone ahead, since the mid-1950s, with their industrialization strategies which are based primarily on the importation of foreign capital.

According to Nikolinakos (1977) and Tsoukalis (1977), the last two factors mentioned above have been the driving force behind the gradual southward expansion of the "European South". In the rest of this Chapter, we shall show how the above post-war developments have given a particular economic importance to the countries of the Mediterranean Basin, for the W. European system as a whole.

European Interests in the Mediterranean

There are at least five fundamental elements reinforcing the economic importance of the Mediterranean Basin for Western Europe (Nikolinakos, 1977 : 163):

1. The need for investment outlets;
2. The need for new markets;
3. The need for labour supplies;
4. The need for oil, as a source of energy; and
5. Needs of military and political nature.

In the section that follows, we shall examine these elements in detail.

1. Investment Outlets.-- The Mediterranean area, as an economic area for investments by European capital, has to be looked upon in the light of (a) US competition within the European markets, and (b) the emerging new international division of labour in the region. The increasing concentration of capital in Europe (through mergers, joint ventures, etc.) - her only defensive weapon to counter the "American Challenge" of the technologically more advanced US multinationals⁸ - has made it necessary for European firms to expand to new markets.⁹ At the same time, there is a clear tendency in recent years for European capital to concentrate at home, in the high technology-intensive lines of production (electronics, machine-tools, aeronautics, etc.) and to "transfer" to less-developed countries, relatively labour-intensive operations (textiles, clothing, electrical appliances, etc.), or industries with high environmental costs (iron and steel, certain chemicals). As we shall see in later chapters, these developments have been welcomed by the South European countries, and have considerably contributed to their industrialization programs; Spain and Greece, in particular, have attracted most direct foreign investments in the area, mainly because of their relatively developed infrastructure, proximity to European markets, large (in terms of purchasing power) local markets and various

8. On the US-European competition, see Servan-Schreiber (1968) and Mandel (1970).

9. Partly to benefit from economies of scale, and partly to move into more profitable operations.

incentives offered to foreign capital by their governments.

2. Importance of the Mediterranean Basin as a Market for European Exports.-- The Mediterranean area forms a market of considerable size and rapid expansion for the EEC¹⁰ (Papa and Petit-Laurent, 1976 : 270). The intensification of economic ties that has taken place in the past twenty years seems to have resulted from the trade agreements concluded between the EEC and the Mediterranean countries, and also from economic developments in the latter countries themselves, i.e., rapid industrialization and expansion of capital goods imports.

The Mediterranean Region represented in 1971 an outlet for the EEC, more or less equal to that of the US market, while in 1974 (after the oil price increase), that of North America and Japan together (or 9.2% of all EEC exports, including intra EEC-9 trade). During 1958-73, the Community's trade with the Region increased faster than that with the rest of the world, although slower than intra-EEC trade; in 1958, intra-EEC trade accounted for 30% of total EEC trade. In 1966, 1970 and 1973, the figure was, respectively, 44%, 49% and 53%. The 1973 enlargement (accession of the UK, Denmark and Ireland) has resulted in an intensification of trade relations within the Nine, while the forthcoming second enlargement (entry of Spain, Greece and Portugal) is likely to favour the present Community's industrial exports to Southern Europe.

10. See Table 1 (p. 28) on trade relations between the EEC and the Mediterranean Countries.

3. Need for Labour Supplies.-- The rapid growth of W. Europe in the post-war period resulted in severe labour shortages, made more acute by unfavourable demographic developments. Importation, therefore, of skilled and unskilled workers from the Mediterranean became a normal procedure for the leading W. European countries, especially in the 1960s. By the end of 1974, there were 6.5 million foreign workers in the EEC, originating in their vast majority from the Mediterranean Region.

Certain observations should be made at this point:

- (a) Had it not been for the ability of the Western European countries (mainly Germany, France and Benelux) to draw on the large pool of surplus labour in the Mediterranean Region, their economies would have run into capacity constraints.¹¹
- (b) Despite its economic benefits for the labour importing countries, immigration has created some serious problems; the existence of a depressed proletariat living in poor conditions and not integrated with the native population has led to acute social pressures and tensions which can be ameliorated only with substantial expenditure on social infrastructure (Yannopoulos, 1976 : 134).
- (c) The labour reserves of the South European countries themselves (Greece and Spain, in particular) are gradually exhausted, because of their own industrialization process, and the relatively low rate of population growth (0.4% per annum for

11. 'It has been estimated that without imported labour, the annual rate of increase in industrial production in W. Europe would have been one to two per cent lower: 4-5% instead of the actual 6% for the EEC during 1960-70. (Yannopoulos, 1973).

Greece, 1.1% for Spain, and 0.6% for the Community, during 1961-71). Future Western European needs for labour supplies will be satisfied increasingly by countries of "second degree of proximity", such as Turkey, Yugoslavia and North Africa. (Gt. Britain, 1978 : 171).

4. Need for Oil, as a Source of Energy.-- In 1974, 18.5% of the Community's oil imports originated from the Mediterranean (12.0% from Libya and 5.1% from Algeria). However, the Mediterranean Basin is important for Europe, not so much because it is a significant oil producing area, but because a substantial part of Middle Eastern oil is transported along its shipping routes (Tsoukalis, 1977 : 424). Western Europe's dependence on Arab oil became even more apparent during and after the 1973 Arab-Israeli War which resulted in the oil-embargo by the Arab oil-producers. The problem of secure oil supplies, essential for the expansion of the European economy, was one of the main reasons behind the opening of the Euro-Arab Dialogue in 1974.

5. Strategic and Political Interests.-- The strategic importance of the Mediterranean Basin for Western Europe and the West, in general, is hard to exaggerate; the Mediterranean provides the link with the Middle East and Africa, i.e., with sources of oil and other raw materials. The direct and indirect involvement of the West in the crises of Cyprus (1954-9, 1964, 1967 and 1974), Suez (1957), the Arab-Israeli conflict since 1948 and the Greco-Turkish disputes, underlie first, the

region's strategic importance and second, the fact that it is considered by the West as being under its sphere of influence.

On the political plane, the desire to promote a stable regional order which would safeguard the security of its southern and south-western flanks, has played a part in shaping the Community's policies in the region. The political objective was explicitly stated by the former Commission President, R. Malfati, in 1972.

- It is difficult for us to understand why there is criticism of the Community's policy in the Mediterranean area. It is clear that such association agreements are the first step toward an increased European presence in the Mediterranean area, as a factor for equilibrium and peace.
(European Communities, *Background Information*, 1972 : 15).

Moreover, certain political developments in the early 1970s, in Southern Europe, have increased Western European concern; the Community cannot remain indifferent in the face of the new realities emerging in its southern flank, where the growth of left-wing forces in recent years may create problems for the West, because of the "interpenetration between internal political evolution in the South European countries and the political development of the EEC, as a whole" (Siotis, 1978 : 58).

In general, it is difficult to consider strategic interests separately from the economic interests of Europe and the United States, which would be endangered if control of the area were lost.

History has shown that (strategic and military interests) are subjugated to other objectives, which have been usually economic ones. It is only because these economic interests are often long term ones and thus less obvious,

that we get the impression that action is taken for military purposes. Strategic interests become more meaningful when looked upon in a more general economic framework.

(Nikolinakos, 1977 : 170)

European and American Interests in the Mediterranean

-- Coincidence or Divergence

Given the efforts of many Mediterranean countries to increase their economic and political ties with Western Europe as a means of escaping from the 'grip' of the two superpowers, it is important to examine briefly the extent to which the long-term interests of W. Europe and the United States coincide or diverge in this part of the world. We have already seen that the idea of a United States of Europe (formed in their own image) had a powerful attraction for the Americans after World War II. The Cold War in the 1950s made the US an enthusiastic supporter of European integration, which could be used against Soviet expansion. In the beginning at least, the European Communities were considered as the counterpart of NATO, and the EEC moves to extend relations to Turkey and Greece in the late 1950s and early 1960s were actively encouraged by the Americans, who were concerned about the security of the highly volatile Eastern Mediterranean Region.

During the 1950s, when the US gradually undertook the role of the guardian of the Western System, behind tariff walls and, ironically, with the help of US capital inflows through the Marshall Plan, Western Europe witnessed rapid rates of economic growth, which continued through the 1960s. The

southward expansion of European capital (partly the result of US competition within W. Europe), strengthened its position in the countries of the "European South", and opened new markets in Africa and the Near East. The systematic build-up of privileged trading arrangements by the EEC in the 1960s caused grave concern in the United States, which now saw in the EEC a dangerous competitor in world markets. The Kennedy Round for tariff reductions was partly the result of the US response to the growing power of the EEC, at a time of increasing difficulties for the US economy; it can also be viewed as an effort to persuade the Community to pursue a more liberal, outward-looking trade policy:

... although every American President since World War II has been supportive of European integration, this support was always contingent upon the assumption that an integrated Europe would be an open, expansive concern rather than an exclusive club.

(Cáporaso, 1974 : 153)

Were these indications that the EEC was in the process of becoming an independent force, a "superpower-in-the-making"? (Galtung, 1973). In the early 1970s, years of growing difficulties for the United States (because of its declining dollar, military failures in South East Asia, Watergate scandal, etc.), it was all too rational to underestimate the US power vis-a-vis the rest of the world (Western Europe included), and to overestimate the economic capabilities of the EEC and the "ability of European leaders to take advantage of the opportunity to become more independent" (Galtung, 1978 : 76). The

oil crisis in 1973 unveiled some of W. Europe's weaknesses, namely overdependence on insecure energy sources and her inability to follow a common and independent line on foreign affairs. Certainly, the Community is a big economic power, and her external relations with the Mediterranean, African, Caribbean and Pacific countries make her look even bigger from the outside; her external policy, however, is restricted so far, mainly to trade and economic aid. What is more important, the stronger countries in particular have tried to maintain as much flexibility as possible in their foreign policies, which have often been closely aligned with the United States (Tsoukalis, 1978 : 23). After all, it should not be forgotten that the Communities depend militarily on the US, which has the advanced technology and military capability to halt Soviet penetration in both Europe and the EEC's former colonies (Saridis, 1978 : 27).

What is then the Mediterranean Policy of the United States in the late 1970s, and how does it view a further enlargement of the EEC that would include the countries of Southern Europe? The basic objectives of US foreign policy in the Mediterranean have remained the same as before, according to Campbell (1975 : 606):

1. Maintain naval superiority vis-a-vis the Soviet Union;
2. Strengthen NATO to counter any challenge from the Soviet Union;
3. Support those allies which are in the most exposed position (Turkey and Greece);

4. Encourage Yugoslavia's independent stand vis-a-vis the USSR;
5. Contain and reduce the gains made by the USSR in its relations with the Arab States in the Mediterranean's Eastern and Western shores; and
6. Protect and strengthen Israel.

Although the goals remain the same, the style of US foreign policy has changed considerably; now the US is keeping a much lower profile, and is encouraging the European Communities to play a more active role, *outside Europe*; for instance in Africa and the Middle East, where the US needs most their support (Simonet, 1978 : 8). There are certain areas, in which Europe, as a 'Civilian Power', can provide and promote more stability, through social and economic development. The American view, in general, is sympathetic towards the notion of a unified, common EEC foreign policy, so long as it does not come into sharp contrast with US policy. The second enlargement, therefore, could be seen as an event welcomed by the US, as it would (1) cope with the emerging communist threat in Portugal, Spain and Greece, (2) it would strengthen NATO,¹² and (3) it would, inevitably, dilute the cohesiveness of the EEC (and would diminish the chances of the EEC emerging as a competing super-power), since it would have to absorb the relatively less developed countries of Southern Europe.

Differences have emerged, and will continue to exist between the EEC and the US, mainly in the economic sphere; for

12. "... if developments in the Community should work to strengthen NATO, there could only be applause in the US." (Economic Community, 1976 : 5).

instance, discrimination against US products, resulting from the Communities' Mediterranean Policy. This, however, should not conceal the broader coincidence of long-term interests in the military, economic and political fields. Europe's special relations with African and Mediterranean countries contribute to the political stability of these countries and prevent Soviet penetration; as Tindemans, the Belgian Prime Minister has pointed out in an interview:

thanks to these relations, we can develop a good influence in these countries ... If Europe were absent from these countries, or if Europe had not the economic influence, other countries could take the place of Europe, and 'other countries', does not always mean the US ...

(European Community, 1976 : 7).

CHAPTER II

THE EUROPEAN COMMUNITIES AND THE MEDITERRANEAN BASIN

The Community's Mediterranean Policy

In Chapter I, we showed the importance of the Mediterranean Countries for the economy, politics and security of W. Europe, in both the pre- and post-Second World War period.

In Chapter II, we shall examine the specific steps that the Communities have actually taken towards a Mediterranean Policy. Such policy has not been easy to formulate (despite the benefits it would confer to the Community members), for the following main reasons:

- (i) the diverse short-term interests of the various Community members which often neutralize common initiatives;
- (ii) the lack of a mechanism for political cooperation among the Nine; and
- (iii) the heterogeneity of socio-economic and political structures of the countries forming Europe's periphery (Siotis, 1978 : 67).

Stage I -- 1959 - 1972

From 1959 (opening of negotiations with Greece) until 1972, the Six founding members of the EEC signed agreements with

twelve out of the seventeen countries of the Mediterranean Basin.¹³ These ranged from complicated Association Agreements (Greece and Turkey) to commercial agreements of a non-preferential character (Yugoslavia).

Despite the long negotiations with the various M.C.s (and the stakes involved), the EEC members were unable during this period to agree on the basic goals and general principles upon which a Community policy for this area would be based; Shlaim (1976 : 81) agrees that this rather uncoordinated, step-by-step approach is in part explained by the flimsy foundation which the Rome Treaty provided for dealing with the countries of the area.¹⁴ Moreover, the agreements were negotiated at different stages in the evolution of the Community, when the process of economic integration was in a formative stage; the so-called Mediterranean Policy evolved not out of a clear role which the Community defined for itself, but as a "response to the array of external pressures, to which the original member states had to reach as best as they could". (Henig, 1971 : 64).

The foreign policy-making system of the Community constitutes a further factor which has a bearing on the Mediterranean Policy. The main feature of this system is the artificial division between external economic relations (low politics),

13. Greece (1961), Turkey (1963), Israel (1964), Yugoslavia, Morocco, Tunisia, Spain (1970), Malta (1971), Cyprus, Egypt, Lebanon, Portugal (1972).

14. The Rome Treaty only includes the possibility of association with countries which have been historically linked to the Member States, i.e., ex-colonies.

which fall within the jurisdiction of the Community organs, and "pure" foreign policy (high politics), which remains the "province" of the member states, which have set up a loose intergovernmental framework of political cooperation (Davignon framework) outside the Community machinery. As Shlaim (1976 : 82) points out,

the extremely tenuous links which connect the Community institutions with the Davignon framework militate against the formulation of a coherent and integrated external policy which encompasses the economic and political dimensions into effective action by the Community's institutions.¹⁵

Stage II -- 1972 and After

Aware of the shortcomings of the policy towards the Mediterranean Basin, in September 1972 the European Commission submitted to the Council of Ministers its proposals for a Global Mediterranean Policy.¹⁶ These included three basic elements:

(i) the gradual reduction of tariffs and creation of a Free Trade Area for industrial goods between the Community and each Mediterranean Country;¹⁷

15. On this topic, see also Henig (1971), Tsoukalis (1977), Edwards and Wallace (1976), Soldatos (1978).

16. The Global Mediterranean Policy would cover all countries in the Mediterranean, plus Jordan (with the exception of Greece, Turkey - already Associate Members, and Portugal - member of the EFTA).

17. The tariff reductions would be reciprocal only in the case of the more industrialized LDCs of the area (Spain, Israel); this can be seen as a response to pressure from the US, which objected to agreements between the EEC and LDCs, based on reverse preferences.

(ii) The reduction of duties on agricultural exports by the Mediterranean Countries, although free trade in agricultural products was not envisaged, because of the existence of the EEC's Common Agricultural Policy (CAP); and

(iii) Cooperation in fields such as industrial development, technology, science, education, environmental protection, as well as coordination of policies for labour movements.

Apart from the basic long-term interests discussed in Chapter I, there were more reasons for initiating such policy, created by the very evolution of the European integration process:

(i) It was becoming increasingly evident, since the mid-1960s, that the CAP was benefiting the farmers of Northern Europe more than their Southern counterparts. There was pressure, therefore, by Italian and French farmers, for a Global Policy towards their Mediterranean competitors, which would take consideration of their interests, avoiding the "anarchy and confusion characterizing the first decade of agreements" (Siotis, 1978:62-3).

(ii) The enlargement of the Community (accession of the UK, Ireland, Denmark in 1973), automatically created the need for new agreements and protocols.

(iii) The new initiative can be seen as an effort to strengthen certain EEC organs and especially that of the Commission and the European Parliament, which had always been eager to introduce political considerations in the EEC-Mediterranean relation (Marinos, 1973; Siotis, 1978 : 62-3).

Evolution of the Global Mediterranean Policy

The first directives for future negotiations within the framework of the Global Policy were presented by the European Commission at the end of June, 1973; since then, old and new trade agreements have been concluded, under the new policy: Israel (1975), Tunisia, Algeria and Morocco (1976), Malta, Cyprus, Lebanon, Egypt, Syria and Jordan (1977) and Yugoslavia (under negotiation at the time of writing). Yet, despite the extension of trade agreements to almost all the Mediterranean Countries (15 out of 17, the exceptions being Libya and Albania), what has come out of the Global Policy so far is quite different from what had been envisaged by the Commission. First, in view of the heterogeneity of the Mediterranean Countries,

... it would be wrong to place too much emphasis on the word 'global' unless one simply meant that the Community undertook to conclude cooperation agreements, the contents of which would differ, although the ultimate objective would be the creation of a free trade area between the two sides.

(Tsoukalis, 1977 : 435)

Second, the Global Policy has literally been overrun by current events; the 1973 Arab-Israeli War and the subsequent oil embargo made W. Europe's energy dependence more apparent than ever before. In the beginning of 1974, in a climate dominated by the change in the balance of power (in favour of the Arab States), the Euro-Arab dialogue started, with France and Algeria being the main forces behind this development, involving the Community on one side, and the countries of the Arab League

on the other. The purpose of this dialogue is closer cooperation between the European and Arab countries, in the fields of energy, trade, science and technology, and financial aid.¹⁸

Finally, the prospect of a further enlargement of the Community in Southern Europe has turned its "Global Policy" mainly into a policy towards the Arab countries of the area, plus Israel. This, according to Tsoukalis (1977 : 437) and Siotis (1978 : 60), would institutionalize the clear distinction which already exists in both political and economic terms, between the northern and southern tier.

Mediterranean Interests of Individual Community Countries

The political and economic importance of the Mediterranean countries for the EEC members varies widely, in the short run, between the Southern and Northern European countries (although this does not alter the overall long-term coincidence of interests, described in Chapter I). In order to comprehend the complexity of current events, our analysis will focus on the level of the individual member-States.

Italy.-- Being totally Mediterranean, she has considerable strategic and economic interests in the area. After unification and throughout the fascist period, Italy's Mediterranean Policy

18. Until now (1978), very little concrete has come out of the Dialogue; blows to the negotiations have been the creation, in 1974, of the International Energy Agency (IEA) at the instigation of the US, in which the EEC countries (except France) are participants, and the signing, in May 1975, of a trade agreement with Israel.

could be described as an attempt to develop a 'power' policy; after the Second World War, however,

economic needs (i.e., participation in the Marshall Plan) and political requirements (opposition to Communism and Fascism) prompted Italy's entry into the Atlantic Alliance. The choice of a European and supranational orientation, once made, was maintained consistently.

(Silvestri and Aliboni, 1972 : 499-500)

At present, the predominant position in Italy of agricultural interests, textile industries and small and medium-sized manufacturers, is a factor pushing increasingly towards a protectionist economic policy, rather than towards an "opening" to the Mediterranean.

Strategic interests: Italy is very sensitive to security issues, because of her proximity to the communist-dominated Balkans, and turbulent North Africa. The future of Yugoslavia, after Tito's departure, is particularly worrying, as the two countries share borders (Petit-Laurent, 1976 : 85-8).

Economic interests: As Table 1 shows, Italy is the third largest exporter to the Mediterranean among the EEC-9 (after Germany and France). Particularly impressive has been the rate of increase in her exports to the area during 1960-71 (both to the North and South Mediterranean markets).

France.-- The second Mediterranean country of the present Community with interests similar to Italy's.

France in the era of de Gaulle and Pompidou, was the only European nation to articulate a Mediterranean Policy, compensating for the reduced world role, by fostering the concept of a Mediterranean Community, with France as its natural leader.

(Campbell, 1975 : 622)

TABLE 1

EEC TRADE RELATIONS (1971) WITH THE MEDITERRANEAN COUNTRIES (M.C.s)

(Percentages)

	IT	FR	GER	UK	NETH	BEL/LUX
Exports to M.C.s/Total Exports (incl. Intra EEC)	12.0	12.3	7.9	8.0	4.0	4.2
Imports from M.C.s/Total Imports (incl. Intra EEC)	7.2	7.2	6.9	6.1	3.9	3.2
Increase in Exports to M.C.s (1960-71)	+300	+ 30	+255	+178	+231	+190
Increase in Exports to North M.C.s	+360	+240	+320	+270	+342	+123
Increase in Exports to South M.C.s	+240	- 20	+123	+ 86	+114	+201
Share of EEC-9's Exports to M.C.s	17.8	22.4	30.1	17.5	5.5	5.2
Exports to North M.C.s/Exports to M.C.s	67.3	47.0	77.1	66.8	68.5	65.0
Exports to Spain, Greece, Portugal/ Exports to M.C.s	32.9	36.9	44.9	46.6	52.2	46.4
Exports to South M.C.s/Exports to M.C.s	32.7	53.0	22.9	33.2	31.5	35.0

Source: Data calculated from Papa and Laurent (1976)

Agreement, however, with her EEC partners on a common policy for this area, has always been difficult for two reasons, mainly: (i) the existence in France (as in Italy) of powerful, in terms of electoral weight and influence, interest groups of farmers and small industrialists reinforces protectionist tendencies; (ii) France's desire to adopt a bilateral approach on important issues (such as relations with former colonies, relations with the Arab countries, arms sales, access to energy sources, etc.), is hardly compatible with the position of the other members of the Community, which

... have for a long time now reaffirmed their solidarity with the US, participated actively in NATO, supported Israel, and confirmed their oil policy with that of the major US oil companies.

(Petit-Laurent, 1976 : 83-4)

Britain.-- Her interest in the area is much more of a political nature, and her position towards the Mediterranean countries has been taking into account political and strategic considerations. As Table 1 shows, she is far more interested in the northern shore (especially Spain), as far as trade is concerned.

Britain, while advocating a liberal policy (towards the area), has reservations about proceeding towards a major regional role, and urges a cautious approach, which carefully considers all possible political and strategic consequences, and especially the reaction of the US.

(Shlaim, 1976 : 85)

Benelux.-- Despite the absence of a direct interest in the region, the Benelux countries have contributed actively towards the elaboration of a Global Mediterranean Policy (especially as their economies are not affected, to any great

extent, by the "opening" to Mediterranean products). Since the late 1960s, there have been many Belgian initiatives for improving relations with the Maghreb countries; the Netherlands have also been playing an important role, especially with regard to Southern Europe, since 1972.

Germany.-- Until the late 1960s, she was not very involved in the Mediterranean; her interests (both economic and political) lay in the countries of Southern Europe, especially Spain and Greece. In the South Mediterranean, there were efforts to maintain cordial ties with both Israel and the Arab States. Despite the economic significance of the region for Germany (highest share in EEC-9's exports to the area), there has been a lack of originality in her Mediterranean approach (in contrast to France and Italy). The main reason for this, according to Elsenhans (1978), has been the rather different order of the Republic's foreign policy priorities; more specifically, the predominance of the Atlantic option, due to her dependence on the US for nuclear protection.

Since the mid-1960s and early 1970s, there has been much greater interest in the area, mainly for the following reasons:

- (a) *Militarization of the Mediterranean*, with the massive entry of the Soviet fleet;
- (b) *Political evolution of Europe's periphery*; W. Germany, like the United States, is more preoccupied with the development of the electoral potential of the Eurocommunists (Italy and Spain, in particular), than any of the other EEC countries;
- (c) *New international division of labour*; proportionately,

there is high representation of German firms moving their operations to Southern Europe (see Greek case, in Chapter V); and

(d) *Security of oil supplies*, like the other European partners; the problem of higher oil prices after 1973, however, has not affected Germany as much, because of her "healthy" balance of payments position (competitive exports, capital inflows attracted by the stability of the Deutsch mark).

Divergent Attitudes Towards a "Common" Mediterranean Policy

We have already pointed out some of the differences between the EEC members on the conduct of the Mediterranean policy.

Relations with the US.-- Should the Community pursue an 'independent' policy in the region, or subordinate it to her Atlantic option?

Energy policy.-- Should the Community pursue an autonomous energy policy and closer relations with the Arab States, or protect her interests through the International Energy Agency?

Freer trade in the Mediterranean.-- How 'open' should the Mediterranean Policy be? We shall examine this question briefly here, having in mind the long-term trends characterizing the European System (and described in Chapter I).

We have seen that freer trade with the periphery is being promoted by the EEC, with the purpose of opening W. European markets to industrial and agricultural products (more precisely, agricultural produce, raw materials and light industrial goods),

under a regime of free competition, and thus creating a process of transferring relatively labour-intensive operations (and technology) to the periphery.¹⁹ It is hoped that this process will re-establish an allocation of resources and activities according to their real costs, at the same time "... helping the economic nationalisms of the Third World to overcome the obstacles to development (and halt the growth of left-wing forces)" (Elsenhans, 1978 : 206).

This 'opening' of markets, however, is creating, at present, grave problems in some EEC countries, given the unequal specialization of production within the Community itself; in other words, the impact of the new international division of labour in the Mediterranean Region, on the European economies, varies according to each country. Germany, for instance, specializes mainly in production requiring very high technology, and is thus able to absorb increases in labour costs easily, without endangering her international competitiveness, through increased productivity. This is not true for France, Italy and, in some sectors, Britain, whose efforts for restructuring (moving out of 'declining' industries) are much more painful, because of the high employment in traditional sectors (such as textiles, clothing, shoes, etc.), where LDCs are competitive because of lower labour costs.

19. According to the Economic and Social Committee of the ECs (1977 : 22) "as part of industrial cooperation (with the Mediterranean Countries), the Community has agreed to promote industries set up at the instigation of its partners in their countries, by injecting capital and know-how, and also by opening up its market to products exported by these industries".

Also, liberalization of trade will affect much more Italy's and France's regions, than the ones in Germany or Benelux, as there is evidence that proportionately more firms from the latter countries have internationalized their production, both in South Europe and in other Third World countries (Elsenhans, 1978 : 208).

Finally, there are structural differences between the Southern European members of the present Community (France, Italy) and their Northern counterparts (Germany, UK, Benelux), as the former countries industrial and agricultural production (mainly 'Mediterranean products') force competition more from *outside* the Community.

The above reasons explain why Germany, the Benelux countries and Britain (in agricultural goods especially) want an 'open' Mediterranean policy, while France and Italy prefer a more 'protectionist' approach.²⁰

Importance of EEC for the Mediterranean Countries

We have examined so far, at both the systemic and national level, the interests and objectives of the Western European nations in the Mediterranean Region, as a whole. Before proceeding with the detailed examination of Greece's relations with the Community, it would be useful to summarize

20. It must be stressed here that this divergence of opinions is a short-term one; France and Italy recognize the needs of the European System and the changes in international production; however, because of the structure of their economies, they want to prolong the adjustment period, in order to make the transition less painful.

why the Mediterranean Countries in general have been so eager to develop close ties with W. Europe in the past twenty years.

Political Importance.-- Most countries in the Region have in the past been either directly colonized or brought under the sphere of influence of France, Britain, Italy and, to a lesser extent, Germany (Chapter I). Nowadays, the area is politically and strategically dominated by the two superpowers, while the W. European countries play a secondary, civilian, role. The recent changes in the area, however, have given a new political dimension to the Community.

(i) *South European Countries:* The European Communities are seen by the new regimes as an important pole of attraction, towards which their foreign policy has been directed, and, at the same time, as a factor for political stability.

(ii) *Arab Countries in the Area:* Efforts have been made to persuade the Community to "... exercise her political influence in order to help bring about a settlement in the Middle East conflict, after the common declaration of the Nine in November 1973" (Tsoukalis, 1977 : 425).

Economic Importance.-- More than 50% of the Mediterranean Countries' exports are being absorbed by the EEC. The economies of these countries (especially the North African ones) specialize in the production of a small number of agricultural products (citrus fruits, wine, olive oil, etc.) and light consumers' goods which are usually destined for the W. European markets. This trade dependence is further enhanced, as we have seen, through dependence on W. Europe for foreign investment, financial

aid, absorption of labour surpluses, and for receipts from workers' remittances and tourism.

The impact of the Agreements has been rather modest according to most experts on the topic,²¹ given the protectionist agricultural policies of the EEC, and also the inability of the 'infant' industries of the Mediterranean countries to take full advantage of tariff reductions in industrial products.

However, taken alone, the Association Agreements do not appear to be "instruments of European Capitalism". The preservation of the political and socioeconomic structures of the Mediterranean countries is neither favoured nor imposed by the agreements. As Aliboni points out (1976 : 198),

it is rather the lack of progressive will that has induced (the Mediterranean countries) to choose association with the EEC primarily, but above all, to utilize it, as if it were the instrument for the preservation of their structures.

In the following chapters, by examining the evolution of the post-war Greek political economy (i.e., the political and social structure, economic strategy, foreign policy, etc.), we shall be in a better position to evaluate this country's relations with the nations of Western Europe.

21. See Shlaim (1976), Coffey (1976), Tsoukalis (1977), Siotis (1978), Hager (1972), Henig (1971), and Shlaim and Yannopoulos (1976) among others.

CHAPTER III

GREEK POLITICS AND FOREIGN POLICY ISSUES IN THE POST-WAR YEARS

In the present chapter, we focus on one of the countries belonging to Europe's periphery, Greece. Our analysis so far has shown that on the EEC's part, Greece constitutes only one element of her wider Mediterranean interests, and certainly not the most important one. This is not true of Greece, for which relations with the West have been the Number One issue area of foreign policy since the late 1950s.

Political Developments in the 1950s Leading to the Athens Association Agreement with the Community

Greek Foreign Policy, 1950-59

The announcement of the Truman Doctrine in 1947, at the height of the Civil War in Greece (1944-49), providing financial and military aid to the weak British-supported Greek Government, marked the beginning of a new era in Greece's relations with the West. While until then she had been within the British sphere of influence, now she came under the political and economic protection of the United States, which replaced after the War, the W. European nations, as the indisputable power in Europe's traditional 'mare nostrum', the Mediterranean.

Like W. Europe before, American policy in regard to Greece,

has been only incidentally a policy towards the country as such. Although it was during the years of internal political instability (1940-50) that the US increased and deepened its commitment in Greece, this was more of a response to developments in the Cold War in Europe and in the Near East. According to Vatikiotis (1974 : 54),

there have been global considerations in American policy such as the containment of Communism, and the guarding of a sphere of influence against the encroachments of the rival superpower, the Soviet Union, by employing a panoply of alliances, bases and subsidiary arrangements throughout the world. Greece has been one of these arrangements.

The US involvement in Greece's internal affairs was actively encouraged during these years by the Right in Greece (represented by the Liberal and Populist parties) which, especially during 1944-49, was fighting for its survival against the Left, largely represented by the war-time resistance movement and supported by the neighbouring Communist States. US support, as Table 2 shows, was equally crucial after the end of the Civil War in 1949; the pre-war social edifice in Greece was largely disarticulated: a large part of the former grande bourgeoisie shared the fortunes of the ruined middle classes.

TABLE 2

INFLOWS OF US CAPITAL TO GREECE (1947-54) (in US \$)

Years	47/48	48/49	49/50	50/51	51/52	52/53	53/54
Economic Aid	197.1	243.9	288.5	285.0	181.0	81.2	22.4
Military Aid	<u>189.4</u>	<u>158.7</u>	<u>22.5</u>	<u>83.0</u>	<u>59.3</u>	<u>121.3</u>	<u>95.2</u>
Total	386.5	402.6	311.0	368.0	240.3	202.5	117.6

Source: Bank of Greece, cited by Psilos (1968 : 61)

With unemployment reaching unprecedented levels, economic stagnation, rapid inflation (sustained through a policy of protectionism), and devaluation of the national currency (seven times during 1945-53), the potential dangers for the future of the established classes in Greece were grave, indeed.

The initial US support of the Liberal governments during 1944-50, and encouragement of reform as a means for countering communism, changed dramatically after the outbreak of the Korean War in 1951. In 1952, US support was withdrawn from the Liberal Coalition in power, and there was open pressure by Ambassador Peurifoy for the introduction of majority voting that would favour the newly-formed right-wing National Rally party, headed by Field Marshal A. Papagos (former military commander of the government forces in the Civil War). Discussing the role of the Americans during this period, Woodhouse (1968 : 262) writes

the Americans played an important role in bringing Papagos in power. Since their purpose was to contain the influence of communism, they let it be known that they disapproved of coalition governments (Peurifoy). They would not support the Centre parties given their divisions and their distrust of the King and of the domestic role of the Greek army which supported him ... Papagos was different. With his supporters, he was adamantly opposed to communism.

In late summer 1952, the Liberals resigned, after passing the majority electoral system, which helped Papagos win in the October 1952 elections 239 seats (out of 300) in the Parliament, with 49% of the vote. Soon afterwards Greece joined NATO, while in October 1953, an agreement between the US and Greece allowed the former to use the country's roads and railways, to build

and operate military bases and to quarter their personnel in Greece with rights which amounted to extraterritoriality. In August 1954, the Balkan Pact (a military alliance to counter any Soviet aggression) was signed by Greece, Yugoslavia and Turkey, with the encouragement of Washington.

We have seen so far how internal Greek politics in the immediate post-war period dictated and shaped Greek foreign policy, and how that, in turn, influenced internal economic and social policies: Anticommunism and the Civil War drove the Right and Centre to a close association with the Western Alliance and, especially, the United States. There was a clear loss of sovereignty, but, on the other hand, both NATO and the Balkan Pact offered an assurance from possible northern attack. Moreover, given the shortage of capital after the destruction of ten years of war,²² the country depended on US capital for the expansion and modernization of the manufacturing sector, and also on invisible earnings from shipping and workers' remittances, for covering the growing balance of trade deficit. The State was heavily involved in the industrialization process, not to the detriment of private initiative, but, as a complementary actor (see Chapter IV for more details). Clearly, the policies pursued in the domestic and external fronts, were consistent at this stage. What came to disrupt this equilibrium, was the highly emotional *Cyprus question* in the early 1950s.

22. Most money-holders preferred the security of Swiss Banks, to channelling their capital to productive activities in Greek manufacturing or agriculture.

The island, 80% inhabited by Greek Cypriots and 18% by Turkish Cypriots, had been under British rule since the late 19th century; demands by the Greek majority (encouraged by mainland nationalists) for enosis (union) with Greece met with stiff opposition by the British, who desired to retain a base in the Eastern Mediterranean after the impending evacuation of the Suez Canal Zone, and opposed any act that would displease Turkey, a strategically important NATO partner.

Under pressure from the public opinion, the Papagos government decided to internationalize the Cyprus problem, by bringing it up at the UN in August 1954, thus marking the first deviation of Greek foreign policy away from its traditional (Western) alignment. Clearly, the Greek foreign policy, demanding on one hand, enosis (with all its consequences for the Atlantic Alliance), and on the other, participation in NATO and other Western institutions, was inconsistent. It was pursued, however, for the following reasons (Woodhouse, 1968 : 271-2):

- (1) In Greece there was almost universal sympathy for the Greek Cypriot nationalists, coupled with disappointment and frustration at the Western allies (mainly the US and UK), who opposed the Greek initiatives at the UN.
- (2) The end of the Civil War had not produced the expected benefits, and public attention had to be diverted away from the slack economy, and into the external scene.

On October 5, 1955, A. Papagos died, and was succeeded by the unknown until then, Minister of Public Works,

K. Karamanlis, a US favourite, given his close association with American officials in his ministerial capacity. In February, 1956, the newly-formed ERE party (indistinguishable from its predecessor, "National Rally"), won the election under the Karamanlis leadership (165 seats and 47.3% of the vote); at the same time, the Cyprus problem deteriorated, as Cypriot Archbishop Makarios was exiled by the British to the Seychelles Islands.

During the years 1956-58, there was an oscillation of Greek foreign policy, explicable only by the "agony of mind" which the dispute caused. In the relations with the *West* there was disillusionment with NATO (explained by the open impatience of the NATO countries with Greece, both in the UN forum and within the Alliance). There were talks of broadening the country's options, through closer ties with the other *Balkan States* and *Eastern Europe*, in general. In the Balkans, diplomatic relations were renewed with Romania (although a Romanian proposal, in September 1957, to enlarge the Balkan Pact, by the admission of Romania, Bulgaria and Albania, was rejected by Greece). In 1957, and early 1958, the Greek government undertook an unusually wide range of diplomatic initiatives in many fields "all having at least one object in common: to widen and shift the basis of Greece's international relations" (Woodhouse, 1968 : 276-77). Trade Agreements were signed with the USSR, Poland and Japan; commercial negotiations started with Egypt and Yugoslavia (with speculation about the formation of a Belgrade-Athens-Cairo axis of non-aligned nations);

there were official visits to Lebanon, Spain and Sudan; and finally an agreement with Bulgaria on frontier questions.

The basic line of the Government's foreign policy, however, did not change; Karamanlis held firmly that Greece should not desert the Western Alliance on which its security and economic prosperity depended. In his opinion, unrealistic policies, based on "ambiguous notions of equal friendship with East and West" (advocated by his opponents), could result only in the country's isolation. Greater pressure to settle the Cyprus question should, therefore, be exerted from *within the alliance than from without*.

The elections of May 1958, produced an increased majority in Parliament for the ruling party ERE (171 seats, out of 300), despite the fall in its share of the popular vote (down to 46% from 47.3%). More striking, however, was the fact that the new opposition party was EDA (United Democratic Left), a communist-dominated alliance of left-wing forces,²³ with almost one quarter of the vote and 79 seats in Parliament (only nine years after the military defeat in the Civil War, and despite State repression of the Left in the following years).

The Cyprus issue, and dissatisfaction with the government's handling of the problem, was certainly one reason for the above political developments; more important, however, was the relatively poor state of the Greek economy. Despite the overall economic growth and monetary stability (see Chapter IV), there

23. The Greek Communist Party (KKE) was outlawed in 1947, and legitimized again, after the junta fell in 1974.

was much discontent over: the unbalanced prosperity, especially evident in the cities (growing inequality of income distribution); the urban unemployment, rural underemployment, depressed wages; and the widening regional disparities, in income especially, despite the heavy migration from rural to urban areas (or probably because of that, insofar as it led to further stagnation of the depopulated areas).

The election results were seen, therefore, as a reaction against the established Western Alliance and, what is more important, against the *free market economic system*, associated with it. By whatever means, it was now essential that ERE should remain in power (security checks on the political reliability of public servants became more strict). Also, the importance of the Western Alliance as a guarantor of internal security required a settlement of the Cyprus dispute.

The oscillations of Greek foreign policy during 1956-8, gave way to a far more pragmatic and consistent policy by the Karamanlis government on all issue areas (Cyprus, West, Balkans and Eastern Europe).

Cyprus.-- By the end of 1958, all the parties involved were interested in a settlement of the dispute, although for different reasons:

Greece: because of the growing strength of the Left and the capitalization of the Cyprus issue.

Cyprus: Archbishop Makarios feared that the UK might force a partition of the island, if no solution would be found quickly.

UK: the Cyprus bases proved of minor importance during the Suez Crisis of 1957, due to the lack of deep water harbour facilities.

US: it was important to end the schism in NATO (given the Russian threats over Berlin and the revived Cold War).

Turkey: adamantly against Cyprus's 'enosis' with Greece.

On February 5, 1959, in Zurich, a formula providing for Cyprus's independence was accepted by Karamanlis and Menderes (the Turkish Prime Minister), and signed two weeks later in London, with the UK, Greece and Turkey guaranteeing Cyprus's new constitution.

Relations with the West.-- With the ending of the Cyprus dispute, Greece's relations with her Western allies became normal again. Representatives of the NATO powers were speedily welcomed back to Athens in 1959; an agreement on nuclear weapons was signed with the USA, while the Royal Navy and Air Force paid official visits, for the first time in many years; finally, there was a renewal of friendly exchanges with Turkey.

Relations with the East and Non-Aligned Countries.-- The Greek government's flirtation with the Communist, non-aligned and ex-colonial States, was quickly terminated.

-- Relations with the USSR returned to their normal state of frigidity (with harsh press exchanges between Krushchev and Karamanlis).

-- President Nasser's government of Egypt proved to be a disappointment, as Greek nationals living in that country were

forced to leave without adequate compensation.

-- The Balkan Pact was officially announced defunct in 1960, while relations with Yugoslavia became "civil rather than friendly" (Woodhouse, 1968 : 287).

Greek Application for Associate Membership
of the EEC-Political Motives

The end of hostilities in Cyprus and the way the problem was settled in Zurich and London won little domestic credit for Karamanlis (drop of the demand for union, by Greece); in fact, he was faced with strong opposition in parliament. It was then decided (1959) by the Greek government to apply for *Associate Membership of the newly-created European Economic Community* (established by the Treaty of Rome in 1957). The political advantages²⁴ to be derived from such a move would be enormous, both in the short and long run:

-- In the short-run, it would gain political support for ERE; the previous dependence on one country, the United States, for military and economic aid (which had been criticized by political opponents as excessive and nationally humiliating), would be exchanged for,

24. For a detailed discussion of the likely *economic* advantages and disadvantages of the Association, see Chapter V.

association with a powerful and extensive economic alliance, which, in the popular imagination, had brought immense prosperity and prestige to its members.²⁵

(Campbell and Sherrard, 1968 : 319)

-- The long-term political advantage, however, would be the enmeshing of Greece in a complex of obligations and alliances, which would make it extremely difficult for any succeeding government with neutralist beliefs to change. The new agreement would link Greece to yet another powerful Western institution whose members, already related in the NATO alliance, would have an additional interest in the political and financial security of the country.

EEC Reactions to Greek Application for Associate Membership

The Greek government formally requested Association under Article 238 of the Treaty of Rome, in a note dated June 8, 1959, and it immediately met with an enthusiastic response. On July 25, 1959, the Council referred to the links binding Greece to the Six, and charged the Commission with exploratory talks with the Greek government. Negotiations started on March 21, 1960, and on July 9, 1961, the Association Agreement between the EEC and Greece was signed in Athens, becoming effective on November 1, 1962.²⁶

25. A general election was conveniently called by the government for October 1961, after the signing of the Association Agreement, in July 1961. This fact, together with the international tension over Berlin, rumours and alleged discoveries of communist plots at home, and widespread fraud during the elections, led ERE to victory (176 seats, 50.8% of the vote) and the Left (EDA) to electoral disaster (only 24 seats, down from 79 in the previous elections).

26. For details on the negotiations, see Henig (1971), Weil (1970), Moussis (1969).

The reasons for such quick and favourable response by the EEC to the Greek request are now clear after the analysis of the long-term tendency of the European System to expand outwards (Chapter I), and of the individual interests of the various EEC member States²⁷ (Chapter II). Here we should add, however, the eagerness of the Community in the late fifties, to conclude swiftly its first agreement with a country belonging to its periphery, at a time when the OEEC free-trade-area talks had broken down, and, in some quarters, the EEC was blamed for splitting W. Europe. "An Association agreement with one of Europe's economically weaker countries seemed a suitable gesture of goodwill." (Henig, 1971 : 72).

On their part, the Americans played an active role in the agreement; "they (the Americans) encouraged, if not instigated it, because it formed part of their defensive strategy against Soviet influence" (Papa and Laurent, 1976 : 278; also Laurent, 1976 : 58). The Association Agreement would strengthen the cohesion of NATO, it would consolidate the political regime

27. According to Moussis (1969) "for de Gaulle's France, Greece was a part of Europe from the Atlantic to the Urals. For the Benelux countries, the eventual addition of more countries meant lessening of the danger for a Franco-German directorate controlling the Community. For Germany, Greece was quite important for economic and defence reasons". Misgivings, in France and Italy, by certain interest groups (see Chapter II) were voiced for the first time in the mid-1960s, when the Community began opening its markets to outside competitors.

of the country,²⁸ and would help solve the Cyprus question by internalizing it within the Alliance. The European Community, on the other hand, was only too pleased to take a chance to consolidate the United States' general support for it, in its rivalry with EFTA; the Greek accord offered a tangible possibility for W. Europe to enhance its own prestige.

Summary.-- Greece's Association Agreement with the EEC can be understood only if it is placed in the context of the time at which it was negotiated -- that is, at the time when the Cold War was at its height, and the Soviet push towards the Mediterranean was beginning to assume disquieting proportions.

Given the character of the Greek dominant classes after the Civil War, and their policy of alliance with the West through NATO, with its domestic counterpart of "repressing or harassing left-wing movements" (Campbell and Sherrard, 1968 : 319), Association with the EEC appeared to offer many advantages. As Woodhouse (1968 : 298-99) points out:

The disenchantment with the West, which accompanied the Cyprus dispute, gave a temporary stimulus to efforts for improving relations with the Eastern European Countries ... But the economic and military dependence of Greece on the US was a hard fact that would not be overcome in the foreseeable future ... The Western partnership was still the accepted formula for the Greek government.

28. After ten years of industrialization, and despite the improvement in infrastructure and the increase in incomes, (1) private investment in manufacturing was inadequate, (2) exports were stagnant and predominantly composed of agricultural products. While sales of Greece's vulnerable agricultural exports to W. Europe were falling (in relative terms initially, and then absolutely), trade with Eastern European countries was flourishing (through bilateral clearing agreements). At a time when the Cyprus problem was dividing NATO, these developments caused grave concern to the Americans.

Political Development in the 1960s and 1970s
Leading to the Application for Full
Membership of the Communities

Greek Foreign Policy During 1960-68

In the early 1960s, Greece continued to play her role as one of the smaller states in the Western European-Atlantic orbit. The external policy pursued was consistent with that of the Western Block.

The two general issues were opposition to communism (policy of military vigilance within the NATO alliance), and economic expansion (within the Association framework, which would lead eventually to political integration with W. Europe). These two goals and the means by which they could be achieved were not seriously challenged in Greece, as the two main parties, ERE and Centre Union (formed in 1961), both supported NATO membership and integration with Europe. "Despite the opposition of the Left, the Association had never become a domestic political issue of any importance." (Yannopoulos, 1975: 16). Apart from the above two general issues, other special issue areas, due to Greece's geographic and historical position in the Eastern Mediterranean, were Cyprus, the Middle East, and the Balkans. (For more details, see Xydis, 1972).

Cyprus.-- We have seen that a "solution" was found to the Cyprus problem in 1959-60,²⁹ whereby Makarios successfully managed to maintain the island's independence, relegating union

29. Intercommunal strife continued, with hostilities flaring up in 1964 after the unilateral modification of the Constitution by Makarios in 1963.

with Greece to "the realm of sentimental national aspirations whose fulfillment is not always assured, however strongly it may be prayed for". (Xydis, 1972 : 193).

Middle East.-- The common experience of subjection to Turkey and the existence for at least two centuries of large Greek Communities in most Arab countries, coupled with the fact that Greece has not recognized Israel, de jure, has led to cordial relations with the Arabs. Arab support in the Cyprus issue was thus assured despite the fact that the Arab States and Turkey share a common faith.

Balkans.-- All differences outstanding since World War II with Bulgaria and Romania were settled, while relations with Yugoslavia became particularly cordial after Tito's break up with the Soviet Union. Only with Albania was there a dispute over the southern part of that country inhabited by a Greek-speaking minority.

Greek Foreign Policy After the Military Coup (1967-74)
and Relations with Western Europe

The foreign policy issues remained the same, although with a new complexity, given the repressive nature of the regime. The imposed martial law, the political prisoners, torture, suppression of articles in the country's Constitution guaranteeing basic human rights led to a general revulsion in the West, and especially in Western Europe against the military regime. Under the strong pressure of domestic opinion, "... there had been no choice for many European governments other than to take strongly

critical and actively hostile attitudes towards the Greek regime" (Treholt, 1972 : 210).

The Greek junta became morally and politically isolated from its Western European partners as Greece was forced to withdraw from the Council of Europe on December 12, 1969, after the issue of her membership was raised by the Dutch and the Scandinavians; also the EEC reduced dealings with the junta to 'current administration'. More specifically, after the coup d'etat of April 21, 1967, the European Commission, under pressure from the European Parliament and the public to take some action against the military, stated in late 1967, that

The Community cannot remain indifferent to the constitutional régime of a country, like Greece, which is to become a member of the Community. The events that have taken place since April 21, 1967 raise doubts which compromise the development of the Association.

(Cited in Weil, 1970 : 85)

Limitation of the Association Agreement to its 'current administration', meant the discontinuation of the evolution of the agreement with regard to the following aspects: financial aid (withholding of \$53mm of interest subsidized loans); harmonization of agricultural policies; other subjects about which no procedures were laid out in the Athens Treaty, and consequently required the decision of the Association Council at the Ministerial level.

The important questions at this stage are:³⁰

- (i) to what extent were the European Communities 'sincere' in their efforts to influence the regime through the partial suspension of the Agreement?

30. For a detailed analysis, see Coufoudakis (1977, Yannopoulos (1975), and Treholt (1972).

- (ii) how effective was the 'freezing' of the Association in affecting the Greek economy and contributing to the fall of the junta?

According to Coufoudakis (1977 : 121), the available evidence shows that

although the Community's decision may not have been motivated by a neo-Machiavelian conspiracy to use the coup as *deus ex machina* in an attempt to limit the Greek Association, it was certainly not motivated by absolute idealism as many of the speeches at the European Parliament would indicate.

During the first five years of the Agreement, there had been serious problems in the interpretation of the Treaty, that had limited the scope of the Association in areas of particular importance for Greece (mainly harmonization of agricultural policies and aid). On the other hand, the tariff dismantling for industrial products which was expected to benefit more the industrially more advanced Community went according to schedule. Therefore, while the Greek government was pressing the EEC for a change in the above situation, "the events of April 21, 1967 ... made the Community's position in this area easier to justify" (Coufoudakis, 1977 : 122). Also, the individual and collective disapproval of the Greek military regime was not followed by strict economic sanctions by the Western European nations; certainly, the \$53 million of withheld loans were of marginal importance to the military who had access to numerous US and European banks for credits. Figures on trade and investment during the period 1967-74 (see Chapter V) show that there was a rapid increase in Greece's economic relations with Europe. In general, while the political and diplomatic isolation from individual W. European states certainly reinforced the morale of

the Greek public and its resistance to the regime, the gap between rhetoric and action was very marked.

The NATO alliance and its member countries did not show great restraint in their relations with the dictatorial regime under pressure from the United States, which was from the beginning

the least unfavourable to the junta, with considerable evidence pointing to at least post factum approval and support of the coup by American services such as the Pentagon and the CIA

(Xydis, 1972 : 196)

France, the UK, and to a lesser extent, Germany, although not approving the junta because of public opinion, were also not disapproving it, given the strategic and economic stakes involved. As a matter of fact, the French government sold a number of gunboats to Greece, as well as airplanes and tanks.³¹ Germany also agreed in 1969 to build four submarines which were delivered in 1971. In June 1971, the official spokesman for the Bonn Government, C. Ahlors, indicated that even if W. Brandt (then Chancellor of West Germany) did have strong opinions about present conditions in Greece, the fact that Greece was an important ally of NATO needed to be taken into consideration in the matter of weapon deliveries to the country (cited by Treholt, 1972 : 220).

31. The German magazine *Spiegel* also reported that during the junta period, the French aluminum company, Pechiney (with substantial investments in Greece) lobbied Gaullist ministers to prevent economic measures against the Colonels (*Oekonomikos Tachydromos*, No. 1182, 30 Dec. 76 : 6 - hereafter cited as *Oek. Tach.*)

In summary, the junta's reliance on the US (now sole partner in foreign policy) became more exclusive; on the other hand, looking at Greece's relations with the EEC countries, the latter's powerful verbal reactions were not followed up on the practical (national) level with regard to matters such as trade, private investment, and military cooperation.

If there has been a choice between what has been morally right and what has been expedient, the latter has always won. Moral admiration has never been allowed to affect the self-interest of the countries involved.

(Treholt, 1972 : 225).

Special Foreign Policy Issues During 1967-74

Cyprus.-- A temporary solution was given to the 1967 inter-communal disturbances on the island following American mediation efforts. The junta's policy, however, became increasingly divergent from that of the Cypriot government, as it would prefer a Cyprus docile to Greece, to a Cyprus functioning as an independent country. It was becoming more evident in Greece and Cypriot circles, that the junta supported an "at all costs" solution of the issue, which would end with the partition of the island; a solution also favoured by the Americans, who were concerned with Makarios's moves towards the Soviet Union.

Middle East.-- Greece's role in the Arab-Israeli conflict was limited, because the junta was caught between its political, military, and economic reliance on the US - Israel's main supporter - and Greece's traditionally friendly relations with the Arab states.

Balkans.-- Despite the staunchly anti-communist nature of the regime on the domestic front, some progress was made in improving

relations with the Balkan neighbours and especially Bulgaria (due to the efforts of the two superpowers for a global detente during 1968-70, according to Xydis, 1970), and Albania (an agreement was reached establishing diplomatic relations and opening the way for commercial exchanges).

In general, during the years 1967-74, the military junta brought about an international isolation of the country, especially from Western Europe. This isolation reached its peak in July 1974, after the abortive coup against Archbishop Makarios in Cyprus, which was openly supported by the Greek military; the subsequent Turkish invasion hastened the fall of the regime (July 23, 1974) and the return of K. Karamanlis (Prime Minister during 1955-63) from Paris, to head the first post-dictatorial government of national unity.

Greek Foreign Policy After 1974 ³²

The main foreign policy objectives of the post-1974 Karamanlis governments (resulting from the 1974 and 1977 elections) have been, in order of importance, membership of the Communities, resolution of disputes with Turkey, and balanced relations with all countries, especially in the Balkans.

A. Relations with the Western World

-- Re-establishment of Close Ties with W. Europe:

For a discussion of the post-junta evolution of Greece's relations with W. Europe, see the end of this chapter.

32. Most of the information for this section has been collected from the biweekly *Greece: Background-News-Information*, issues 1976-8; also, Keefe et al. (1977).

-- Establishment of a More Balanced Relationship with the United States:

For the first time in Greek post-war history, the American position in Greece was seriously challenged as a result of the explicit US support of the Colonels' regime, and because of American inaction during the Cyprus events:

American officials had known of the Greek junta's plan to overthrow Makarios, but did not convey an effective warning to Athens to block it. After the Cyprus coup, Washington remained passive, by the time the Turkish army moved forward again, the US inaction had been well established ... The Americans were blamed by Greece for partiality to Turkey ...

(Campbell, 1975 : 612)

A new agreement between the countries, concerning the future of US bases on Greek soil, was initialled in 1977, but has not been signed yet. Despite the cooling of relations, the Greek government remains aware of the pressure that the US could exert on Turkey, for a settlement of the Cyprus problem (Keefe et al, 1977).

-- Reconsideration of Greece's Relationship with NATO:

NATO had always been considered as the cornerstone of Greece's defence against possible Communist threat. However, as we have seen in Chapter III, frustrations in the 1950s over her NATO-partners' attitudes on the Cyprus question led to strained relations within the Alliance, because of the conflicting interest of the three NATO partners, Britain, Greece and Turkey; in 1974, frustration over NATO's inaction to prevent Turkey's invasion of Cyprus and the establishment of an occupation zone comprising 40% of the island, forced the government to withdraw the Greek armed

forces from the military wing of NATO.³³

Consultations have continued ever since, and Greece submitted in January 1977 proposals for setting up a special relationship with the Alliance, which would enable her to participate in the common defence plans of NATO. Return to the military wing is made conditional by the Greek government on "a just and fair solution of the Cyprus problem".

B. Relations with Turkey have been particularly strained since the 1974 invasion of Cyprus (involving also the Aegean continental shelf and airspace issues).

On the Cyprus question, the Greek government supports intercommunal negotiations under the auspices of the United Nations.

On the Continental Shelf issue (and the oil exploration rights), the Greek government argues that talks based on international law and state practise should take place, with recourse to the International Court of Justice in the event of a deadlock.

On the Aegean Air Space issue, Greece is arguing that the internationally agreed regulations for air traffic control - laid down by the International Civil Aviation Organization and giving Greece traffic control of the Aegean airspace - cannot be unilaterally changed by Turkey.

At the time of writing, all three issues were deadlocked.

33. The withdrawal from NATO was decided under considerable pressure from the public opinion which was running high against NATO and US, tacit supporters of the military regime during 1967-74.

C. Relations with Other Countries

Balkans.-- Greece desires stability in this troubled area, especially concerned over political developments after Tito's death. An intra-Balkan Conference was initiated by Athens on January 26, 1976, but with little success, given Bulgaria's and Turkey's suspicions of Yugoslavia and Greece, respectively. They both prefer bilateral agreements (while Albania is totally opposed to the idea of a Balkan Conference).

Middle East.-- Continuation of the country's close ties with the Arab world; support of UN resolutions for the 'evacuation of Arab lands' by Israel, and 'recognition of the legitimate rights of the Palestinians'. In return, Greece receives Arab support in the Cyprus issue and has been increasing her economic ties with the Middle East and North Africa (especially after 1974).

Eastern Europe.-- friendly ties with all socialist countries (USSR, Romania, Poland, E. Germany in particular), especially in the commercial field.

Greek Application for Full Membership of the European Communities

Political Motives

As the Government of Greece has asserted publicly, it considers the country's entry into the EEC as the number one foreign policy objective. That the desire of the government is for a *fast* accession is shown by the fact that the application for full membership was under Article 237 of the Treaty of Rome, and not under Article 72 of the Association Agreement which

envisaged entry by 1984 (Kolmer, 1976 : 5); the procedure following Article 72 would have been longer, but safer than that of 237.³⁴

The main motives behind the Greek Government's rather hurried actions, and statements that "Greece belongs to the West and she wants to join the EEC at any cost", (weakening the country's bargaining power at the negotiations table), were political rather than economic (see Report of the Association Council on Proposals by the Mixed Greece-EEC Parliamentary Committee, cited by *Oek. Tach.*, No. 1130, 1 January 1976 : 9).

1. Membership has been seen in Greece, as conferring respectability on the government, strengthening the political system and undermining the position of the opposition forces "... whether left or right, civil or military ..." (Edwards, 1977 : 69). According to the former president of the Confederation of Greek Industrialists, Marinopoulos,

(Greece's) integration in Europe, will be a natural evolution as determined by its geographical position, its cultural level and its democratic aspect ... At this stage, what is needed is a link with a broader economic entity, such as the EEC.

(Cited in *The Times* (London), 27 September 1976)

Especially in the first few months after the fall of the

34. Article 237 of the Treaty of Rome states that any European State can apply for full membership of the Communities; the Commission is then required to express its opinions on the application which is subsequently accepted, or rejected by the Council of Ministers. On the other hand, according to Article 72 of the Agreement, the two parties, Greece and the EEC, would examine together, whether the functioning of the Association Agreement allowed the former to take up her full rights and obligations, as an equal member.

junta, the newly-established regime could hardly be considered as safe, given the still powerful military and the growing support for the Left (the main source of resistance during the dictatorship years).

2. Full membership of the Communities (together with the withdrawal from the military wing of NATO) would increase Greece's flexibility vis-a-vis the United States, without, however, leaving the Western Camp. According to C. Berkhofer, president of the European Parliament (in interview with *Oek. Tsch.*, No. 1078, 26 December 1974 : 9)

there is no doubt that the Greek government has left (the military wing) NATO, but she continues to stay within the Western Alliance. Desiring to exert pressure on Washington and to attract Moscow's attention, Greece is imitating what France does, in the name of 'independence'. In my opinion, it constitutes a tactical move ...

3. Greek membership of the EEC is seen as enhancing Greece's external security. The country is theoretically outside NATO, and surrounded by states ranging from hostile to neutral; with the Cyprus and Aegean disputes unresolved, with uncertainties about the future of Yugoslavia, and growing chauvinism in Turkey, the Greek leadership is deeply concerned.

Greek accession to the Community will strengthen the country vis-a-vis Turkey, in two ways (*The Times* (London), 27 September 1976): first, Turkey would find it more difficult to attack an active EEC member than a disaffected NATO partner; and second, the knowledge that Greece has the power to obstruct Turkey's relations with the Community, or even its admission (scheduled for 1995), could act as a deterrent to Turkish harassment of Greece in the Aegean or in Cyprus (see also *Financial Times*, 5 April 1977).

4. Future membership is also regarded as a means of achieving national aspirations. In Greece (as well as in Spain and Portugal) the concept of 'Europe' is important.

Their heritage, political, economic and cultural, is European ... There is, therefore, a belief that they have a contribution to make to the evolution of the Community.

(Edwards, 1977 : 71)

5. The above political arguments are strengthened by the present integration of the Greek economy into the Community, a topic that we shall examine, in detail, in Chapters V and VI.

Greece's Political Advantages from Full Membership: Evaluation

How well justified are the political benefits (referred to in the previous section) that the Greek government expects from full membership? We examine them in turn in this section.

A. (i) Respectability of the government, (ii) Strengthening of the political system, and (iii) Undermining of opposition forces in the right or left.

(i) The present Greek government has compelling domestic reasons for wanting to press negotiations with the Community towards early and successful completion. After seven years of military government, Karamanlis and his New Democracy Party have made Greek acceptance into the European Community a touchstone of Greece's re-establishment as a European democracy. According to a recent report by the Select Committee on the European Communities (Great Britain, 1978 : 5),

One of the Greek Government's reasons for calling early elections in November 1977 was to reinforce its mandate

for negotiating Community entry ... The Greek opposition would, however, prefer a looser form of association. The continuing dispute with Turkey over Cyprus, laying any government which tried to resolve the dispute open to charges of disloyalty to the nation's interests from opposition parties, adds another factor for potential dissention in Greek domestic politics.

(ii) Accession means that parliamentary democracy will be strengthened in Greece, because the Treaty of Rome does not tolerate as Community members, countries which violate human rights, and which lack democratic systems of government and political freedom. Entry will also strengthen the existing socio-economic structures (free-market economy), by inspiring the confidence of private entrepreneurs in the future stability of the economic system.

(iii) Although the present political system will undoubtedly be strengthened by the accession, a violent change of the regime cannot be considered as impossible (although in this case, Greece would probably be expelled from the Community).

At present, supporting full membership of the Communities are the following political groups (although for different reasons):

the *Centre-right*, advocates of the parliamentary system, who consider accession essential for the survival of the free enterprise system;

the *Centre-liberals*, advocates of the parliamentary system and of the European idea, and

the *Eurocommunists*, who expect greater independence from the two superpowers and faster structural changes within the European society, than outside it (*European Community*, 1977).

Against full membership of the Communities, are:

the Socialists, who denounce integration in the EEC as a "device to halt socialist changes in the country" (Papandreou, leader of the Socialist Party, quoted by *The Times* (London), 27 September 1976); and

the Communists (Moscow oriented), who, like the socialists, think that entry will render more difficult the selection of other socio-economic alternatives, and generally, follow the negative Moscow line towards the EEC.

The various groups above have different *political reasons* for advocating or rejecting accession, although they usually try to strengthen their position through the use of economic (supposedly more objective) arguments. (*Oek. Tach.*, No. 1237, 19 January 1978 : 3).

B. Strengthening of the country's position vis-a-vis the United States, by opting for EEC membership and thus taking advantage of US-EEC competition.

The analysis of Chapters I and II showed that although there is some competition between the US and the EEC, particularly in the economic sphere, in general we could say that their political and strategic interests broadly coincide. Although the 1960s and early 1970s have brought W. Europe to the forefront as a realistic competitor of the US, there has been an overestimation of its capabilities and an underestimation of its military dependence on the United States' nuclear umbrella. Also within the Community, the weight of W. Germany, Britain, Ireland, the

Benelux countries and Denmark, leans clearly towards the Atlantic partner, rather than towards the Mediterranean Basins and a more independent foreign policy. The inclusion of Portugal, Greece and Spain, while shifting somewhat the centre of gravity towards the South, is not likely to change the above pro-Atlantic picture.

C. More flexibility in Greece's foreign policy, and support of her position towards Turkey in the Cyprus and Aegean disputes.

What will be the consequences of Greece's accession on her foreign policy? Will she have to follow suit to decision-making centres outside Greece, and to what extent? What will happen if she disagrees with her partners? How could she safeguard her interests?

First, one has to examine whether the Community has a common foreign policy. For an individual country, one could define as foreign policy, all decisions and actions concerning its relations with other countries, taken in order to safeguard its interests according to a predetermined set of goals. For the Community which comprises many countries, pursuing a common external policy is certainly not an easy task; common position on a foreign policy issue is a package deal of compromises given that the interests of the member states do not coincide perfectly (Kinnas, 1977 : 19).

We have seen in this section, that the main goals of current Greek foreign policy are: special relationship with NATO, solution of the Cyprus problem under UN auspices, international arbitration on the Aegean continental shelf issue, support of the Arab positions

in the Middle East conflict, and openings to the Balkans and Eastern Europe.

How consistent are the above objectives, with the Number One goal of EEC membership? The Government's decision to join the EEC, appears to be attractive for the *domestic political reasons* in subsections A and B (pp. 61-63); at the same time, however, it constitutes a factor constraining Greek foreign policy towards Cyprus, the Aegean, the Balkans and the Middle East (Terlexis, 1976 : 15). Upon entry, Greece will have to accept the EEC's *acquis communautaire* - i.e., inherit all the obligations within the Treaties and all the commitments of the Community. This, presumably, means that Greece will also have to accept the commitments of the past (and future), in *political cooperation*, with all their consequences on the Country's foreign policy. Once within the Communities, it will be impossible for Greece to internationalize the Cyprus and Aegean issues by seeking support from the Communist and non-aligned countries. On the other hand, for Greece to expect *full support* from the Community on the above issues after accession would be to neglect the strategic importance of Turkey within NATO, and also the fact that she has close ties with the Community³⁵. (Associate Membership with the option of Accession in 1995). This is shown by the evidence of the British Foreign Minister, D. Owen, to the Select Committee on the European Communities;

35. In the UN debates on the Cyprus problem, only France has consistently supported the Greek and Greek-Cypriot case, so far; the other Community members have usually abstained, in an effort to appear impartial.

we (EEC) should treat our NATO allies not less sympathetically and understandingly than members of the European Community.

(Great Britain, 1978 : 297)

The Community has already decided to let Turkey participate in her mechanism for political cooperation - in matters that affect her interests; the partial internationalization of the Greco-Turkish disputes would create additional incentives for attempting their resolution. The Community may act, therefore, as a catalyst in the improvement of Greco-Turkish relations; but strictly for the benefit of *both* sides.

In summary, there are two alternatives open to Greece right now: (1) remain within the Atlantic Alliance and join the Communities as a full member, accepting a compromise solution in the Cyprus and Aegean problems, or (2) leave the Alliance and the EEC together, join the camp of non-aligned countries (or the Warsaw Pact), and pursue a foreign policy that would try to safeguard the national interests on all issues. Given the present balance of political forces in the country (see Chapter VII) and the economic strategy pursued in the post-war period (see Chapter IV), the second alternative would appear rather unlikely. The first alternative, therefore, as both consistent (with domestic policies) and feasible, is the most likely to be followed in the end.³⁶

36. The present Greek foreign policy - firm stand on the Cyprus issue, and, at the same time, efforts to join the EEC at any cost - resembles Greece's position in the mid-1950s, when she tried to internationalize the Cyprus issue while remaining within the Atlantic Alliance. The inconsistency of domestic (economic and political) policies then, forced Greece into an impasse, as we saw in the beginning of this chapter; her position on Cyprus (enosis), had to be seriously compromised in the Zurich and London agreements (1959).

Reaction of the Community to the Greek Application
for Full Membership - Negotiations for Accession

On June 12, 1975, the Greek Government officially requested to be admitted as full member into the Communities, according to Article 237 of the EEC, 205 of the ECSC and 98 of the EURATOM. The timing seemed to be opportune, given the promises of the EEC during 1967-74, to help Greece once she returned to parliamentary rule, and the fast expansion of the Greek economy during the 1960s and early 1970s.

In July 1975, the Council of Ministers asked the Commission to prepare its 'opinion on the Greek application', a necessary step according to Article 237 of the Treaty of Rome. The Commission published its 'opinion' at the end of January 1976, accepting the Greek request in principle, but asking for a premembership period, during which Greece would receive financial aid from the Community, but would not participate in the decision-making machinery. On January 31, 1976, Prime Minister Karamanlis rejected the Commission's proposals for a premembership period, as unacceptable to Greece.

On February 9, 1976, after intense diplomatic activity between Athens and the European capitals, the Council of Ministers called for negotiations to start as soon as possible. Theoretically, this was not a rejection of the Commission's opinion, but in practice, the idea of a premembership period was discarded. While the Commission's opinion reflected a concern that further enlargement should take place at a time when the Community appeared to be stagnating and progress limited (reflecting argu-

ments of profondissement versus elargissement), the decision by the Council was taken on political rather than economic grounds.

Negotiations ~~between~~ between the EEC and Greece were formally opened on 27 July 1976, and have been proceeding on the basis of monthly meetings at Ambassadorial level and meetings, approximately every quarter, at Ministerial level. Progress in the first twenty-seven months of negotiations has been slow; until February 10, 1978, it had been limited to the identification of detailed problems by both sides.³⁷

On February 10, 1978, under pressure from the Greek government on the EEC governments to accelerate the pace of negotiations, because of domestic political problems,³⁸ the first round of *substantive* negotiations started, i.e., negotiations on mandates, prepared by the Commission on the various sectors and approved by the Council of Ministers. By the end of the summer 1978, agreement had been reached in the fields of the industrial customs union and free movement of goods, and on capital movements.

Despite efforts by the Greek government to press for a timetable that would see the negotiations completed by the end of 1978 and would enable Greece to enter the Community on January 1, 1980 (allowing one year for ratification of the Treaty of

37. Discussions have covered the fields of customs-union in industrial goods, external relations, state aids, regional policy, agriculture, accession to the ECSC, the budget, free movement of labour and the right of establishment, capital movements and institutional aspects.

38. The November 1977 elections brought as the main opposition party, the Panhellenic Socialist Movement (PASOK), which objects to membership of the EEC and NATO.

Accession by the Member States), it seems that the accession may not take place before January 1, 1981 (i.e., the negotiations will be completed in 1979).

The reason for this delay (accession taking place almost six years after the initial application) is not the unwillingness of the Community to accept Greece as a full member. The decision to this effect was first taken in 1961, when Article 72 of the Association Agreement envisaged Greece's eventual accession to the EEC, and second, in February 1976, when an affirmative answer was given to the Greek request by the Council. The main reason, which we have already mentioned, is the forthcoming Second enlargement and its impact on the Communities, at a time of economic recession.

Separate but parallel discussions within the Community about reform of the CAP with respect to Mediterranean produce will also affect the timing of the negotiations with Greece. A negotiating mandate for Greek agriculture cannot easily be drawn up until the Community has itself decided upon the detailed arrangements to which the Greeks will be required to adhere.

(Great Britain, 1978 : 5)

The main question, therefore, is not *whether* Greece will become a full member of the EEC, but *when* and, even more important, *under what conditions*, such accession will take place.

CHAPTER IV

THE GREEK ECONOMY

The purpose of this chapter is to outline and evaluate the economic policies pursued in Greece in the postwar period, and to highlight some of the problems facing the Greek economy in the eve of full accession to the Community.

In what follows, we hope to demonstrate that economic development³⁹ in Greece after World War II has been directly tied to, and reflected by, the structure of power and political developments in the country (analyzed in Chapter III). The Association Agreement and full membership decisions are seen as the logical end-result of the economic strategy pursued, and consistent with the development of the Greek political economy during the past twenty-five years.

Types of Development Strategies

According to Dobb (1960), a *development strategy* is comprised of all the choices between investment and consumption, kinds of goods to be produced, maximization of production

39. By economic development, we mean the historical process of structural change and capital accumulation that moves a socioeconomic system closer to conditions necessary for the fulfillment of basic needs - full employment, equitable income distribution, balanced regional development, etc.) Giannitsis, 1975b : 13)

and/or employment, and capital or labour intensity of production techniques.

Within the *free-market* economy, investment choices are left to the market mechanism. The three basic investment decisions - level of investment, allocation of investment in the various sectors, choice of technology - are made by the private entrepreneur, whose motive is profit maximization, and who uses as criteria the market rate of interest (cost of capital), and the prices of the other factors of production.

According to this strategy,⁴⁰ investment and technological decisions should be made in such a way as to reflect the existing comparative advantage of the country, and the availability of productive factors at market prices. In the case of less developed countries (LDCs) trying to industrialize without a prior modernization of the agricultural sector and backward and forward intersectoral linkages (both necessary for the growth of the domestic market), the above strategy can be expected to lead to: (1) import-substitution of consumers' goods (often behind high tariff walls), (2) importation of capital goods (machinery, transport equipment, etc.) and (3) exports of process or unprocessed raw materials, and light industrial goods.

40. The free market economic strategy for development, is influenced by the theory of optimal - by market criteria - allocation of the available factors of production.

Within the *planned economy*, the basic investment decisions are taken by the planner, who tries to capture the country's "economic surplus",⁴¹ and uses as main criteria the appropriate social rate of discount for the various intertemporal investment alternatives (Arrow and Lind, 1970).

The main objective of this strategy⁴² is to allocate - through the use of socio-economic criteria - investments primarily in those industries that are the most propulsive, and lead to the internal integration of the economy ("industries motrices industrialisantes", according to Perroux, 1955). The primary criteria for choosing the industrial sectors to be developed are two: (1) maximization of the reinvestible surplus, and (2) acceleration of the process of economic integration within the country, by means of an active regional policy.⁴³ The fulfilment of these two criteria is necessary for raising productivity - determinant factor of the size of the domestic market - across the whole economy. (Papaspiliopoulos, 1978 : 13).

41. "The economic surplus, in the briefest possible definition, is the difference between what a society produces and the (social) costs of producing it" (Baran and Sweezy, 1968 : 23).

42. For a lengthier discussion of this alternative strategy for development, see Chapter VII.

43. In the absence of regional policy, capital accumulation in a less-developed and disarticulated economy, is bound to increase intersectoral and regional disparities.

Pre- and Post-World War II Developments
in the Greek Economy

Pre-World War II Period

Until the beginning of the twentieth century, Greece was mainly an agricultural and commercial country, hardly participating in the Industrial Revolution of Western Europe. It was during the Balkan Wars (1912-3), that a growing awareness of the need for a sound national economy emerged; it was realized by the newly-formed bourgeoisie, that "imports could not continue to be financed by piling up a huge international debt" (Great Britain, 1944b : 142). The European War of 1914-8 resulted in a severe curtailment of manufactured imports, and consequently, scarcity of goods, high prices and the national needs, all combined to provide a powerful and compelling incentive for Greek industrialists to establish their own manufacturing plants. The foundations of Greek industry were laid down in this period, and were developed with the help of cheap refugee labour in the 1920s, following the population exchange with Turkey in 1922. The country's partial debt default in 1931 - due to a fall in Greece's main agricultural exports, and to a halt in capital inflows - made necessary the introduction of tariff protection and other severe quantitative import restrictions in the early 1930s; these measures were further reinforced by Metaxas, whose economic policy after the establishment of his dictatorial regime in 1936, served to strengthen the trends towards economic nationalism.

In summary, from small beginnings, the manufacturing

industry grew steadily between the two World Wars, but its orientation was towards the small domestic market, protected by high tariffs;

Its (industry's) scale of production was small, it could afford to be inefficient, and since domestic costs were high, it was little concerned with production for export.

(Campbell and Sherrard, 1968 : 299)

Post-World War II Period

The highly protectionist policy of the inter-war years was continued by the first post-war Liberal coalitions (1945-52). Protection, coupled with the crippling of the country's productive capacity after ten years of continuous war (1940-49), was bound to result in high inflation (seven devaluations of the drachma), and slow growth.

In 1953, the conservative government of Papagos, by abolishing all import quotas, and by devaluing the national currency by 50%, opted for a new direction in economic policy. Trade liberalization would absorb the existing excess demand, with the devaluation cushioning, at least temporarily, the impact of foreign competition on local industry.⁴⁴ At the same time, by including Law 2687/53⁴⁵ in the country's Constitution, the government hoped to stimulate foreign direct investment inflows, necessary for raising the economy's international

44. The government, at the time, was faced with the dilemma of protecting the local entrepreneur or opening the local market to foreign competition in order to relieve the economy from inflationary pressures.

45. Law 2687 of 1953 was designed to attract foreign investment through the provision of tax incentives.

competitiveness. The new policy of a more "open" economy (the free-market strategy referred to in page 71), was dictated by the political realities and the structure of political and economic power prevailing in the 1950s, it was compatible with the interests of both the Americans (the country's new patrons) and the government's political supporters.

The opening of the domestic market to foreign competition proceeded rather slowly; import quotas were removed in 1953, but tariffs remained and credit regulations worked in favour of import-substitution. The majority of industrial firms were small family businesses protected by high tariffs and producing at high cost for the local market - domestic enterprise offered a much higher return on capital than exports because of the high effective protection and the growing incomes at home. On the other hand, the government's efforts to attract foreign investment under Law 2687/53 met with little success, as between 1954 and 1960 capital inflows amounted to only \$34.4 million.

The government's decision to apply in 1959 for Associate membership of the Communities, was the only sensible policy, under the above circumstances (and consistent with the overall free-market economic strategy pursued). With lowered tariffs towards the EEC, many inefficient sections of the traditional industry could be forced out of business; however, despite the risk it might involve for domestic development, it was hoped that foreign competition would ultimately provide an incentive for modernizing industry. Moreover, as Campbell and Sherrard

(1968 : 303) point out, "the commercial interests of important persons and institutions in the importing business, with their numerous clientele of lesser retailers, also influenced the policy". While the majority of the Greek business community was against Associate membership^Q as it would threaten its inefficient and inward-looking firms - the leadership of the Federation of Greek Industrialists, controlling the most modern Greek firms and thus not afraid of foreign competition, influenced the official stand of this important interest group, in favour of the government's decision to institutionalize relations with the EEC (Moussis, 1969).

The policy of reliance on foreign capital accepted by industrialists and financiers as the fastest way of introducing modern Western technology into Greek manufacturing was pursued by the government more vigorously in the 1960s, and was far more successful (as Table 3 shows); according to the European Commission (European Communities, Bulletin, 1976b : 11), foreign private capital was the main reason for the spectacular expansion of Greek manufacturing in the 1960s. Table 4 indicates the leading sectors in manufacturing during this period (mainly basic metals, petrochemicals and transport equipment). This rapid industrialization, although carried out by private initiative, would not have been possible without State support: concessions to foreign capital, and State intervention in the form of subsidies, grants and loans; this policy reached its peak during the junta period, and is generally recognized as the main cause of the record-high inflation

TABLE 3

CAPITAL INFLOWS TO GREECE UNDER LAW 2687/53 (mn US\$)

<u>YEAR</u>	<u>CAPITAL INFLOW</u>	<u>YEAR</u>	<u>CAPITAL INFLOW</u>
1954-60	34.3	1969	25.8
1961	7.3	1970	50.0
1962	14.8	1971	42.4
1963	28.8	1972	55.8
1964	42.8	1973	61.6
1965	68.2	1974	66.9
1966	55.8	1975	23.6
1967	39.0	1976	12.0
1968	33.0	1977	24.0

Source: National Accounts (1972-76), OECD Surveys on Greece (issues 1964 to 1976), IMF Financial Accounts (1977).

TABLE 4

AVERAGE ANNUAL RATE OF INCREASE IN MANUFACTURING PRODUCTION 1950-75

(Percentages)

	1950-60	1960-70	1970-75	1950-75
Total Manufacturing	5.2	10.3	7.3	7.9
1. Basic Metals	17.0	28.9	4.5	18.9
2. Transport Equipment	19.7	11.5	5.0	13.4
3. Petrochemicals	12.3	13.9	9.6	12.4
4. Metal Prod., Non-El. & El. Equipment	10.2	9.3	5.1	8.8
5. Non-Metal Minerals	5.5	12.2	6.8	8.4
6. Miscellaneous Manufactures	7.2	8.9	9.7	8.4
7. Paper, Printing & Publishing	9.6	9.6	2.9	8.2
8. Wood, Cork & Furniture	6.3	10.5	6.0	7.9
9. Textiles	3.0	9.0	12.4	7.2
10. Food, Beverages & Tobacco	5.2	8.5	5.9	6.6
11. Clothing & Footwear	0.7	7.0	8.0	4.6

Source: Federation of Greek Industrialists, cited by *Oek. Tach.*, No. 1175, 17 November 1975.

rate in 1973 (34.7%).

In the years 1973-77, the world recession and the oil price increases affected adversely the Greek economy, although less so than the EEC - especially as far as unemployment is concerned. During 1973-76, there was an absolute drop of 22% in investment which can be attributed partly to the unfavourable world economic situation, and partly to the wait-and-see policy adopted by most Greek industrialists in the face of the full membership 'uncertainties' (concerning the date and conditions of entry into the EEC). As a result of these recent developments, the State is currently playing a more prominent role in the investment effort.

Evaluation of the Post-War Economic Strategy in Greece

Twenty-five years after the end of the Civil War, after a continuous industrialization effort, the image of the war-destroyed Greek economy has radically changed. The country's social structure, also, has undergone such profound changes that it is hardly recognizable.

A dominant oligopolistic bourgeoisie, increasingly tied to foreign capital, controls today the main productive sectors of the economy ... Greece has been assured of an economic future at the expense of her (economic) independence.

(Tsoukalas, 1977 : 9)

Table 5 shows the economy's spectacular performance in the 1960s and early 1970s, which was mainly due to foreign investments in key industrial sectors, as we indicated in the previous section.

TABLE 5

GROWTH OF REAL GDP AND PRODUCTIVITY^a IN GREECE AND EEC-9

(average annual rate)

	<u>GDP</u>		<u>PRODUCTIVITY</u>	
	<u>Greece</u>	<u>EEC-9</u>	<u>Greece</u>	<u>EEC-9</u>
1960-65	8.0	4.7	8.5	4.3
1965-70	7.2	4.6	8.1	4.5
1970-75	5.1	2.5	4.9	2.6

a : GDP at constant prices/employed population.

Source: OECD, cited by the Commission of the European Communities (1978c)

With a per capita average income of \$2,400 in 1976, Greece would hardly be classified as a "less developed country". However, despite her growth performance, the structure of her economy is not typical of a developed industrial nation, either. In what follows, we discuss briefly some of the structural weaknesses of the Greek economy, largely the result of the economic strategy pursued in the post-war years.

1. The industrialization effort which started in the 1950s was not based on a previous improvement of production conditions in the primary sector; measures for agricultural development have generally tended to be short-term, uncoordinated and certainly not aiming at this sector's development as the first step towards industrialization. As a result, agricultural income per capita is one-third of the Greek average, despite the migration of the 1950s and 1960s; given the large percentage of farmers in the active population (46% in 1961 and 34% in 1975) and their low incomes, the local market for industrial goods has been restricted.
2. The import-substitution industrialization policy pursued, mainly aimed at satisfying consumer needs that had been met formerly through imports. The very high rates of import protection, however, led to manufacturing prices being well above the world-price level. This situation imposed extra costs on all consumers of the products in the country, and also turned urban-rural terms of trade against the farmers (thereby discouraging agricultural production). In addition, the high levels of protection made it very difficult for the new industries

to export much of their output, for two reasons: first, because of high production costs per unit, and second, because of the higher profit margins on sales to the protected domestic market. The import tariff structure also encouraged the establishment of units producing mainly final goods or assembly operations, with very low value added locally. Thus, the new industries commonly required continuing imports from abroad of machinery and raw materials or intermediate inputs. The combination of these two considerations contributed to serious balance-of-payments problems, which at present constitute an important constraint to growth.

3. The huge trade deficit is partially covered by invisibles, i.e., receipts from emigrants, shipping and tourism; the significant current account deficit is in turn covered by capital inflows and external borrowing.⁴⁶ The invisibles, the main exogenous source of income - 20% of the GNP in recent years, compared with 16% for exports - increased substantially in the 1960s and 1970s, as Table 6 shows. Yet, despite their significant contribution to the economy (partially covering the trade deficit and increasing domestic savings and effective demand), their direct impact on local manufacturing has been minor. Most of the invisible earnings, together with a substantial fraction of business profits, have been channelled into consumption (well above the level justified by the country's

46. Greece's external debt stood at \$840 million in 1966, \$3,320 million in 1973, and over \$5,000 million in 1975 (Papaspiliopoulos, 1975 : 14)

TABLE 6
INVISIBLE EARNINGS

	1961	1974	Rate of Change 1961-74	(million US\$) Composition 1961	1974
Shipping	102.0	874.4	18.0	31.8	37.0
Emigrant Remittances	98.3	645.3	15.6	30.7	27.3
Tourist Spending	62.4	436.0	16.1	19.5	18.5
Other	56.9	407.2	16.3	17.8	17.2
Total	319.6	2,362.9	16.6	100.0	100.0

Source: Bank of Greece, Monthly Statistical Bulletin, March 1963, April 1975

productive capacity), rather than into investment in manufacturing and/or agriculture. Inflationary pressures were thus reinforced and further imports encouraged in the 1960s and 1970s.

4. An important structural weakness of post-war Greek economic development has been the inadequate rate of capital formation in agriculture and manufacturing. Most of investment is channelled into construction; construction of luxury housing and other buildings, absorbed on the average 68.6% of total investment during 1963-72 (see Table 7). Figures cited by Papaspiliopoulos (1978) indicate that while in 1958-73, capital formation was 23% of GNP on the average, investment in manufacturing was only 2.2% of the GNP for the same period. Also, while during 1958-73 investment (total) rose by six times, in manufacturing it rose by 3.2 times and in construction by 4.8 times.

5. The post-war industrialization process has resulted in large and, more important, increasing regional disparities, as Table 8 indicates; at the same time regional planning has been almost non-existent.⁴⁷

6. Emigration of labour has had serious demographic, social and economic consequences in Greece⁴⁸ (see Chapter VII). Accord-

47. The highly centralized and cumbersome administrative system in Greece - with the local authorities allowed very few initiatives - has significantly contributed to the ineffectiveness of regional policy.

48. At the same time, according to Tsoukalas (1977), emigration, together with the invisible earnings, have been the main reasons why the profound transformations of development have not resulted in the same hardships that other developing nations are experiencing (high unemployment, subsistence levels of income).

TABLE 7

PERCENTAGE DISTRIBUTION OF CAPITAL FORMATION (1963-72 AVERAGE) AT 1963 PRICES

Country	Dwellings	Other Buildings	Machinery	Transport Equipment
W. Germany	22.0	33.1	35.9	10.0
France	25.4	29.9	35.0	9.0
UK	18.5	33.3	37.7	10.4
Italy	30.8	28.5	29.4	11.3
Denmark	20.8	31.7		47.5
Ireland	17.9	33.6	34.0	13.9
Belgium	25.0	33.7		41.1
Spain	18.4	30.3	36.0	15.3
Greece	31.0	37.6	22.1	10.0

Source: OCDE Comptes Nationaux 1961-72, cited by Papaspiliopoulos (1978)

TABLE 8

AREA, POPULATION, DENSITY AND INCOME BY REGION

Regions	Area Km ²	Population (000s)		Density per sq km ²		GNP per Capita Regional Index (Nat. Avg: 100)	
		1961	1971	1961	1971	1954	1972
Attica & Aegean Islands (of which: Athens)	20,040	2,816	3,497	140.5	174.5	125	137
Central & Western Macedonia (of which: Thessaloniki)	24,630	1,343	1,440 (2,540) (557)	54.5	58.5	92	104
Peloponnese & Western Mainland	36,761	1,464	1,324	39.8	36.0	84	67
Crete	8,336	484	457	58.1	54.8	73	65
Thessaly	13,929	933	879	67.0	63.1	80	71
Epirus	10,169	484	428	47.6	42.1	58	58
Eastern Macedonia & Thrace	18,125	867	745	47.8	41.1	70	65
Total	131,990	8,391	8,770	63.5	66.4	100	100

Source: Geronymakis (1961), European Communities, Bulletin (1976b)

ding to estimates, 800,000 Greeks emigrated during 1958-73 between one-fifth and one-quarter of the active population. Only after 1974 has emigration become negative because of the economic recession in Western Europe.

7. Unequal income distribution; it has been estimated that in 1965 (the most recent year for which there exist relevant data), 40% of the population who constitute the lower income brackets received 9.5% of the GNP, while the 17% of the population in the higher brackets received 58% of the GNP (Karagiorgas, 1973). Moreover, "revenue from indirect taxes is between three and four times as great as that from direct taxation" (Campbell and Sherrard, 1968, : 307); if we make the assumption that, in most instances, the burden of indirect taxation is proportionately greater for the lower-income groups, it would appear that the distribution of income is more unequal after taxes than before.

8. There is significant (and increasing) control of certain key manufacturing sectors by foreign capital, accompanied by almost complete dependence on imported technology.

We have already seen that the Greek post-war governments have encouraged direct foreign investment in the economy, through a variety of incentives, some of which were included in the Constitution (Law 2687/53). The main reason for such policy has been the belief that foreign capital (mainly in the form of subsidiaries established in Greece) would: (1) create employment; (2) it would save foreign exchange through import-substitution and/or exports; (3) it would have an immediate

favourable effect on the balance of payments, and would significantly add to domestic investment; and (4) there would be long-term benefits through the transfer of modern technology.

There is increasing evidence that the above favourable effects may be offset by the long-term, or even short-term, costs of the Multinational Corporations (MNCs) operations. Given the widely recognized role of MNCs in the post-war development of Greece, and also the increasing importance of MNCs as transnational actors, in what follows we discuss some of the disadvantages of a strategy based primarily on foreign capital.⁴⁹

Objectives to Development Through the Importation of Private Investment Capital

(a) Creation of employment

DFI results in a rise in employment. The increase in industrial employment, however, is very small given the capital-intensive techniques used by the MNCs. It has been found that there is high correlation between capital-intensive sectors and sectors that are foreign-controlled in Greek manufacturing. (Tezapsidis, 1978 : 23).

The main reasons MNCs use relatively capital-intensive techniques, instead of labour-intensive ones that would,

49. This does not mean that MNCs do not have a role to play in economic development; their importance (especially in terms of modern technology) is too great to be ignored by LDCs. They would, however, serve better local developmental needs, if there were a more strict control of their practices by the host country; this implies the existence of a well-defined policy towards foreign investment (also a sectoral industrial policy, technology policy and regional planning). For further discussion see Chapter VII.

theoretically, minimize their production costs, are the following (Moran, 1978 : 85):

- (i) MNCs compare the marginal cost of a known technique with the total cost of designing a new process to accommodate local factor proportions;
- (ii) MNCs choice of technology for foreign operations is determined by loopholes in Third-World monitoring procedures; transfer-pricing easier with capital-intensive techniques; and
- (iii) there are costs associated with the supervision of large work forces.

(b) Saving of foreign exchange through substitution of imports or through exports

According to Campbell and Sherrard (1968 : 315)

... Generally, foreign firms have come to Greece, because they hope to exploit the wider domestic profit margins in a protected and monopolistic market ... Some subsidiaries exist only because of high protection.⁵⁰

Roumeliotis has found in a recent study (cited by *Oek. Tach.*; No. 1082, 23 January 1975 : 25) that 32% of foreign firms in Greece produce goods that receive nominal tariff protection of 50% or more; 22% products with tariffs between 30-49% and 42% from 10-29%.

They also have the tendency to engage mainly in assembly (low value added, high imports). If in addition, we include capital outflows through repatriation of capital and profits,

50. The lowering of tariffs and other barriers under the Association and full membership will force these inefficient operations out of business, together with a lot of Greek inefficient firms. (For further discussion, see Chapter VI on the Accession's likely impact on Greek manufacturing.)

servicing and mortization of external loans,⁵¹ and overpricing of imports and underpricing of exports, foreign exchange savings may be smaller than they may appear at first sight.

(c) Adding to domestic investment

According to Moran (1978 : 90), MNCs may not add much to domestic investment because they tend to borrow locally rather than bring new capital; also, they may dominate the best investment opportunities in the host country, to the detriment of state companies or local entrepreneurs, inducing the latter to send their capital abroad rather than invest in alternative and unpromising projects at home. As a matter of fact, foreign direct investment is only a small fraction of total private investment in Greece; 15% on the average, although it is much higher in the manufacturing sectors of *petrochemicals* (82.6), *transport equipment* (81.6) and *basic metals* (64.4).

(d) Transfer of technology

There is increasing emphasis in recent literature on the practical difficulties of technology transfer through MNCs, i.e., the lack of local research and development facilities, the little adjustment of products to local needs, and the new intersectoral linkages which are necessary for the diffusion of technology. For the Greek case, see Michalet (1977) and Tezapsidis (1978).

51. Interest payments, profits and dividends remitted from Greece in 1959, stood at \$3.5m; \$9.06m in 1964; \$30.8m in 1968; \$82.67m in 1972; and \$182.88m in 1975, or a cumulative outflow of \$844.94m in 1959-75 (Greek National Accounts, issues 1971-76).

2

Printed by the Center for the Study of the History of the United States

(e) Political Disadvantages

(i) The future of Greek industry is essentially left to the judgements of foreign entrepreneurs by criteria which may not be consistent with the growth of a balanced economy. It is fair to say, however, that there is no reason to believe that the domestic entrepreneur would have been more favourable to equity considerations, in the absence of MNCs (for further discussion on this point, see Chapter VII).

(ii) The country's most modern industrial plants are largely owned by foreign entrepreneurs, who can dominate the market. In the case of manufacturing, one-third of total assets are foreign-controlled.⁵² Foreign control, however, is much higher in the technologically advanced sectors of *petroleum products* (95.5%), *transport equipment* (60.3%), *basic metals* (56.9%), *chemicals* (45.1%), and *plastics* (40.0%) (Giannitsis, 1975a). Concentration is also very high in the above sectors; in *petroleum products*, the four largest companies (all foreign) accounted for 96.7% of the sector's assets; in *basic metals*, the five largest firms (four of which are foreign-controlled), owned 82.4% of total assets; in *chemicals*, the largest six firms (three foreign) accounted for 41.0% of total assets (Roumeliotis, 1976 and Tezapsidis, 1978).

52. A firm is considered here as foreign-controlled if more than 50% of its assets are owned by foreigners.

Summary.-- In this chapter, we have reviewed development in the Greek post-war economy, stressing the structural weaknesses that still exist, despite the apparent rapid industrialization. Undoubtedly, there has been spectacular expansion and improvement in standards of living, under the present strategy for economic development. This prosperity, however, based on the international conjuncture (invisibles), and on foreign centres of decision-making (MNCs), is very fragile and in a sense deceiving;

The gradual loss of financial independence in the main sectors of the economy, increasingly limits the margin of flexibility of the State, which has to accommodate not only its European partners, but also the big MNCs established in the country.

(Tsoukalas, 1977 : 9)

CHAPTER V

THE ATHENS ASSOCIATION AGREEMENT AND ITS IMPACT ON THE GREEK ECONOMY

In Chapter III, we examined the political developments leading to the negotiation and conclusion of the Athens Association in 1961, and to the application for full membership in 1975. In Chapter IV, we discussed the economic policies pursued in Greece, and the structural problems characterizing her economy in the 1960s and 1970s. In this way, we provided the essential background to the Association and full membership decisions, which appear to be consistent with both domestic politics, and development strategy pursued in post-war Greece.

In the present Chapter, we concentrate on the *economic aspects of the Association Agreement*. In the beginning, we examine at the theoretical level the economic arguments which dominated the debate on Greece's decision to join the EEC in a customs union. We then proceed with an outline of the main provisions of the Agreement, and a critical examination of its actual implementation until the present time. This is followed by a cost-benefit analysis of the impact of the Association on the Greek economy, in an effort to establish whether it has been beneficial to Greece. Our findings have to be seen in the light of the methodological difficulties

characterizing all cost-benefit analyses, and especially ours, because of the defective evolution of the Association. Having said that, our results indicate that the Agreement has had a beneficial effect on Greece's exports; as far as the indirect impact on manufacturing and investment is concerned, our findings are even more inconclusive, although some sectors such as textiles, clothing and processed foodstuffs seem to have been the main beneficiaries.

Debate on the Economic Aspects of the Association⁵³

A. Trade Creation Effects.-- It has been argued by the supporters of the Association that the lower-priced EEC goods will be substituted for domestic products of the same or similar nature, as a result of the tariff dismantling. In this way, the Greek consumers will benefit through lower prices, while producers will shift to more efficient lines of production, compatible with the country's comparative advantage.

While it is true that the consumer will benefit in Greece, given the present high tariff walls and the resulting high prices in the domestic market, the benefits of a shift in production are less clear. The extent to which Greece may benefit in this manner will depend on the possibility of readily reallocating the resources which had been producing the

53. For a detailed discussion of the economic arguments in favour and against Greece's Association with the EEC, see among others: Goularas et al (1976); Henig (1971); Hitiris (1972); Kalamotousakis (1976); Moussis (1969); Papaspiliopoulos et al (1978); PA.SO.K (1976); Triantis (1965); Yannopoulos (1975); Zolotas (1976 and 1978).

goods being replaced. Given the market imperfections, structural unemployment and underemployment in Greece, such course may prove very painful. The "infant industry" argument for protection can be used in the case of a relatively less developed country (LDC) like Greece, to show that trade creation may prove disadvantageous in the long run, as it would prevent nascent industries with potential comparative advantages, from developing. In general, benefits from trade creation are more relevant in customs unions among developed economies, which can readjust their productive structures with much lower economic and social costs.

2
B. Effects of Increased Competition.-- Under the present regime of high protection in Greece, firms usually operate at high costs, as there is no incentive to raise productivity. The lowering and eventual abolition of tariffs on Greece's transactions with the EEC, will force Greek firms to become more efficient and competitive if they are to survive.

Again this argument is only partly true, as increased competition is likely to lead to firm closures - depending on the speed of tariff dismantling. Efficiency is not simply a question of management incentives, but also of appropriate "external economies", and of available supplies of factors of production, especially advanced technology. In both these areas, the EEC countries have a distinct advantage over Greece, and are likely to benefit more from complete trade liberalization.

C. Industrial and Agricultural Exports.-- The opening of the huge and rapidly growing EEC market, will offer the opportunity for an expansion of Greek *industrial* exports, especially those in the production of which Greece has a comparative advantage: textiles, clothing and footwear, processed fruits and vegetables, basic metals such as aluminum, nickel and ferronickel. On the other hand, Greek *agricultural* exports which are complementary to EEC products will benefit at the expense of third countries, especially Mediterranean, exporting similar produce.

The importance for the Greek economy of an expansion in her industrial and agricultural exports cannot be exaggerated; apart from the direct benefits to the exporters in the form of higher incomes, increased exports can provide a stimulus for increased investment and production and, subsequently, higher employment (export-led growth); they also provide valuable foreign exchange, necessary for the importation of capital goods. Whether Greece's exports will increase *faster* than her imports from the EEC,⁵⁴ however, as a result of trade liberalization, will depend on certain factors:

(i) the nature of facilities offered to the exports of similar products from countries competing with Greece in the European markets. The Community's preferential trade agreements

54. Greek exports to the EEC will have to increase much faster than imports from the EEC, if the original high trade deficit is not going to become an unbearable strain on the Greek economy; the magnitude of the problem is highlighted by the fact that in 1963/5, Greek exports to the EEC covered only 27.8% of Greece's imports from the Community.

with other Mediterranean countries in the 1960s and 1970s (see Chapter II) eroded the initial advantage that Greece obtained through the Association.

(ii) the level of existing tariffs and other trade barriers, and the relevant income and price elasticities of demand for Greek exports. As Triantis (1965) points out, reciprocal tariff reductions among countries at different levels of development are not likely to confer commensurate benefits to the more- and less-developed partners; they may benefit more the industrially developed countries (DCs), because the original tariff levels are much higher in the LDCs than in the DCs,⁵⁵ and because the income and price elasticities of demand for agricultural - Mediterranean in the Greek case - products are relatively low. The combination of these two factors, is likely to lead to a much faster increase of total exports to the LDCs from the DCs, rather than conversely, and to growing balance of payments difficulties for the economically weaker partner, assuming no change in the latter's exchange rate.

D. Economies of Scale from the Larger Market, and Technology Transfer Through Increased Foreign Direct Investment.--

According to those advocating the Association Agreement, increased sales to the large EEC market will result in economies of scale for the Greek exporting firms, and, consequently, in greater

55. The Greek average external tariff stood at 30% in the early 1960s, compared to an EEC average tariff of 12% in the same period. The dismantling of the high Greek tariff will result in an increase in imports and more strain on the balance of payments, but also in benefits for the Greek consumer through lower prices.

competitiveness in the international markets. Moreover, increased direct foreign investment in Greece - attracted by the more stable climate in Greece and by the lower EEC tariffs on Greek exports - will introduce modern technology and thus improve Greece's export competitiveness.

Both arguments above have to be qualified. The lowering of tariffs will not necessarily make Greek exports more competitive; international competitiveness is a function of productivity, quality, standardization and design. Productivity in a sector, depends not only on economies of scale, and external economies such as developed infrastructure, cheap energy, skilled labour force, but also on the productivity of the other sectors of the economy, and the existing inter-sectoral linkages (Papaspiliopoulos et al, 1978). We have already seen the weaknesses of the Greek economy in these areas.

As for the likely rise in foreign direct investment, and the beneficial effects on technology and export-competitiveness, the existing evidence does not allow much optimism as we have shown in the previous Chapter. As a matter of fact, there is the danger that low productivity operations will be allocated to Greece, such as tourism, extractive industries, assembly operations with low value added locally, agricultural activities, and "light" consumers' goods industries; these are operations with low technology requirements, and are being pushed from the Centre to the Periphery, as we have seen in Chapters I and II.

It is clear from the above that the problems of low

productivity and technology transfer will not be solved automatically by Greece's Associate membership of the EEC. On the other hand, however, there is no indication that in the *absence* of the Association Agreement, the situation would be different. Given the adoption of an "open" model of economic strategy, and the country's growing integration into the international economy (see Chapter IV), the above problems would be present *within the EEC or outside it*. Within the framework of the open economy model, the only way Greek industrialists can survive in the long run is ~~through~~ expansion of their exports (Nikolinakos, 1976b and 1978); this is impossible without the introduction of advanced technology, which has to be imported, because of the forbidding private cost of producing it domestically. Associate and, eventually, full membership of the European Communities, is thus a way of opening the Greek market to foreign capital and providing her with export outlets.

On balance, the above debate on the economic merits of the Association would seem to indicate that the Agreement will not *by itself* alter the course of the Greek economy in any decisive way. Trade liberalization creates certain problems for the relatively less-developed Greek economy, which would have to be faced, however, sooner or later because of the overall "open economy" strategy pursued. On the other hand, the Association provides Greece with some concrete benefits, such as financial aid and, at least temporary, advantage vis-a-vis competitor countries in the Mediterranean. Eventually, however,

the type of development strategy pursued is far more important in determining whether Greece joins the Community as an equal or second class partner.

Main Provisions of the Athens Association Agreement⁵⁶

The Agreement established a customs union which covered all trade between the EEC and Greece, with the exception of products related to the European Coal and Steel Communities (ECSC) (Art. 6).

-- Customs duties between the two parties, and all charges having an equivalent effect, as well as quantitative restrictions on imports, would be abolished.

-- Greece would adopt the Community's CET with regard to Third countries (Prot. No. 19).

-- Most of these changes would take place during a period of transition to be completed in 22 years, after which Greece could apply for full membership of the EEC.

More specifically:

A. Duties of EEC member states, levied on Greek products, were reduced on the effective date of the Agreement, to the level of duties applicable to transactions between the members. Quotas and measures of equivalent effect were modified similarly. All subsequent reductions of duties or quotas among the members, would apply automatically to the Greek exports (Art. 14, para 1).

56. For the full text of the Agreement, see Secretariat of the Council of the European Communities (1975).

Special provisions were intended to favour certain of Greece's primary exports: tobacco, currants and sultanas, wine, olives, colophony and turpentine essence (Protocols No. 14-18).

B. Greek imports from the EEC countries were distinguished in three categories:

(a) *products manufactured in Greece*; Greek duties would be abolished gradually over a period of 22 years (Art. 15)

(b) *other manufactured products*; Greek duties would be abolished within 12 years (Art. 14, para 2,3,4)

(c) *agricultural products*; Greek duties would be abolished within 22 years.

The rate of reduction was to be decided upon by the Council of Association, after the establishment of the CAP (Prot. No. 13), which would signal the extension to Greece of advantages which the Six original EEC countries had granted each other.

Other provisions concerning trade between Greece and the EEC.

(1) Prohibition of new, or increasing the existing duties (Art. 12).

Exception: In order to protect "new processing industries not existing in Greece" on the effective date of the Agreement, Greece could during the first 12 years impose duties up to 12% ad valorem on goods which in 1958 did not constitute more than 10% of Greece's imports from the EEC (Art. 18). Those measures could not be maintained for more than nine years from their inception.

C. Regarding *trade with third countries*, Greece would gradually adapt her customs duties to the CET of the EEC (Art. 20).

This adaptation would extend over a period of 22 years for duties on products manufactured in Greece, and over a period of 12 years for other manufactured goods; on agricultural products, the CET would be applied only after the harmonization of agricultural policies.

Exception: (referring to Greece's bilateral agreements with Eastern European countries). Greece could apply to imports from countries with which she is linked by bilateral trade agreements, reduced duties or even exempt them altogether from duty, provided that the duty was not lower than that imposed on imports from EEC countries. The total value of such imports, might not exceed 10% of the value of all Greek imports from third countries; also the value of each product thus favoured, could not exceed one-third of the total Greek imports of this product (Art. 21 and Prot. No. 8).

In addition to its provisions concerned with establishing a customs union, the Agreement also contained a number of other clauses inspired by the Treaty of Rome, relating to:

-- *Freedom of Movement for Persons, Services and Capital:* for persons this was to take effect after a 12-year transitional period (Art. 44-8).

-- *Right of Establishment and Freedom to Provide Services:* there are measures to help Community nationals to set up businesses in Greece (Art. 62).

-- *Transport:* the EEC Treaty's provisions on transport would be extended to Greece.

-- *Rules on Competition:* Greece accepted the rules in

force in the Six, except that State aids were to be tolerated in her case for a further ten years, where they were aimed at stimulating economic development.

-- *Commercial Policy*: measures would be taken to lead to agreement between the parties on common principles, while making allowances for other association or cooperation agreements.

-- *Financial Aid*: through the European Investment Bank (EIB), Greece would receive loans up to a total of \$125 million over a period of five years (Prot. No. 19).

Evolution of the Association Agreement

From an economic point of view, the Treaty of Athens was on paper at least, of much more obvious benefit to Greece than it was to the EEC. The rate of trading concessions given to the Community on a relatively small market could give only a negligible economic advantage for the foreseeable future, while Greece would gain virtually free access for many of her exports to her largest trading partner.

(Henig, 1971 : 90)

While it is true that the Agreement gives greater concessions to Greece by the EEC, we argued earlier in this chapter that in the absence of corrective measures, the economically weaker partner in a customs union is likely to benefit less than the stronger one (Axline, 1977).

In this section, we examine the *actual* evolution of the Association since 1962, and some of the problems that emerged during the first 15 years of its functioning.

A. As far as tariff dismantling in *industrial goods* is concerned, the Agreement has been implemented according to

schedule. Greek industrial products have been entering the EEC markets duty-free since 1968. On the other hand, since November 1974, two-thirds of EEC industrial exports to Greece bear no tariffs, while the remaining third, that is, manufactures being produced in Greece, is governed by a timetable leading to customs union by 1984 in progressive stages: as of May 1, 1977 Greece may apply to Community exports of these products only 48% of its 1962 duties.

With regard to third countries, Greece has adopted the basic duties of the CET for those products which now enter free of duty; for the remaining products, alignment of the CET as a general rule has reached 50% of the difference between the CET and the Greek rate; the CET is at present 8% on the average, compared with 20% ad valorem duties of the Greek external tariff.

B. Given the great importance for Greece of the agricultural sector, especially at the time of the Agreement, we shall examine developments in this area, in some more detail.

The chapter on agriculture provided for the progressive and full harmonization of agricultural policy between the two signatories; "it represented a compromise between the Greek position, based on a desire to gain access under favourable conditions to the EEC, and the Community attitude of safeguarding its newly-formed farm-policy from being watered-down by extending it to additional countries." (Weil, 1970 : 71). Yet, disagreement over the means of bringing about harmonization arose right from the beginning. The main difficulty was that

the content of harmonization was not determined by the Association Agreement. Art. 33, para. 3, stated that

the purpose of harmonization shall be to ensure equality of treatment between products of Member States and like products of Greece on the markets of the contracting parties, taking into account the objectives set out in Article 39⁵⁷ of the Treaty establishing the Community.

Art. 35 of the Agreement also stressed that,

As soon as the Community has declared that the basic provisions for implementing the CAP in respect of a particular product have been laid down for the Community ... and as soon as Greece has declared its readiness to undertake harmonization, the Community would take due account of the special situation, potential and interests of Greek agriculture.

Greece's interpretation of harmonization and "equality of treatment" was that it meant not only free trade in agricultural products, but also common prices, common relations with third countries, and financing of the Greek agriculture by the Community's Agricultural Fund (FEOGA). As A. Kanellopoulos, the present Greek Minister of Finance wrote in an article in 1976, "The principles of CAP represent an indivisible entity, and this entity should be extended to Greece according to Art. 35."

On the other hand, the EEC insisted that harmonization meant only free trade in agricultural products; Greece should create its own farm policy, analogous to, but not necessarily identical with that of the Six, and should gradually bring its decisions into line with those made in Brussels. This was

57. Art. 39 defines the objectives of the CAP, namely, increase in productivity, reasonable income for the farmer, reasonable prices for the consumer and relative self-sufficiency in the EEC market.

roughly the situation in the mid-1960s, before the 1967 military coup and the subsequent "freeze" prevented any further progress. (See Chapter IV).

At present, 16 years after the Association became effective, the state of the Agreement in the agricultural sector is as follows: Pending full harmonization of policies, duties on the majority of agricultural products are frozen at the rates applying in Member States and in Greece, before the Agreement came in effect. But for a list of products of special interest to Greece - principally horticultural products - all duties were phased out over a 12-year period; thus from the end of 1974, these products have entered the Community duty-free. As far as harmonization proper is concerned, negotiations started again in 1975; at present, two sectors, namely fresh fruit and vegetables, and wine, are being considered, but progress is slow. Due to her desire to press ahead with the full-membership negotiations, Greece has accepted the EEC's interpretation on the harmonization issue. In other words,

(Greece will have to adopt) the Community market regimes, including the support systems, and quality standards, but at her own expense. The Community has made clear that there can be no subvention from FEOGA towards the cost of supporting Greek agriculture before Greece is a full member. The Greeks will also have to continue to observe the Community reference prices for fresh fruit and vegetables even after full harmonization has taken place.

(Great Britain, 1978 : 16)

C. *Financial Aid*: the actual handling of the \$125 million in subsidized loans during the first five years was "a source of difficulty rather than of development" (Weil, 1970 : 75)

The Greek government during the years 1962-67, continually claimed that the EIB persisted in using traditional "banker's" methods, with the result that the flow of funds into Greece had been relatively small; \$53 million worth of loans were in the pipeline when EIB activities were suspended in 1967. After the fall of the junta in July 1974, the remainder of the loans of the first financial Protocol was released, and a second one was signed on February 28, 1977, covering a four-year period and providing 280 million units of which 225 million is to be made available on commercial terms by the EIB.

D. *Other Issues:* there has been no progress on the special clauses, referred to in page 75, i.e., Freedom of movement, of establishment, transportation, competition and commercial policy, because of the 1967-74 "freeze".

Impact of the Association Agreement
on the Greek Economy

We have seen in this chapter that, because of its defective evolution, only the trade liberalization elements of the Association have functioned according to schedule. One would therefore expect the main impact to have been on the *import-export trade* of Greece, and also, through the export effect, on her *manufacturing sector*. In the remainder of Chapter V, we examine these two areas, in some detail, in order to establish whether the Association has had an independent impact, and in order to identify the sectors, within the Greek economy, that have experienced most benefits and/or losses. The results are important, because they can give us

a rough indication of the likely effects of complete trade liberalization, envisaged when Greece becomes full member of the Communities.

Methodological Considerations

At the outset, some of the limitations of the cost-benefit analysis that will follow should be pointed out. Because of the gradual tariff dismantling, and the extensive use by the partners of non-tariff barriers to trade, such as quotas, levies, export subsidies and import deposit schemes, one cannot expect to see the change in trade patterns immediately. Also, it is impossible to find out the impact of the Association on Greece's economic growth, without the use of complex macro-economic input-output models of the Greek economy. Finally, it is difficult to establish how important a factor the Association has been in the decision of many multinational companies to establish subsidiaries in Greece; surveys of these foreign subsidiaries and interviews with their managers, would be of great help in this area. Because of the lack of such field-work opportunities, we make here a number of propositions, which we then try to test through the use of various indicators, or where statistical data are not available, through the development of logical argument.

Indicators.-- A variety of indicators has been used in the past to measure the effects of customs unions on the economies of the participating countries. One could use, for instance, the *growth of Greek exports and imports to and from the EEC*, before and after the negotiation of the Agreement; or the

change in the percentage of total Greek exports and imports accounted for by trade with the EEC; or changes in the trade balance between the partners to the Agreement.

The main disadvantage of these indicators is that they are subject to problems of interpretation (McQueen, 1976 : 20); in other words, one could offer at least two rival propositions, equally well explaining the change in Greece's exports:

- (1) the growth of Greek exports to the EEC, has been due to a global rise in EEC demands for imports, i.e., irrespective of trade preferences, and
- (2) the increase in Greek exports to the EEC has been the result of an increase in overall competitiveness, i.e., improved ability of Greece to compete both in the EEC and the rest of the world (RoW).

In the cost-benefit analysis that follows, two other indicators will be used, for accepting or rejecting the above rival explanations:

1. $\frac{\% \Delta \text{ in Greek Exports to EEC}}{\% \Delta \text{ in total EEC Imports}}$ (for testing the first rival explanation)
2. $\frac{\% \Delta \text{ in Greek Exports to EEC}}{\% \Delta \text{ in Greek Exports to RoW}}$ (for testing the second rival explanation)

The "alternative" case, i.e., what would have been the most likely level of Greek exports and imports to and from the EEC in the absence of an Agreement, is rather more difficult to estimate; one cannot, for instance, estimate the "alternative case" by extrapolating from pre-1961 data, because Greece was mainly an agricultural country in the 1950s and her export abilities in the following 15 years would be under-

estimated. A better solution to this problem, would be to examine the performance of a country similar to Greece with regard to industrialization level, composition and direction of trade, which has *not* been associated with the EEC. To use LDCs in general, as a "control variable" would, perhaps, be too aggregative, although still useful as an indicator. In our opinion, Spain and Portugal are the best available "control variables" given their similarities with Greece, and the fact that their trade agreements with the EEC have been too limited to affect our results.

Finally, at a more disaggregated level, indicators similar to those mentioned above are used to examine post-1961 changes in the *composition* of Greek exports, and in individual manufacturing sectors.

Impact of the Association on the Trade of Greece

Trends in the Direction of Greek Trade

The EEC is Greece's main partner (Tables 9 and 10, p. 112) accounting for approximately 50% of her exports, and, before the oil price increase in 1973, for between 50 and 55% of her imports. Trade with Eastern Europe, on the other hand, has diminished in relative importance in the 1960s and 1970s, after an all-time high during 1956-63; this can be explained by the fact that most of Greece's imports of machinery during the post-war industrialization process originated from the West, thus determining future sources of imports.

North America has declined as a major export market for Greece; only 6.8% of Greek exports were directed there in 1976, compared with 15% in 1961. Imports from the US and Canada, however, have remained relatively steady over the years, despite the post-1973 oil-price increases which have turned the OPEC countries into important trade-partners of Greece.

Two new and very promising markets for Greek exports are those of the Middle East and North Africa, especially after 1973. Together, these two areas accounted in 1976 for 21.8% of Greek exports and 16% of her imports.

In summary, the EEC has remained consistently Greece's main customer, with the Middle East and North Africa emerging as two high-potential markets. On the other hand, Eastern Europe, and North America to a certain extent, have declined in importance since the early 1960s.

TABLE 9

GREEK EXPORTS BY MAIN AREAS (%)

<u>Countries of Destination</u>	<u>1961</u>	<u>1964</u>	<u>1967</u>	<u>1970</u>	<u>1973</u>	<u>1976</u>
EEC-9	38.7	44.7	45.7	52.2	55.0	50.0
North America	15.0	14.7	13.7	8.1	7.8	6.8
Eastern Europe	23.7	21.0	18.1	16.6	11.6	11.5
Middle East	N/A	N/A	3.1	4.1	8.0	12.9
North Africa	N/A	N/A	4.2	2.4	3.1	8.9
EFTA (excl. UK)	N/A	N/A	4.2	4.8	5.7	3.6

N/A: not available

Source: Calculated from UN International Trade Statistics (1976); OECD, Survey on Greece (1976)

TABLE 10

GREEK IMPORTS BY MAIN AREAS (%)

<u>Countries of Origin</u>	<u>1961</u>	<u>1964</u>	<u>1967</u>	<u>1970</u>	<u>1973</u>	<u>1976</u>
EEC-9	48.7	53.0	55.0	49.8	50.1	39.7
North America	12.9	12.3	9.0	6.8	8.9	7.3
Eastern Europe	7.1	8.3	7.6	5.2	5.5	6.8
Middle East	N/A	N/A	4.3	3.7	7.2	11.8
North Africa	N/A	N/A	1.8	1.0	2.7	4.2
Japan	N/A	N/A	2.7	12.7	7.0	12.2
EFTA (excl. UK)	N/A	N/A	8.8	9.4	6.1	8.9

N/A: not available

Source: As in Table 9

Trends in Overall Greek Exports

Proposition: The Association has had a positive, independent effect on Greece's overall exports to the EEC.

Table 11, p.115 indicates that during 1963/5 - 1973/5, Greek exports to the Community rose much faster than imports (616% compared to 299%); this meant that Greece's exports to the EEC covered 49.9% of her imports from the EEC in 1973/5, compared with only 27.8% in 1963/65 (Commission of the European Communities, 1978c: Table 52). Due to the initial trade gap, however, Greece's trade deficit with the Nine increased by 177%.

At the same time, the growth of Greek exports to the rest of the world, was significantly lower than that of exports to the Nine, while the growth of imports mainly due to the increased cost of oil imports was much higher than that from the EEC (Table 11). The almost equal rate of growth of imports and exports from and to the rest of the world, led to a 437% increase in the trade deficit, while the import coverage ratio remained steady at approximately 39%.

The rival proposition that the increase in Greek exports to the EEC is the result, not of the Association, but of an increased EEC import capacity, can be tested with the following indicators:

- (1) $\frac{\% \Delta \text{ in Greek Exports to EEC}}{\% \Delta \text{ in EEC Imports from the World}}$
- (2) $\frac{\% \Delta \text{ in Greek Exports to EEC}}{\% \Delta \text{ in Intra-EEC Imports}}$
- (3) $\frac{\% \Delta \text{ in Greek Exports to EEC}}{\% \Delta \text{ in EEC Imports from Third Countries}}$

In all three indicators, the ratios ($\frac{616}{302}$, $\frac{616}{416}$, $\frac{616}{232}$ respectively) are well above unity, suggesting that Greece has increased its share of EEC imports. In other words, the increase in Greek exports to the EEC does not appear to have resulted from an increased EEC import capacity.⁵⁸

The other rival proposition that the increase in Greek exports to the Nine is due to improved overall Greek export competitiveness, can be tested by the following indicator:

$$\frac{\% \Delta \text{ in Greek Exports to EEC}}{\% \Delta \text{ in Greek Exports to RoW}} = \frac{616}{444} \text{ i.e., significantly greater than unity.}$$

We can thus reject the rival proposition that improved overall competitiveness is the main reason for the higher Greek exports to the Nine.

In summary, Greek overall exports to the EEC seem to have substantially benefited from the Association; Greek export competitiveness has increased in the world market, although even more so within the EEC. Greek exports have increased their share of EEC imports from all countries, surpassing even the increase in intra-Community imports between 1963/5 - 1973/5 (616% compared to 416%).

58. The validity of this conclusion is reinforced by the fact that Spain's and Portugal's exports to the EEC witnessed a slower increase (547% and 393% respectively) than those of Greece (616%) during 1963/5 - 1973/5.

TABLE 11
EVOLUTION OF EXTERNAL TRADE
 (Percentage Increase During 1963/5 - 1973/5)

	<u>Imports</u>		<u>Exports</u>		<u>Trade Balance (X-M) a</u>	
	<u>Total</u>	<u>Agr.Prod.</u>	<u>Total</u>	<u>Agr.Prod.</u>	<u>Total</u>	<u>Agr.Prod.</u>
<u>Greece</u>						
World-EEC9	440	213	444	339	437b	141b
EEC9	299	366	616	340	177b	183c
<u>Spain</u>						
World-EEC9	163	426	576	263	76b	574b
EEC9	343	152	547	266	196b	334c
<u>Portugal</u>						
World-EEC9	408	484	233	195	935b	835b
EEC9	326	520	393	131	252b	17c
<u>EEC9</u>						
World	302	283	351	343		
Intra-EEC9	416	440	400	376		
Third Countries	232	99	311	291		

a: Exports-Imports; b: deficit; c: surplus.

Source: Calculated from Commission of the European Communities
 (Annexes) 1978c; Table 52.

Trends in Greece's Exports by Commodity

Proposition: The Association has had a significant effect in the expansion of Greek agricultural exports to the EEC.

As Table 11, p.115 indicates, Greek agricultural exports to the Community rose by 340% during 1963/5 - 1973/5, i.e., at a much slower pace than total Greek exports to the Nine during the same period (616%). Exports of agricultural products to the rest of the world rose by 339%, i.e., almost by the same rate exports to the Nine increased; this seems to be a surprising result, given the trade preferences offered to Greek agricultural produce by the EEC. On the other hand, agricultural imports from the EEC and the rest of the world rose by 366% and 213% respectively, during the same period.

The above results suggest that the EEC countries, whose agricultural exports to third countries rose by 291% - much slower than to Greece - benefited significantly from the Association; probably more than Greece, as they managed to limit their agricultural trade deficit with this country, by increasing agricultural exports at a faster rate (366% compared to 340% for Greece). The relatively slower growth of Greek agricultural exports to the Nine - which at the time of the Association in 1961 were expected to be the main beneficiaries of the Agreement - can be explained by: (1) the low price and income elasticity of demand for Mediterranean products, especially oriental tobacco, olive oil, currants and cotton; (2) the defective evolution of agricultural

harmonization, which deprived the Greek farmer of financial support from Community funds, and Greek exports of the high EEC protection.

However, we should ask at this stage the important question of the "alternative case"; i.e., whether Greek farmers would have been better off, had there been no Association with the EEC. Our data indicate that this would not have been the case; Greek agricultural products have been directed to Western European markets which, with the creation of the highly protective CAP in the early 1960s, would be partially closed to traditional Mediterranean suppliers in favour of Italy and France. Thus, although Greece has not fared in agricultural trade as well as she would have had, had she been full EEC member,⁵⁹ probably she would have done much worse had she been outside the Association regime altogether. This is also shown by the fact that EEC agricultural imports from third countries rose only by 99% during 1963/5 - 1973/5, while EEC imports from Spain and Portugal, countries with agricultural exports similar to Greece's, rose by 266% and 131% respectively (Table 11).

Proposition: The Association has had a significant effect in the expansion of Greek industrial exports to the EEC.

With the tariff reductions on Greek exports of manufactures to the EEC, one would expect a greater proportion of

59. Greek exports of agricultural products to the Nine increased by 340% during 1963/5 - 1973/5, compared to an increase of 440% in intra-Community agricultural imports.

Greek industrial exports absorbed by the EEC in the post-Association years. As a matter of fact, Table 12, p. 120, shows that the EEC-6 absorption rate for Greek processed goods, rose from 21.4% to 34.0% between 1961/2 and 1974/5. Particularly affected were the manufacturing sectors of food (61.4%), and textiles and clothing (73.0%), which together comprised 32.5% of total Greek exports to the Six in 1974/5. That this change has been due to the Association is indicated by the fact that exports from these sectors accounted in the same year for only 7% of Greek exports to the rest of the world.

A rival explanation for the observed shift in the composition of Greek exports towards industrial goods, during the post-1961 period, could be the fast industrialization of the country in this period, which had little to do with the Association itself. Table 12, p. 120, however, shows that the Agreement has had an *independent* effect on the above shift. The change from agricultural to industrial exports during 1961/2 - 1974/5, has been greater in the trade with the Six (from 16.1% to 70.9%) than with the rest of the world (from 25.9% to 68.9%); in other words, the industrial exports share in total exports increased by 3.4 times for the EEC, and by 1.7 times for the rest of the world.

Table 13, p. 121, also seems to refute a second rival explanation for the increase in Greek industrial exports to the Community; i.e., that it has been due to an increased EEC import capacity in industrial goods. The Greek share of EEC imports of manufactured goods (Standard International Trade

Classification categories, 5 to 8), has increased significantly in the post-Association period.

In summary, the available data indicate that the Association has had a positive independent effect on Greek industrial exports to the EEC, especially from the sectors of processed food - canned fruit and vegetables - and textiles and clothing.

TABLE 12

GREEK EXPORTS TO EEC-6 AND REST OF THE WORLD BY COMMODITY GROUPS

(as % of total exports to EEC-6, and
as % of total exports to ROW)

	EEC-6			Rest of the World	
	1961/2	a	1974/5	1961/2	1974/5
I. Primary Goods	83.9	33.2	29.1	74.1	31.1
II. Processed Goods	16.1	21.4	70.9	25.9	68.9
1. Processed Food	2.3	28.4	11.1	2.5	5.6
- Fruit & Vegetables	0.2	23.4	7.3	0.2	2.3
2. Processed Raw Materials	8.6	31.1	8.6	8.4	4.8
- Leather	4.2	29.5	1.7	4.4	2.4
- Magnesite	0.2	88.8	5.0	0.7	1.6
3. Other Manufactures	5.2	20.5	51.2	15.0	58.5
- Petroleum Products	b	-	3.0	b	8.1
- Textiles & Clothing	0.3	5.3	25.2	2.4	4.7
- Cement	..	1.3	..	0.4	8.4
- Anti-knock preps.	b	-	2.5	b	0.3
- Chemicals	0.1	10.0	1.1	0.4	3.7
- Aluminum	b	-	5.6	b	2.4
- Nickel	b	-	-	b	5.0
- Other Metals	0.6	34.8	2.6	0.5	12.4
- Machinery, Elect. Equipment	-	-	1.7	0.5	1.8
- Transport Equipment	2.2	50.1	3.7	0.9	3.2
- Furs					

a. % of total exports of the particular commodity, absorbed by the EEC
b. no exports before 1962
.. negligible

Source: Bank of Greece, cited by *Oek. Tech.*, No. 1176, 18 November 1976.

TABLE 13
GREEK SHARE OF EEC-6 INDUSTRIAL IMPORTS IN
1963/5 AND 1973/5 (%)

	<u>1963/5</u>	<u>1973/5</u>
SITC Categories (5-8)		
5. Chemicals	0.085	0.223
6. Manufactures by Material	0.119	0.569
(of which 65 Textiles)	0.138	1.374
7. Machinery and Transport	0.014	0.062
8. Miscellaneous Manufactures	0.105	0.912
(of which 84 Clothing)	0.307	2.588

Source: Data calculated from OECD, Trade by Commodities,
Series C (issues 1963-75)

Impact of the Association on Greek Manufacturing
and Foreign Investment in Greece

Trying to assess the independent impact of the Association on Greek manufacturing is clearly much more difficult than trying to evaluate its impact on trade; the main reason for this is the greater number of plausible rival explanations that are difficult to reject or accept with ex post facto data.

Table 14, p.123 shows that the number of new firms (Sociétés Anonymes and Limited Liability) in Greek manufacturing in the post-Association period (1961-70) was much greater than in the immediately preceding decade (1951-60). This increase resulted in a spectacular rise in manufacturing production in almost all sectors (Table 4, p.78).

To say, however, that this expansion in manufacturing has been entirely or even primarily due to the Association would be a mistake, for the following reasons:

- (i) the foundations for the industrialization process of the 1960s and 1970s - important infrastructure works - had been laid before the Association.
- (ii) the period since the late 1950s has witnessed, for the reasons discussed in Chapter I and II, a spectacular transfer of productive operations by MNCs from industrialized to developing nations. Greece has been one of these latter countries, and one could have expected her to attract MNCs even without the Association.
- (iii) incentives for the attraction of foreign capital had been given by the Greek government as early as 1953, when the

TABLE 14
NUMBERS OF NEW FIRMS (S.A. & LTD.)
IN GREEK MANUFACTURING

Sectors	1951-60		1961-70	
	Total	Foreign ^a	Total	Foreign ^a
1. Food	24	-	58	10
2. Beverages	2	-	8	3
3. Tobacco	1	-	-	-
4. Textiles	32	2	65	6
5. Clothing & Footwear	6	-	20	6
6. Wood & Cork	4	-	9	3
7. Furniture	6	-	3	-
8. Paper	2	-	11	5
9. Printing	9	-	18	-
10. Leather	2	-	3	-
11. Plastics & Rubber	9	1	43	6
12. Chemicals	23	6	51	19
13. Petroleum & Coal Prod.	-	-	5	4
14. Non-Metal Minerals	16	-	43	14
15. Basic Metals	2	-	5	2
16. Metal Products	16	4	36	10
17. Non-electrical Equip.	7	2	16	3
18. Electrical Equipment	13	2	30	16
19. Transport Equipment	8	1	13	3
20. Miscellaneous Manufact.	2	-	12	6
Total	184	18	449	116

a: more than 50% of assets are foreign-owned.

Source: Data calculated from ICAP Hellas (1971)

EEC was not in existence (see Chapter IV for further details).

The Greek government in the late 1950s and early 1960s hoped that the Association Agreement would force a large part of the existing industry to make a considerable effort of renovation and adaptation to the new conditions (see economic arguments in Chapter V) within the EEC. Its main aim was *to supplement the economic strategy adopted in the early 1950s in the following ways:*

- (a) ... because of the availability of manpower, its skills and the relatively low level of wages, and taking account also of the unexploited natural resources, Greece's integration in the Common Market offers great opportunities for the creation of new industries which would prove particularly interesting for foreign capital.

(OECD, *Survey on Greece*, 1963 : 24)

- (b) Because of the transitional period provided for by the Agreement, and the much faster abolition of tariffs of Greek exports to the EEC, many firms, W. European and American, would find it profitable to establish plants in Greece, behind temporary tariff "walls" and export to the Nine duty-free.

- (c) American firms would have an *additional incentive* to establish subsidiaries in Greece after the Association, because if they did not, they would find themselves at a disadvantage vis-a-vis their European competitors *in the Greek market*.

The above arguments would justify the claim that the Association may have played a role in the acceleration of foreign capital inflows in Greece (and in the consequent expansion of Greek manufacturing), quite independently from the simultaneously occurring changes in the international division of labour, although it is impossible to say how significant that role has been with the available data.

Manufacturing Sectors Affected by the Association

The Sectors in Greek manufacturing that have shown the most remarkable expansion *after 1960* in terms of new firms and production are the following:⁶⁰ food, textiles, clothing and footwear, plastics, chemicals, petroleum and coal products, basic metals, non-metallic minerals, non-electrical machinery, electrical machinery, transport equipment, and miscellaneous manufactures.

In this section we shall identify those sectors that have expanded *primarily because of the Athens Association Agreement*. By the process of elimination, we can *exclude* those sectors which:

- (i) were not included in the Association (ECSC products) - petroleum and coal products, iron and steel.
- (ii) were primarily directed towards the domestic market, rather than foreign markets (sector with less than 10% of their production being exported in 1975) - plastics (5.3%), non-electrical machinery (7.6%), transport equipment (8.5%), electrical equipment (9.5%).
- (iii) were directed to foreign markets (more than 10% of their production accounted for by exports), but not likely to have been influenced by the Association, as such; in other words, because of the nature of their products, these sectors would have expanded even in the absence of the Agreement. - basic metals (nickel, aluminum), non-metallic minerals (cement, directed almost exclusively towards the Middle Eastern and North African countries), and chemicals.

60. See Tables 14, p.123, and 4, p.78.

The remaining sectors are: *Food, Textiles, Clothing and Footwear, and Miscellaneous Manufactures*, and the available data indicate that they have been significantly affected by the Association. While in 1960, these sectors exported less than 3% of their production (Coutsoumaris, 1963), in 1975 they had become relatively export-oriented;⁶¹ moreover, a much greater percentage of total exports from the above sectors was being absorbed by the EEC in 1974/5, than in 1961/2.⁶² The main reasons why they have been so successful seem to be: (1) their price-competitiveness, mainly the result of the relatively low Greek wages⁶³ and also the fact that local raw materials are used extensively; (2) the Community's CET on these products is relatively high,⁶⁴ thus providing Greek exports with an additional advantage over third country competitors (as we have seen, Greek industrial exports enter the EEC duty-free because of the Association).

61. According to the Commission of the European Communities (1978c), the *food* sector exported 11.9% of its total production; the *textiles* sector 14.4%; the *clothing and footwear* 38.8%; and the *miscellaneous manufactures* (toys, etc.) sector 25%.

62. In 1961/2, the EEC absorbed 23.4% of Greek food exports, and 5% of Greece's exports of textiles, clothing and footwear; in 1974/5, the absorption rates were 61.4% and 73.0% respectively (Table 12, p. 120).

63. All four sectors seem to be relatively labour-intensive; using as an indicator of capital-intensity, the ratio: value added/labour remuneration with total manufacturing = 100, the above sectors scored as follows in 1974: food 99, textiles 100, clothing and footwear 76, and miscellaneous manufactures 77 (data calculated from Statistical Yearbook of Greece, 1976).

64. The Community's nominal external tariff is: for food 20-30%; for textiles 5-18%; for clothing 10-18%; and for miscellaneous manufactures 6-15% (Bulletin International des Douanes, 1976).

Direct Foreign Investment and the Association

There was a rapid increase in foreign direct investment in Greece during the post-Association period, both in terms of capital inflows, and numbers of new foreign-controlled firms established in the country.⁶⁵ However, as we have already argued, foreign capital was attracted not so much by the Association as by other considerations such as: (1) capturing the small, but expanding, local market; (2) securing the sources of certain resources (nickel, aluminum, iron-ores); and (3) exporting (especially in the 1970s, but not necessarily to Western Europe; usually to the Middle East and North Africa). Thus, during 1961-68, foreign investment was highest in the petrochemicals (82.6% of total investment in the sector), basic metals (64.4%), transport equipment (81.6%), and only 16.7% in clothing, 5.6% in textiles and 4.6% in food which were the sectors most affected by the Association.

In general, with the only exception of the clothing sector, in which foreign firms account for 13.9% of the sector's assets and 55.5% of its exports,⁶⁶ one could say that the independent effect of the Association on foreign direct investment has been rather insignificant so far. The greatest beneficiaries of the export-induced expansion in manufacturing (due to the Association) have been mainly Greek industrialists in the food and textiles sectors.

65. See Tables 3, p.77, and 14, p.123, respectively.

66. For a discussion of foreign control in the Greek export trade, see Giannitsis (1976).

In *summary*, the examination in this section of the impact of the Association on Greek manufacturing and foreign direct investment in Greece indicates that the Agreement may have strengthened business expectations and contributed thus to growth. It has affected mainly the low-technology sectors of textiles, food, clothing, and miscellaneous manufactures, which have significantly increased their exports to the EEC since 1961/2.⁶⁷ On the other hand, although foreign investment has increased significantly since 1961, the Association seems to have played a very minor role in attracting foreign capital to Greece, the only possible exception being the clothing sector.

67. The exports of these four sectors accounted for 42% of total EEC imports from Greece in 1975.

CHAPTER VI

FULL MEMBERSHIP IN THE CONTEXT OF THE COMMUNITY'S SECOND ENLARGEMENT

In Chapter III we critically examined the political rationale of Greece's application for full membership of the Communities. In the present Chapter, we focus our analysis on the likely impact of the accession *on the Greek economy*.

A brief discussion of the current debate in Greece on this important issue is followed by a detailed examination of the Community's enlargement to the South; this is felt necessary in view of the profound consequences of this new extension on the cohesion of the European Community, and on its future internal and external policies. Having provided this essential background, we proceed with an analysis of the economic aspects of the full membership issue.

As in the case of the Association Agreement, our findings show that the distribution of benefits and costs resulting from Greece's accession is not likely to be uniform across the Greek economy; some sectors in both manufacturing and agriculture will suffer losses, while others will enjoy significant benefits. Aid from Community Funds, combined with the high opportunity cost of alternative courses of action outside the

EEC⁶⁸ make the decision for full membership look rather attractive on economic grounds.

Debate on the Issue of Full Membership

Greece's full accession to the Communities has become a major political issue after the fall of the junta in 1974. In 1961, both major political parties - the conservative National Radical Union (ERE) and the liberal Centre Union (EK) - supported the Association Agreement, and Greece's membership of the Western Alliance. In the post-dictatorship years, however, there have been profound changes in the political scene; the Socialist PA.SO.K and the Communist Party of the Exterior,⁶⁹ the main opposition parties after the 1977 general elections, are both anti-NATO and anti-EEC.⁷⁰ The former opts for closer ties with the Third World, whereas the latter prefers closer relations with Eastern Europe. With a combined 34.6% of the popular vote in 1977, up from 21% in 1974, these two parties have made Greek accession to the Communities the focal issue of political debate.

As in the early 1960s with the Association, economic arguments seem to predominate discussions on the Accession issue;

68. For a detailed discussion of alternatives to full membership, see Chapter VII.

69. In 1968, ideological differences split up Greek Communist Party into two factions; the Moscow-oriented Communist Party of the Exterior, and the Communist Party of the Interior (Eurocommunists). The former is by far the stronger of the two with over 9% of the vote, compared to approximately 2% for the Eurocommunists.

70. For a more detailed discussion of the position of the various Greek political parties on foreign policy issues, see Chapter III.

economic reasoning usually sounds more "objective" and is thus more likely to convince the electorate than controversial political debate. As far as the Association is concerned, there is a general consensus in Greece at present that it has not benefited the country significantly; the continuation of the present regime which involves tariff dismantling on Greece's part, at a time when the Community appears unwilling to proceed with measures other than industrial trade liberalization has become a source of problems for the Greek economy (see Chapter V on the evolution of the Agreement).

Does this mean that full membership should be abandoned together with the Association? *Those in favour of accession*, while admitting that the Association has not worked as well as had been expected, agree that the main reason for its defective evolution has been its limitation during the junta period to matters of "current administration"; full membership would thus remedy the present state of affairs.

On the other hand, *those opposing accession* argue that membership would increase Greece's integration into the international system under the present division of labour, i.e., as a peripheral economy, and that it would facilitate her penetration by foreign capital. Competition from EEC firms, combined with freedom of establishment after accession, would force many small and inefficient Greek companies out of business, thus increasing unemployment. Moreover, a vicious cycle would be set in motion as the introduction of modern techniques in agriculture - encouraged by the Community - would drive many farmers

to the cities, only to find out that the highly capital-intensive and foreign-dominated manufacturing sector was unable to absorb them. A better solution would be the conclusion of a new, more flexible trade *agreement* with the EEC, and the promotion of closer relations with other Mediterranean Countries, with a longer view to creating an economic and political Mediterranean Community.

In Chapter VII, we examine in detail the feasibility of the various alternative solutions open to Greece, taking into account the political and economic costs involved. For the time being, however, it is important to stress, as in the previous chapter, that the Association Agreement and the forthcoming full membership will not *by themselves* increase Greece's dependence on the international capitalist system. This integration started in the early 1950s, with the adoption by the then government of an "open" economic strategy, based on private, foreign and Greek capital. As a result of this policy, one-third of Greek manufacturing is, at present, foreign controlled - with much higher control in sectors, such as petrochemicals, transport equipment and basic metals (see Chapter IV).

Foreign capital has not 'waited' for Greece's accession to the Communities in order to penetrate her tariff-protected economy; MNCs have been actively encouraged by the State, since 1953, to establish subsidiaries in the country.

(Marinos, 1978 : 3) -

Moreover, the problems facing agriculture - low productivity, underemployment and low incomes - have been in existence well before the decision to join the EEC.

In summary, Greece's main economic problems, will not be the result of the country's accession to the Communities, although they may very well be accentuated. Instead, the main cause should be sought in the economic strategy pursued until now by successive post-war Greek governments; a strategy that was based on short-term considerations, rather than a formal, coherent and long-term planning.

Enlargement Issues

The accession of new members, with differing interests and problems, is likely to have profound consequences for the future development of the Community ... The impact of nine million Greeks may not be radical. But although the Greek application is the only one at present on the table,⁷¹ it cannot be viewed in isolation, given the interest of other Mediterranean countries.

(Edwards, 1977 : 69)

Greece's entry into the EEC has to be seen in the dynamic context of the Community's second enlargement, which is likely to change its character significantly. It is, therefore, impossible to comprehend the impact of membership on the economic structure of Greece, unless we first examine the broad consequences of the EEC's expansion to the South, on the Community itself.

71. Portugal and Spain applied for full membership of the Communities in 1977.

Background to the Enlargement

In Chapter I, we examined certain political and economic developments in the Southern European countries; the events in Portugal, Greece and Spain, following the fall of their dictatorial regimes, and the strengthening of left-wing political forces in Italy and France.

One of the reasons why the rich Community countries open the EEC's door to the Mediterranean countries is to prevent political developments in Europe's Periphery that might lead to power left-wing regimes, intolerable to the governments of Northern Europe.

(Commissioner Giolitti, cited by *Oek. Tach.*, No. 1200, 5 May 1977)

The relations between the EEC and the Southern European countries that are not yet members of the Community may therefore be seen in the wider context of a reorganization within the Western Alliance, as an effort to strengthen economic and political ties with the newly established regimes, so as to secure their integration within the Western system (Marinos, 1977 : 22). The accession of Spain, Portugal and Greece serves, at the political level, as a means of shifting "the centre of gravity towards the south, in a Community whose policies are tailored to meet the needs of a club of temperate-zone advanced industrial countries" (*Economist*, 19 February 1977). Such shift is favoured by certain members of the present Community, namely France and Italy, which therefore support the enlargement, in principle.

The reasons that render the Second Enlargement inevitable are clearly political. Only a few years after the accession

of the UK, Ireland and Denmark, however, further extension of the EEC is bound to reduce its cohesion, especially as the new applicants are relatively much poorer than most of the present members. In the following section we focus on some of these problems, and on the way they may affect future Community policies.

Problems of the Enlargement

Political and Economic Union

The Community has come to assume, in many respects, more of the proportions of a cooperative venture between sovereign states than was originally envisaged in the supranational provisions of the Treaty of Rome.

(Everling, 1977 : 322)

This trend is likely to be intensified, by the expansion of the EEC to include Greece, Spain and Portugal, whose economies are at much lower levels of development than the EEC average. Unless effective mechanisms are found first for a more fair distribution of benefits among the various regions of the enlarged Community, the future of the EEC, and certainly of any progress to economic and monetary union, could be placed in jeopardy (Goodwin, 1977; *The Times* (London) 6 January 1977). According to Edwards (1977 : 78),

an enlarged Community, could resemble more the free-trade area proposed by Mr. Maudling in 1957,⁷² than the European Union encouraged by the founders of the EEC. An integrated inner core could emerge, which might provide the highest tier of a multi-tiered Community, with the Mediterranean countries on a less integrated level.

72. British Minister of Foreign Affairs in 1957.

The acceptance of a multi-tiered Community was actually advocated by the Belgian Prime Minister, Leo Tindemans (European Communities, *Bulletin*, 1976a), and was greeted with much criticism by the "smaller" EEC members - Italy and Benelux in particular. However, we would agree with Mr. Tindemans that there exist serious economic disparities in the Community, *even now*.⁷³ The impending enlargement may intensify these disparities, but *it will not create them*.

Industrial Problems

Table 15 below shows that the share of the three applicant countries in the EEC market of industrial goods, is very small; only 1.28% and 3.16% in 1963/5 and 1973/5 respectively, if we exclude intra-EEC-9 trade in industrial goods.

TABLE 15
INDUSTRIAL EXPORTS TO EEC-9 BY
SPAIN, PORTUGAL AND GREECE

Countries of Origin	1963/5		1973/5	
	mm US\$	EEC Imports from "3"/Third Cs.%	mm US\$	EEC Imports from "3"/Third Cs.%
Spain	203	0.70	2,080	1.85
Portugal	131	0.45	822	0.73
Greece	40	0.14	651	0.58
Total "3"	374	1.28	3,553	3.16
Third Countries	29,125		112,434	

Source: Calculated from data, cited by Commission of the European Communities (1978c).

73. Tindemans in an interview with the *European Community* (1976 : 8) "There exist two Europes for the moment. There is a Europe at two speeds, because member states are participating in the 'snake', and other member states are not ..."

One might think, therefore, that this overall picture could hardly cause any alarm to producers in the present Community; especially as the EEC is likely to benefit in overall terms from industrial trade with the three applicants because of the greater efficiency of European industry, and the growing incomes of the potential members which reinforce the demand for consumers' durables manufactured in the Community.

This is not the case, however, for the following reasons:

The structure of the three applicants' industrial production and demand is appreciably different from that of the Community as a whole. Enlargement will therefore add to production capacities in certain sensitive sectors of the Community and increase the disparity as regards the conditions of production existing in other sectors.

(Commission of the European Communities, 1978a : 10)

Some of the Community's traditional and declining sectors - textiles, clothing and footwear, shipbuilding - will face greater competition from the new members and especially Spain.⁷⁴

Moreover, as the Commission of the European Communities (1978a : 10) points out, ... Industry in the Community of Nine is still suffering from the negative effects of the general economic crisis. It is also engaged in a process of adjustment to the new international division of labour, which is taking shape following the increased participation of a growing number of countries in international production and trade.

74. Spain, in particular, is the world's tenth largest industrial power with immense industrial export potential; many of her industries, such as automobiles, steel, footwear and shipbuilding, would be highly competitive inside the Community (*Economist*, 30 July 1977). Greece and Portugal, on the other hand, are much weaker industrially, although they are competitive in certain sensitive sectors, especially in textiles and clothing (Great Britain, 1978).

As the sectors affected are relatively labour intensive - textiles, clothing, footwear - there is strong political pressure from various interest groups on the EEC towards more protectionist measures than there would have been during periods of high economic activity, when the opportunity cost of restructuring is relatively low.

As a result of the above pressures, the Community has indicated that it intends to take certain measures vis-a-vis the three applicant countries; *first*, there will be efforts to prolong the transitional periods following accession, and to introduce safeguard clauses during these periods.

... a number of clauses would be valid for the entire transitional period ... to cope with unforeseeable difficulties ... in view of the risks enlargement could present for some sensitive sectors.

(Commission of the European Communities, 1978a : 17)

second, the applicant countries will not be encouraged to increase their productive capacity in sensitive sectors, such as textiles, shipbuilding, and steel industries (*Oek. Tech.* No. 1222, 6 October 1977).

(It is) necessary to take measures for safeguarding the Common Market, (through) restructuring and moving into sectors where there is strong demand ... Adjustments within the applicant countries ... must first of all involve common disciplines concerted with the applicant countries ... If these disciplines were to work satisfactorily, the applicant countries could be exempted from the protective measures the Community has had to adopt vis-a-vis non-member countries.

(Commission of the European Communities, 1978a : 9-10)

Agricultural Problems

The agricultural impact of the second enlargement will be felt mostly by the Mediterranean producers of the present Community: Portugal and Greece with their relatively small

agricultural output do not present a serious threat to the EEC; Spain, however, is a different case altogether.

If Spanish farmers were to be allowed to compete freely, large numbers of farmers in Southern France and Italy would have to give up. Spanish prices for Mediterranean produce such as wine and fruit are some 40% below EEC levels (*Economist*, 19 February 1977).

Yet, the number of products which may cause problems is quite small. The three applicants specialize in products where the Community has usually low self-sufficiency rates and has to import from other Mediterranean countries. Moreover, the Nine have surpluses in those products, where the "three" are deficient, for instance, meat and dairy products.

Nonetheless, the new enlargement has brought about a reconsideration of the distributional effects of the CAP. More specifically, under pressure from their Mediterranean farmers, the French and Italian governments have criticized the CAP for doing far too much to support northern temperate products, and not enough to help Mediterranean products; fruit and vegetables, for example, receive only 3% of the EEC's price support funds, although their value represents 11.9% of the EEC's farm production (*Economist*, 12 February 1977). Another complaint has been over the EEC's Mediterranean Policy, which has affected mostly the Community's Mediterranean farmers.⁷⁵

75. This is only partly true; while the Mediterranean Accords offer tariff concessions, they still oblige the Mediterranean Countries to sell their produce at the EEC's high reference price. This regime has hindered the expansion of their exports to W. Europe; imports of wine, for instance, from these countries have dropped by 75% between 1969/70 and 1975/6 (*Economist*, 13 August 1977).

This situation, it is agreed, would become even more serious after the second enlargement.

During the summer of 1977, the French and Italian Governments submitted two memoranda to the Council of Ministers (Great Britain, 1978 : 24); according to the *Economist* (30 July 1977), the French pressed for the adoption of certain measures to reform the CAP, before the accession of the three applicant countries;

(i) *increased support for Mediterranean products*, involving higher prices, and support for products not covered at present by the CAP;

(ii) *more protection against non-EEC competition*, involving mainly tougher safeguard clauses and higher minimum import prices;

(iii) *minimum prices for intra-EEC trade in Mediterranean goods*, in order to force Spanish, Greek and Portuguese prices up to French levels;

(iv) *long and flexible transition periods for the new members after accession*;

(v) *more aid for creating new jobs in other industries in the Mediterranean regions*.

The Italians, on the other hand, while sharing France's conviction that imports from third countries should be restricted, want to see more intra-EEC trade in Mediterranean products, and increased support for structural improvements including irrigation schemes, and processing facilities for fruit and vegetables (*Economist*, 6 October 1977).

There is no doubt that the CAP needs reforms and it needs them urgently; production, however, should be encouraged to meet demand, rather than guaranteed prices. Restructuring seems to be the best way of safeguarding the CAP's long-term objectives,⁷⁶ and this is most probably the course that the EEC will follow, despite France's objections.

-- *A sharp increase in prices*, while raising incomes, would produce surpluses; in certain products, such as wine, consumption is not keeping up with the rising production, while in others, such as fruit, vegetables, olive oil, and tobacco, consumption is stagnant or declining. As Edwards and Wallace point out (1976 : 47), "probably more attention needs to be paid to more efficient regional and social policies, rather than continuing the attempt to incorporate elements of both within the CAP".

-- *Reducing competition* through increased protection, is also out of the question, because it would be unacceptable to the new members, and it would contradict the Community's long term interests in the Mediterranean region. How could the less developed countries of the area pay for their industrial imports from Western Europe, if their exports are prevented from entering the EEC market? The policy of high prices, to raise the income of farmers, and to bring about agricultural self-sufficiency for the EEC, is at variance with the latter's objective to expand her manufactured exports, especially to the developing world:

76. Despite the importance of restructuring, FEOGA's price support funds stood at 4,727 mm EUR in 1975, while the orientation and restructuring funds only at 325 mm EUR.

-- Instead, *restructuring* should become the priority; it is impossible to have a technologically advanced and internationally competitive European agriculture, without first changing the mode of production in this sector. In the case of the EEC, this would mean substitution of modern capitalist structures for the traditional ones, which prevail in parts of Italy and France (Kazakos, 1977). This solution of structural reform seems to be favoured by both the Italian government and the European Commission (*Financial Times*, 6 October 1977).

In May 1978, the EEC Ministers of Agriculture agreed to redistribute 1.57 billion units of account to the Mediterranean regions, during the next five years; irrigation schemes in Italy, incentives for a reduction in vineyard production in France, better processing and marketing facilities for fruit and vegetables, will receive particular attention (*Oek. Tsch.*, No. 1259, 22 June 1978). The additional funds will be provided through a combination of increased expenditures by the North European countries of the Community, and increased savings from lower price guarantees and lower market support arrangements for northern animal products.

Impact of Enlargement on the EEC's External Relations

The consequences of the second enlargement will be particularly felt by the other Mediterranean countries, as well as LDCs in other parts of the world; it is very likely that the EEC's capacity to absorb their agricultural and "light" industrial products will be limited.

-- For the *ACP countries*, the enlargement will offer a larger market for tropical products and raw materials; however, they will face increased competition from the "three" in light industrial exports, such as textiles and clothing.

-- For the *Mediterranean countries*, the enlargement could have serious consequences, as they compete directly with the potential members; one would, therefore, expect an erosion in the share of the EEC market.

At present, the Community's position towards those countries in the face of the second enlargement seems uncertain. It may become slightly more protectionist vis-a-vis the outside worlds especially under pressure from the three applicants; it is unlikely that these pressures will be successful in the longer run, as this would harm the present Community's vital interests in the developing world and the Mediterranean, in particular.

The three applicant countries should know that the Community is determined not to sacrifice her relations with the LDCs in the name of the enlargement ... It must be made clear (to them) that the Community's external economic relations are global; the interests of other LDCs will be taken into account ...

(Pizzani Report, cited by *Oek. Tsch.*, No. 1204, 2 June 1977)

Full Membership and the Greek Economy

Having examined the likely impact of the enlargement on the Community and on its future domestic and external policies, we now return to the main topic of this chapter, i.e., the impact of the full membership on the Greek economy. We focus our analysis first on the manufacturing sector, and then on agriculture.

Impact on Greek Manufacturing

Background

Despite the high rates of growth and rapid industrialization during the last fifteen years in particular, the Greek industrial base is still very weak, as we saw in Chapter IV.

Average productivity in the Greek industrial sector is 51% of the average EEC productivity in industry. These average data in fact conceal the profound duality of the industrial sector of the country. Alongside modern undertakings, that are very often subsidiaries of foreign companies, there are innumerable unproductive and mainly artisan undertakings, that are ill-suited for growth and are in great danger of suffering from Community competition.

(Commission of the European Communities, 1978c : 151).

In what follows, we examine very briefly some of the structural weaknesses,⁷⁷ and some of the advantages, characterizing Greek manufacturing in the eve of full membership.

Problems and Weaknesses

Small size of Firms.-- Firms are predominantly small craft enterprises, as Table 16 below indicates:

TABLE 16

FIRM SIZE, LABOUR FORCE, AND VALUE ADDED IN MANUFACTURING (1970)

<u>Size category according to labour force</u>	<u>0-4</u>	<u>5-9</u>	<u>10-19</u>	<u>20-29</u>	<u>>30</u>
Number of firms (%)	87.4	7.7	2.7	0.9	1.4
Labour force (%)	38.5	11.3	8.9	5.9	36.1
Value added (%)	15.2	7.2	8.2	5.9	63.6

Source: Statistical Yearbook of Greece, 1976, cited by the Economic and Social Committee of the European Communities (1978 : 71) - thereafter quoted as ESC.

77. For a discussion of the problems arising in the Greek economy as a result of post-war economic policies, see Chapter IV.

The only exceptions to small size are: *basic metals, petrochemicals, paper and tobacco*. The small- and medium-sized enterprises are almost entirely geared towards the domestic market, while the larger enterprises account for the bulk of export.

Most branches of industry are not diversified enough.-- as the ESC (1978 : 70-1) points out, "further processing industries are lacking; ... raw materials are exported after minor processing (with the exception of textiles and leather)." This is particularly true in the case of MNCs in the extractive sector - bauxite and alumina, nickel, magnesite - and results in the loss of valuable foreign exchange, which could have been earned, had further processing taken place locally.

Low degree of specialization and product differentiation.-- The multitude of small firms engaged in manufacturing hampers standardization and entails higher costs. Exceptions to this are the following sectors: basic metals, textiles, cement and petroleum products.

The manufacturing sector is not sufficiently export-oriented.-- We have already seen (Chapter IV) that the main reason for this has been the high protection of the domestic market from imports, and the inefficiencies resulting from the lack of competition. The ratio of industrial exports over industrial production, has admittedly increased from 3% in 1965 to 11% in 1973, and 16% in 1975; it is still, however, very low by industrialized countries' standards (for instance, Netherlands and Belgium). The most export-oriented sectors in 1975 were:⁷⁸ *leather* with 43.7% of

78. These sectors accounted for 57.4% of total industrial exports in 1975.

its production exported, *clothing and footwear* (38.8%), *basic metals* (34.5%), *petroleum products* (33.5%), *miscellaneous manufactures* (25.0%), *non-metallic minerals* (23.9%) and *chemicals* (21.3%). (Commission of the European Communities, 1978c).

Clearly the above structural weaknesses are independent of Greece's Association Agreement and full membership (Chapter V), and they would have to be dealt with, within or without the EEC. Having said that, however, we should also stress that entry into the EEC, within such short period, will pose immediate problems to the manufacturing sector, which will be confronted with a *gradual dismantling of trade barriers* on one hand, and with the need to *increase exports and to absorb surplus agricultural labour* on the other.

Advantages of Greek Manufacturing

Greek manufacturing enjoys considerable advantages as regards labour costs, access to minerals and energy, and geographical location, all of which would help it grow within the Community (Zolotas, 1976 and 1978). According to the *Financial Times* (5 April 1977), Greece is one of the three or four Mediterranean countries best placed to benefit from the movement of European light industry towards the south; of these countries (Spain, Portugal, Southern Italy), Greece is the one closest to the expanding Middle East market.

Low labour costs.-- We have seen in Chapters I and II that the Western European countries are gradually abandoning the "light"

or assembly branches of manufacturing, as they switch to more complex-technology sectors, where they can pay higher wages. The "light" industries are moving to the South, attracted by the low labour costs. In Greece, labour costs are increasing, but industrialists hope that the gap between W. European and Greek wages will exist even after the accession to the EEC.

Minerals.-- Greece has significant deposits of ores and minerals, such as bauxite, nickel and ferronickel, magnesite, chromium, and possibly uranium; in 1974, oil was found in commercial quantities in Northern Aegean.

Freight costs.-- There will always be a built-in protective tariff for the domestic market, even after full membership, because of the substantial, additional cost of importing bulky products over long distances.

Proximity to Middle East and North Africa.-- Proximity to these rapidly expanding markets enhances the importance of freight differentials. Another advantage is the better understanding by Greek businessmen of Arab tastes and requirements, and also the good relations Greece has enjoyed traditionally with the Arab world. Political stability and relatively well-developed infrastructure have, to a certain extent, turned Greece into a country, attractive to foreign investors. After the breakout of the Lebanese Civil War, Athens has taken up the position previously held by Beirut, as the Eastern Mediterranean financial centre; Greece has become the base for MNCs wishing to penetrate the rich Arab markets and, to avoid the higher costs of establishing local subsidiaries there.

The above considerations indicate that sectors likely to survive and succeed in the competition with the EEC and third countries will be mainly,

-- *labour-intensive industries*, enjoying the low labour cost advantage

-- *industries using local materials*

-- *industries "protected" by high transportation costs*

Within the various manufacturing sectors most likely to benefit and expand their operations are foreign subsidiaries; because of their modern facilities, management, and financial strength of their parent companies, they are in a better position to withstand foreign competition from both the EEC and third countries. An exception to this rule will be those foreign firms which have established branches in Greece, just to take advantage of the tax incentives provided, and the high tariff walls.

Competitive Position of the Various Branches of Manufacturing

To the best of our knowledge, there has been no detailed complete analysis of the impact of full membership on Greek manufacturing by sector. The only exceptions have been two recent partial studies; one, on the impact of accession on small- and medium-sized Greek manufacturing firms, sponsored by the Greek Bank for Industrial Development;⁷⁹ and another study on

79. Deutsches Institut für die Entwicklungspolitik: "Griechenland und die Europäische Gemeinschaft. Probleme und Lösungsatze im Bereich der Industrie" Berlin, 1977 (cited by Oek. Tsch., No. 1241, 16 February 1978; also cited by ESC, 1978).

behalf of the Federation of Greek Industrialists, which has not yet been completed.⁸⁰

Drawing from these two sources, as well as from news-magazines, newspapers and EEC documents, we list below the various sectors of Greek manufacturing, according to their competitiveness within the Community.

Manufacturing Sectors in Competitive Position
(with good export opportunities)

Clothing and Footwear - Labour-intensive, export-oriented sector with modern installations, and using local materials.

Textiles - Relatively capital-intensive, using local materials and having modern installations; it is becoming increasingly more export-oriented.

Leather and Furs - Labour-intensive, local materials, some modern installations; highly export-oriented.

Basic Metals - Capital-intensive, local materials, modern installations, export-oriented, freight advantage, high foreign control.

Petroleum Products - Highly capital-intensive, with high foreign control and modern technology.

Wood and Cork - Relatively capital-intensive, high foreign control and modern technology; directed mainly towards the local market, but becoming increasingly more export-oriented.

80. Institute of Economic and Industrial Research: "What is the future of the various sectors of Greek manufacturing within the Community?" Preliminary report, cited by *Oek. Tach.* (No. 1249, 13 April 1978 and No. 1250, 20 April 1978).

Non-metallic Minerals (mainly cement) - Relatively capital-intensive sector, with modern technology, high concentration, using local materials and enjoying a freight advantage; exports are mainly directed to Middle East and North Africa.

Rubber and Plastics - Capital-intensive sector, with modern technology especially in the case of foreign subsidiaries; production is geared to the local market.

Chemicals - Capital-intensive sector, with high foreign control; modern technology (especially the foreign subsidiaries) and export oriented.

Miscellaneous Goods (travel goods, toys, records, etc.) - Labour-intensive sector, using local materials and export-oriented, there is very high foreign control.

Sectors in Less Competitive Position, but not in Grave Danger

Food Processing - Relatively capital-intensive, using local materials and relatively export-oriented (mainly to W. Europe).

Beverages - Capital-intensive, local materials, relatively export-oriented; there will be problems where there is no product standardization.

Tobacco - Relatively capital-intensive, local materials; aiming towards the local market, and depending on local tastes.

Furniture - Labour-intensive sector, using local materials and geared to the local market.

Printing and Publishing - Labour-intensive, geared almost exclusively to the local market.

Paper and Paper Products - Capital-intensive, with high concentration; geared to the local market.

Sectors in Uncompetitive Position, and in Grave Danger

Metal Products - Relatively labour-intensive sector, small-sized firms; highly protected from foreign competition, geared mainly to the local market.

Non-electrical Machinery - Labour-intensive sector, small-sized firms; highly protected at present, and geared to the local market.

Electrical Machinery - Relatively labour-intensive, small-sized firms, geared to the local market, and highly protected.

Transport Equipment - Labour-intensive sector; very small firms in general, with the exception of shipyards; high protection and high foreign control (mainly Greek shipowners based abroad).

Table 17 indicates some of the characteristics of the various branches of Greek manufacturing: percentage of total manufacturing production and employment, accounted for by the individual sectors; extent of foreign control in the sector; percentage of production exported; and an indicator of capital intensity - value added/wage bill - as deviation from the average for total manufacturing. It is impossible to predict precisely from Table 17 the percentage of total manufacturing production and employment that will be endangered by Greece's accession to the Community, as there are great intra-sector differences among firms; for example, foreign subsidiaries in the "uncompetitive" sectors of transport equipment and metal products may have much greater chances of survival within the EEC, than Greek-owned firms in the "competitive" sectors of

TABLE 17
COMPETITIVE POSITION OF GREEK MANUFACTURING

	(1973) % of total production	(1973) % of total employment	(1973) foreign control (%)	(1975) exports/ production (%)	(1974) capital intensity
I. Competitive Sectors	58.2	48.4			
Clothing & Footwear	3.7	11.9	13.9	38.8	76
Textiles	16.1	11.3	4.3	14.4	100
Leather	0.7	2.2	6.2	43.7	84
Basic Metals	9.3	1.3	56.9	34.5	183
Petroleum Products	4.3	0.6	95.5	33.5	266
Wood	2.6	5.7	37.4	4.1	104
Non-Metal Minerals	7.0	6.2	9.4	23.9	97
Plastics	4.0	2.6	40.0	5.3	110
Chemicals	8.4	3.4	45.1	21.3	116
Miscellaneous	0.7	2.0	84.3	25.0	77
II. Intermediate	20.3	27.1			
Food	10.9	14.8	12.5	11.9	99
Beverages	3.7	2.0	11.7	10.8	119
Tobacco	2.1	1.5	-	0.1	97
Furniture	1.2	4.9	-	1.9	75
Printing	2.4	2.6	0.5	1.6	66
Paper	2.5	1.3	17.6	3.7	109
III. Uncompetitive Sectors	21.5	25.5			
Metal Products	6.3	7.9	6.3	13.5	101
Non-Electrical Mach.	2.2	3.9	8.2	7.6	69
Electrical Machinery	7.4	5.0	41.7	9.5	96
Transport	5.6	8.7	60.3	8.5	56
Total Manufacturing	100.0	100.0	29.8	16.9	100

Sources: Statistical Yearbook of Greece (1975) and (1976); Commission of the European Communities (1978c); Giannitsis (1975a)

plastics, chemicals, or even textiles. As a rough, first approximation, however, we could say that approximately one-fifth of production and one-quarter of manufacturing employment may be in grave danger because of the accession. On the other hand, almost 60% of production and just under 50% of employment are expected to be in a competitive position.

Full Membership and Industrial Trade

Industrial Imports

We have seen in Chapter V (Evolution of the Association), that industrial trade liberalization has not been completed yet by Greece:

- two-thirds of the Community's industrial exports enter Greece duty-free;
- duties on the remaining third, are to be abolished by 1984;
- quantitative restrictions and import deposit schemes, are to be abolished by 1984.

According to the ESC (1978 : 72),

... at present, almost all products in the shoes and leather, textiles, petrochemicals, iron and steel, and metal and mineral goods sectors, are still protected by customs duties against EEC imports.

See Table 18.

Moreover, after accession Greece will become party to the EEC's trade agreements with third countries;

... joining the Community will involve not only free trade with existing members and EFTA, but also much lower tariff protection against the rest of the world, in particular with the Mediterranean and Lome Convention countries

(Great Britain, 1978 : 32)

TABLE 18

AD VALOREM DUTIES ON SELECTED EEC AND GREEK INDUSTRIAL IMPORTS IN 1975

	EEC Tariff	Greek Tariff		EEC Tariff	Greek Tariff
Plastics	12-17	15-52	Metal Products		
Leather	4-10	40-60	(iron and steel)	5-9	20-40
Wood Products	6-8	30-50	Copper Products	8	20-60
Paper	3-12	41-53	Aluminum Products	7-9	20-40
Synthetic Fabrics	13	60	Lead Products	6-10	25-60
Woolen Fabrics	13-18	40-60	Zinc Products	6-10	25-60
Cotton Yarn	6-8	21-25	Agricultural Machinery	5	20
Cotton Fabrics	5-9	35-45	Electric Generators	5-6	15-20
Knitted Goods	13-18	40-60	Domestic Elect. Eqpt.	7-12	35-61
Clothing	10-18	35-60	Insulation Materials	6-15	15-75
			Optical Equipment	8-10	30-50

Source: Bulletin International des Douanes (1976)

It has been estimated that as a result of the above gradual dismantling of trade barriers, the prices of certain EEC exports to Greece, could fall by as much as 20%, with severe consequences for the local producers.

Industrial Exports

With the exception of ECSC products which had not been included in the Association Agreement, all other Greek industrial exports have been entering the Community duty-free since 1968; full accession, therefore, would offer only limited additional opportunities for Greek exports. As a matter of fact, there are serious reasons why one would expect a deterioration in Greek export performance:

1. At present Greek industrial exports benefit from Law 1574/1970 which provides exporters with direct and indirect subsidies. These incentives, which account for 17% of total export value, will have to be abolished after accession (*Oek. Tach.*, No. 1170, 7 October 1976).
2. The monetary stability of 1960-72, has been followed by a period of inflation, higher than that of the EEC competitors; this has partly eroded Greece's export competitiveness, despite the depreciation of the drachma against the major world currency by 35% since 1971.
3. Other things being equal, gradual policy harmonization will result in higher production cost, and in an erosion of the labour cost advantage currently enjoyed by the manufacturing

sector.⁸¹ One could mention, for instance, the application of more advanced social legislation, and the likely increase in the contractual power of the trade unions; also the increase in food prices, and the application of the value added tax system, both will raise the cost of living and may lead to demands for higher wages.

4. Domestic demand, under present economic conditions, is at best expected to grow slower than in the past, thus affecting the growth prospects of Greek manufacturing (Katsos, 1978).

As far as the *overall Greek-EEC industrial trade* is concerned, the Commission of the European Communities (1978c : 48) has summarized its conclusions as follows:

(a) the abolition of tariff and non-tariff protection will initially increase the country's imports of manufactured goods; this affect should be fairly considerable, although it is difficult to make an assessment without knowing the actual level of protection ...

(b) there will be an increase in manufactured exports to EEC, the main reasons being: (i) no risk of measures to limit ... access to the Community markets, and (ii) the trend towards relocating certain industrial activities (to Greece) will continue to have effects on (her) industrial exports ... one would expect as a net enlargement effect a moderate deficit.

Options for Industrialization within the Community

We end the examination of the likely impact of full membership on Greek manufacturing, by briefly considering the

81. On the other hand, cost per unit of production may fall because of economies of scale, and because of the lower cost of imports after accession; the net effect is difficult to estimate at the present time.

options for industrialization open to Greece within the Community.

Import-substitution policies.-- Full trade liberalization with the Nine, and concessions to third countries, such as the EFTA, the ACP and Mediterranean countries, will result in an increase in the ratio of imports over total national expenditure. Moreover, lack of protection will render more difficult the development of *new domestically-owned industries*. The tendency for imports to rise could be halted by deflationary policies at home, or by a depreciation of the drachma, or by a combination of the two; external and internal equilibrium could thus be brought about, but at the cost of higher unemployment and lower standards of living. Moreover, the highly inelastic demand for certain imports, such as fuel, machinery and other equipment could still create problems for the balance of payments, despite the higher cost of imports and the increased international competitiveness of exports. Another policy, which would be consistent with the present economic strategy pursued in Greece, would be to bring an increasingly larger part of industrial production and trade into the international network of MNCs. In other words, for a successful policy of import-substitution that would allow the present standard of living and high level of employment, there has to be an increased direct foreign investment in Greece (Papantoniou, 1978 : 60-4).

Export promotion.-- As we have seen earlier, the internationally competitive industries of textiles, clothing and footwear are expected to increase their EEC market share, taking

advantage of their low labour costs, modern machinery and the tendency of the EEC to become more protectionist, particularly with respect to Third world industrial exports. We have also stressed, however, that one could hardly expect inaction on the part of the existing EEC members to the prospect of increasing capacity and competition in sectors, which are facing at present surplus capacity in the Community and world context. Export expansion by the above sectors will therefore be discouraged by Community policy, as endangering her present declining industries. As in the case of import-substitution policies, the least painful way to increase exports would be through an increasing integration of Greece's industrial production into the MNC system. According to P. Papaligouras, Minister of Coordination when cited by the *Financial Times* (5 April 1977),

... rigorous and sustained growth calls for larger, more integrated, export-oriented and aggressive enterprises. In this respect, the scope for mutually beneficial cooperation with foreign companies is very wide indeed.

In summary, the success of either strategy, import-substitution or export-promotion (or a combination of the two), will depend on a massive inflow of foreign capital, which would be attracted by the advantages of Greek manufacturing, discussed earlier: low labour costs, access to minerals and proximity to the expanding markets of the Middle East and North Africa. However, in the absence of a coherent policy for controlling foreign capital, the danger is that this industrialization strategy is likely to be accompanied by some of the shortcomings that have been discussed in the end of Chapter IV.

Impact on Greek Agriculture

Background

Table 19 below, indicates the significant role agriculture plays in the Greek economy, contributing in 1975 close to 19% of the GDP, employing 35% of the active population, and earning just under 30% of the country's foreign exchange from exports.

TABLE 19

PLACE OF AGRICULTURE IN GREEK ECONOMY

	<u>Unit</u>	<u>Year</u>	<u>Greece</u>	<u>Italy</u>	<u>EEC-9</u>
Proportion of active population in agriculture	%	1974	36.2	16.6	8.9
		1975	35.4	14.6	7.8
Proportion of agricultural product in total GDP	%	1974	21.8	8.9	3.8
		1975	18.7	8.3	N/A
Agricultural Exports/ Total Exports	%	1974	29.1	7.6	N/A
Agricultural Imports/ Total Imports	%	1974	10.7	14.5	12.6
Average size of holding	Hect	1971	3.4	7.7	15.6
Average income per farm	US\$	1971	1,488°	1,362	4,233

Source: Great Britain (1978 : 20-21)

The extent to which Greek agriculture can adapt to the new conditions within the rapidly changing CAP, and the opening of her own market to the LDCs with which the Community has concluded preferential trade agreements, will depend on her present structure, and on the aid the EEC will provide for the necessary structural changes.

Problems and Weaknesses of Greek Agriculture

The main problem of Greek agriculture is its very low productivity, which is approximately one-third of the EEC average. This is due to the following interconnected factors:

- *very small average farm size*; only 3.4 ha in 1971, compared to 15.6 ha for the Community; moreover, farms are scattered over a large number of holdings.
- *relatively low level of mechanization*; in 1968, there was one tractor per 65 ha of cultivated land in Greece, compared to 28 ha in Italy, and 19 ha in France.
- *difficult natural conditions and lack of adequate irrigation.*

In the period 1959-69, agricultural production (in volume terms) rose at the relatively fast rate of 4% per annum, while in 1968-73 at 2% per annum.⁸⁷ This fall in the rate of increase in agricultural production, can be attributed partly to the government policy of pegging agricultural prices for controlling inflation (Coutsoumaris, 1974); this policy reached its peak during the rule of the military junta.

During 1959-69, agricultural income rose at the slow rate of 1.2% per annum; the low agricultural incomes (one-third of the Greek average) increased the opportunity cost of staying in farming, and have been one of the factors explaining the

87. According to estimates, this increase has been due to, better yields (76%), shift in the composition of agricultural production (15%) and extension of land (9%). (Coutsoumaris, 1974).

massive migration to the cities, in the 1950s and 1960s⁸⁸ (see also Chapter VII). Because of the relatively low returns to capital, private capital accumulation in agriculture has been insignificant in Greece; the opposite is true in the Northern countries of the European Community, where capital is channelled into the sector from private sources, through well-organized capital markets. Agricultural development in the Northern European countries has taken place *parallel* to the development of the industrial sector, and consequently it has led to a greater internal integration of their economic structure. In Greece, on the other hand, the agricultural sector was largely neglected during the industrialization of the 1950s and 1960s (Chapter IV).

Finally, one should also point out the unsatisfactory operation of farming cooperatives, which are necessary according to ESC (1978 : 75), for the horizontal and vertical integration of the agricultural sector. The main reasons for this are, their large number, the lack of freedom and autonomy from the State,⁸⁹ and the fact that they handle only 10% of the total volume of agricultural trade, compared to 50% for the EEC (Lampsidis, 1974). This state of affairs allows the numerous

88. Three-quarters of all emigrants during this period were farmers, and three-quarters of the latter, belonged to the 15-33 age group (Avdelidis, 1974). The selectivity of migration, and the neglect of agriculture by the State, explain the slow increase in farmers' incomes and the relatively fast increase in agricultural production costs.

89. Farm cooperatives are more or less official groupings with various administrative duties.

merchants, retailers and other intermediaries to benefit more than the farmer.⁹⁰

Agricultural Production and Full Membership

Agricultural production in Greece, is mainly non-animal: wine, tobacco, olive oil, fruit and vegetables, rice, and cotton. There has been such specialization, because in these lines of products one receives best returns in terms of income given the soil and climatic conditions; alternative lines of production, even if technically feasible, would be economically inefficient (Commission of the European Communities, 1978c : 59).

As far as sufficiency is concerned, Greek agricultural production is

-- *in excess of domestic requirements*, in citrus fruit, cotton, oriental tobacco, wine, olive oil, certain vegetables (tomatoes) and fruit (peaches).

-- *roughly equal to domestic requirements*, in barley, potatoes, pigmeat, eggs, poultry, fish.

-- *insufficient*, in cereals, dairy products, beef and veal.

With the adoption of the common EEC prices, however, production patterns and incomes will change in Greek agriculture. Table 20, p. 164, shows that (i) for many important Greek products, such as currants and sultanas, apricots, table olives, and cotton, there are no common EEC policies; (ii) producer prices for agricultural

90. Producers in Greece, receive between one-quarter and one-third of the final price for their products; in the EEC, the average fraction is two-thirds (European Community, 1975).

produce in Greece are considerably lower than in the EEC, in many cases - fruit and vegetables, olive oil and wine, in particular. For other products, the difference in prices is negligible or nil - apples, wheat, barley, sugar beets, milk; while for others, Greek prices are higher - maize, rice and oriental tobacco. Thus, "an imbalance could arise with regard to production and incomes of the various categories of producers" (ESC, 1978 : 79).

With the help of Table 20, which also includes the EEC prices for 1977/8, we can draw the following tentative conclusions on the future of individual Greek agricultural products.

Non-animal products

Fresh fruit and vegetables: one would expect the higher EEC prices to result in increased production, and the lifting of minimum import prices in more exports to the Community. Both factors should lead to higher incomes for Greek producers.

Grains and feeds: durum wheat is expected to find favourable markets in the EEC; production of common wheat, barley, maize and rice will be discouraged, because of the lower EEC prices. An increase of imports of animal feeds is to be expected.

Sugar-beets: output may fall as a result of the slightly lower Community prices.

Oriental Tobacco: it will face serious problems because of the higher Greek support prices.

Olive oil and wine production will certainly rise, as prices in Greece are 60-100% lower than in the EEC; production already

TABLE 20

COMPARISON OF GREEK SUPPORT PRICES AND EEC COMMON PRICES
(UNITS OF ACCOUNT/100kg)

<i>Fruits and Vegetables</i>	Greece	EEC	
	1976/77	1976/77	1977/78
Oranges	7.80-12.85	15.30	21.38
Lemons	3.25- 5.24	12.67	20.56
Sultanas	60.66	No Regime	
Currants	54.15	No Regime	
Apples	4.33-15.16	7.45	15.23
Apricots	17.33-24.92	No Regime	
Peaches	11.91	15.28	25.91
Tomatoes	3.03	5.06	12.72
Table olives, ripe	77.77	No Regime	
Table grapes	10.13-15.16	10.80	17.79
<i>Grains and Feeds</i>			
Maize	12.13	11.22	11.80
Wheat: Durum	17.33	20.20	20.30
Wheat: Common	12.34	13.10	12.01
Barley	11.26	11.60	12.01
Rice	18.41-23.83	16.42	17.16
<i>Industrial Crops</i>			
Sugar beets	2.56	2.59	2.5-2.9
Cotton	43.71	No Regime	
Tobacco, Oriental	207.09	186.30	186.30
Tobacco, Burley	112.66	147.80	150.00
<i>Other</i>			
Olive oil	119.15	117.75	180.49
Milk (cow)	12.56-15.60	15.83	16.39
Eggs	57.01-68.41	88.73	N/A

Source: Great Britain (1978 : 25)

exceeds domestic requirements and therefore, one would expect an increase in exports of these products to the EEC, especially since Greek exports of olive oil and wine are currently subject to levy arrangements.

Cotton, currants, figs, table olives, products of special importance for Greece, are not produced or protected in the EEC; there will be, however, pressures by the S. European countries for the introduction of common policies that would cover them.

At this point, we should point out two factors that may hinder Greek exports to the EEC: (1) quality standards of EEC imports are likely to become much stricter after the second enlargement in order to protect higher-cost producers in France and Italy; and (2) Greece's cost advantage may be substantially reduced because of her long distance from the rest of the Community; according to Community policy, the cost of transportation is not taken into account when deciding on uniform prices for agricultural products.

Livestock Products

Almost the entire Greek livestock production will be in serious trouble after accession. The present high levels of sufficiency⁹¹ have been achieved through high protection that

91. The present sufficiency levels are: for beef, 70.4%; pork, 99.1%; mutton, 87.5%; poultry, 99.1%; butter, 93.5%; cheese, 99.3%; milk, 89.2%; and eggs, 100.0%.

will have to be abolished.⁹² Production costs and prices are at present much higher in Greece than in the EEC.

Beef and veal will face serious problems, as production costs will rise after the abolition of the feed subsidies; the lifting of import controls will increase competition significantly.

Lack of sufficient rain and grazing land, are the main reasons for the high cost of raising animals in Greece.

Pork and poultry meat will have the same problems as beef and veal.

Sheepmeat; there is no common policy covering sheepmeat in the EEC, but it is expected to do reasonably well, because of the lack of competition from Northern Europe.

Eggs; an increase in imports from the EEC is to be expected, because of the lower Community prices.

Milk and cheese; these products will be in serious trouble, because of higher production costs in Greece, and because of their lower quality, due to the lack of standardization.

During the current negotiations for full membership, the Greek government has asked for a 3-5 year transitional period for livestock products, starting after the date of accession; it is very likely that this concession will be granted, but at

92. This protection includes input subsidies and import restrictions. The EEC prohibits input subsidies (animal feeds, etc.) which are the main form of market support expenditures in Greece at present (36.2%). As far as import restrictions are concerned, the Greek State strictly controls trade in both, animal and non-animal products; in the case of the former, the present Greek ad valorem duties are: for live animals, 20%; for meat, 20-25%; smoked meat, 60%; milk, 10-25%; cheese, 18-25%; and for eggs, 35%. (Great Britain, 1978 : 14-5, 39-40; Bulletin International des Douanes, 1976).

the expense of safeguard clauses on Greek horticultural exports to the EEC, which are expected to fare much better in EEC markets.

Impact of Full Membership on Agricultural Trade

If the Three join the EEC, they will sell more Mediterranean produce to the other members, but also buy more temperate produce from them ... Inside the EEC, they will probably switch to buying from northern EEC farmers.

(Economist, 13 August 1977)

At present, Greece has a small surplus in her trade with the EEC, which however declined during 1963/5-1973/5 (Chapter V). Because of the higher income elasticity of demand for livestock products, and the abolition of protection of her market, Greek imports of animal products are expected to rise significantly after accession.⁹³ On the other hand, Greek exporters of fruit and vegetables will be at an advantageous position, as there will be no trade barriers, such as levies, minimum import prices, and quotas after the end of the required transitional periods. Moreover, Greek growers will be eligible for restitution payments, i.e., special refunds granted for exports of agricultural products to non-member countries.

The net result on trade is hard to predict; however, one would expect Greece's trade surplus in agricultural products with the EEC to at least be reduced for the following reasons: Greece will probably face tougher competition in the products

93. Even if there is an increase in stock farming - uneconomical as we have seen - more animal-feed imports will be required.

she is expected to be favoured by present arrangements, from similar-export countries in the Mediterranean Basin;⁹⁴ Spain and Portugal will be in a stronger competitive position within the Community, because of their distance advantage; South European farmers will not be encouraged by the Community to expand production in lines where they have a comparative advantage, if this would mean disruption of the EEC markets. According to the Commission of the European Communities (1978a : 7), "Care must be taken to ensure that it does not afford them (the applicant countries) any incentives to expand un-economic types of production."

Alternatives Open to Greek Agriculture

The Community has been traditionally Greece's main market for agricultural products; as Table 21 shows, the Nine absorbed 53% of total Greek agricultural exports in 1974.

The Eastern European countries have been, second to the EEC, another market which has absorbed large quantities of certain sensitive Greek products (oranges, lemons, cotton, currants, olive oil, wine), through the system of clearing agreements, established after the War. On accession to the EEC, Greece will have to terminate all such bilateral barter agreements, with obvious unfavourable consequences for the producers and exporters of these products. However, recently the countries

94. Further trade liberalization in Mediterranean products, would be consistent, as we have seen in Chapter II, with the Community's long-term interests to open her market to LDC exports.

C

of Eastern Europe *themselves*, have asked Greece to abolish the existing bilateral clearing agreements, and replace them with trade in hard currency.⁹⁵ (*Oek. Tach.*, No. 1242, 23 February 1978 and No. 1243, 2 March 1978). The problem, therefore, of disposing of the agricultural surplus absorbed by the Socialist countries at present, would have existed, within or without the Community.

The above considerations lead us to believe that entry into the EEC will be beneficial for Greek agriculture, in overall terms, as: Greece will be able to participate in the decision-making process within the CAP; inside the EEC there will be protection vis-a-vis external competitors, and third-country treatment of Greek agricultural exports will be avoided; aid will be received from EEC funds to increase price support in certain products, and help restructure agriculture in general. The cost for Greece of staying outside the EEC is very high, especially since Spain and Portugal have applied for full membership, and most Mediterranean Countries have concluded preferential agreements with the Nine. Despite the unfavourable impact on certain lines of agricultural production (mainly livestock), Greece's accession to the EEC is probably the best solution for Greek agriculture under the circumstances.

95. The main reason for this change in policy appears to be the urgent need of the Eastern European countries to earn hard currency and pay back their debts to the West.

TABLE 21

MAIN AGRICULTURAL MARKETS OF GREECE, 1974 (US \$nm)

<u>Exports</u>	<u>Countries</u>	<u>Value</u>	<u>% of Total</u>
Food, feed, drink Tobacco, oilseeds	World	590	
	EEC9	316	53
	Other OECD (Eur)	91	16
	USSR	42	7
	USA	37	6
Oranges	USSR	20*	38
	Yugoslavia		14
	E. Germany		12
Other Citrus	USSR	24*	49
	EEC9		11
	Poland		10
Fresh Fruits	EEC9	54*	83
	Poland		3
Dried Fruit	EEC9	100*	61
	Yugoslavia		10
	E. Germany		7
	USSR		7
Olive Oil	USSR	11*	59
	EEC9		29
Wine	EEC9	17*	43
	USSR		21
Tobacco	EEC	171*	41
	USA		15
	Japan		11
	USSR		9

* value in US\$mn, of total exports of the particular product.

Source: Great Britain (1978 : 25 and 26)

CHAPTER VII

ALTERNATIVES TO FULL MEMBERSHIP

Chapter I focused mainly on the international aspects of asymmetries in the Mediterranean Basin, and on the process by which the periphery - European South - is conditioned by the centre. The important question that emerges at this point is whether it is possible for the Mediterranean countries to escape from their present peripheral position. Given their overwhelming economic reliance on the Community, one might advocate diversification of economic relations and promotion of trade with other countries. Although this is a step in the direction of a self-reliant strategy, it is not sufficient; there is substantial qualitative differences between *dependence* as external reliance on other actors and *dependency* which is implicit in the concept of the European South.⁹⁶ According to Caporaso (1978a : 6),

dependency ... is a syndrome of related characteristics centering on a transnational alliance between local and foreign technology and capital, restricted developmental choices, and domestic "distortions" that are caused by the incorporation of less developed societies into the international system.

When examining the feasibility of an alternative source of action it is necessary to focus primarily on the characteristics

96. For a discussion of the dependency concept, see Dos Santos (1970), Brewster (1973), Caporaso (1978a and 1978b) and Duvall (1978).

of capitalist production and distribution at the national level (Fagen, 1978). Escape from the political and economic framework of Europe's periphery may be accomplished through the development of those political forces that would favour profound changes in economic strategies. This seems to be the fundamental precondition for successfully pulling out from the present division of labour in the Mediterranean Basin.

Following this line of thought, an alternative solution to the developmental problems and needs of Greece would be the adoption of a "self-reliant", although not autarkic strategy for development. In the following section, after an outline of the basic elements of such a strategy, we examine the political feasibility of this alternative solution, by focusing on the present structure of political and social forces in the country.

Self-Reliant Strategy for Development

The guiding principle of such a strategy would be the attainment of intersecting chains of sectors which reinforce one another and help to insulate the economy from external pressures. Closely related to the ambitious aim of rapid internal advancement is the goal of effecting a radical break with the type of integration which links the economy to the international market, i.e., one in which it is a junior partner rather than an equal member (Shlaim, 1976; Aliboni, 1976). Economic policy would have to be directed along two primary lines:

- A. Rapid 'introversion'⁹⁷ of the economy aiming at the

creation of a coherent structure involving intersecting chains of sectors. In this way, developments in each sector can be communicated to the others, without being widely dispersed outside the economy. To realize a more endogenous development of the economy, and thus to lay the foundations for a self-sustained process of capital accumulation, it is necessary to provide and strengthen the internal market for both basic commodities and producers' goods; in other words, there is the need to

- (1) Create a *basic industrial sector*, comprising those sectors in manufacturing with the most extensive intersectoral linkages; petrochemicals, basic metals, mechanical and electrical equipment industries would be among them.
- (2) Modernize *agriculture*, making it the basis of the internal market for industrial goods; failure to modernize agricultural sector techniques and institutions could jeopardize the country's industrialization process and effort to attain overall economic self-reliance.

B. A prudent and strict financial policy, both internally and externally. Internally, a tighter control of tax-evasion⁹⁸ and a more equitable tax system could achieve two objectives at the same time: first, increase State receipts that could be channelled into agriculture and manufacturing; and second,

97. The term is used by Aliboni (1976).

98. In 1977, it was estimated that evaded taxes in Greece stood at \$3 billion or just under half the level of the budget that year.

achieve a more equitable distribution - a social goal by itself - which would also increase the size of the local market in terms of purchasing power. *Externally*, a drive towards a more balanced trade picture would be necessary; importation of luxury goods, for instance, would be discouraged through higher import duties. One would expect, at least in the beginning, an increase in capital goods imports because of the modernization process taking place in the agricultural and manufacturing sectors. In the case of Greece, however, the trade deficit can be covered partially by invisible earnings; if the latter are channelled into productive investments, the balance of payments can be improved in the longer run through an increase in productive capacity.

Within the above framework, the problem of acquiring technology would be acute, especially as the technological gap between industrialized and developing countries is continuously widening. Attention would be centred in an effort to produce technology locally, rather than import it from abroad; this would require substantial investments in R and D in order to increase local capabilities.⁹⁹ A self-reliant policy would not exclude the possibility of financial and technological cooperation with foreigners. The main difference from present practice would be the more active role of the State

⁹⁹ Developing one's own technological capabilities is a risky and costly, in the short-run, way of raising productivity; it is, however, consistent with the long-term objectives of the self-reliant strategy.

in scrutinizing technology imports¹⁰⁰ (Papandreou, 1977 : 22).

It is clear that such 'self-reliant' economic strategy, carried out by a political alliance of farmers, workers and professionals, would require certain sacrifices. Among these would be a reduction in private consumption in order to increase capital formation for the absorption of unemployment and under-employment in the long run. This would lead to a fall in the standard of living of all social classes, especially the higher-income ones which currently enjoy consumption levels well above the productive capacity of the economy.

How likely is the above mentioned political alliance that would be indispensable if one is to achieve a self-reliant development, with all its temporary costs in terms of living standards?

A look at the present balance of political forces in the country shows that this is highly unlikely at least for the near future; in the 1977 elections, 62.2% of the population voted for parties favouring the private enterprise economic system - New Democracy, Centre Union, National Front and Neo-Liberals. The Left comprising the Socialists, the Moscow-oriented Communists and the Eurocommunists, received approximately 37% of the vote, and 106 seats in the 300-member Parliament. However, the number of seats and the percentage of votes received can give us only a limited picture of the

100. Forms of cooperation which would place at the country's disposal financial means and know-how, would be preferred to direct foreign investment which is less susceptible to control.

political balance in Greece; with the exception of the Communists and the ultra-right wing National Front, the character of the various parties is still personal in the sense of voting for charismatic leaders rather than for programs.

A review of social developments in post-war Greece would, therefore, provide us with a more complete picture of the present state of *political awareness* among the country's social strata, and the feasibility of those political alliances necessary for a self-reliant development strategy.

Characteristics of Post-War Greek Society¹⁰¹

The level of political awareness in Greece has been influenced by the transitional character of Greek society. Urbanization reached its peak in 1950-70, and as a result many Greeks in urban areas have not been born in their place of residence. In general, there is a lack of class consciousness in the mainly rural migrant populations. Factors contributing to this are the maintenance of income and property ties with the villages, and the social and economic insecurity in the new place of residence. Moreover, large sections of the active population oscillate between commerce, tourist services, salaried work and part-time agriculture; this high mobility across economic functions makes social-class lines rather obscure.

101. The analysis in this section draws from Filias (1975), Tsoukalas (1977), Nikolinakos (1976a) and Papaspiliopoulos (1978).

The information below on specific social groups in Greece contributes to an understanding of the difficulties involved in the formation of political alliances favouring a self-reliant development strategy.

Rural Population.-- In 1971 it comprised approximately one-third of the working population. Despite the huge income disparities among regions and between urban and rural areas, a large percentage of the rural population has not been 'radicalized' for the following reasons: (1) Almost all rural families own their land (99%); (2) there is additional income from other sources within the country or abroad, namely workers' remittances and tourist receipts. Also, due to seasonal labour shortages in agriculture, the economically poorer families find highly-paid seasonal employment in other holdings. Today, the farmer migrates to the town usually not for economic reasons as in the 1950s and 1960s, but because he is attracted by the consumer-oriented type of life there. Thus, it is difficult for farmers to function as a class with common goals, in alliance with other progressive forces in the urban centres. "Their conception of politics is rather populist; ... vague discontent with no specific demands for a radical social and political transformation" (Filias, 1975 : 15).

Working Class.-- In 1971 it comprised approximately one-quarter of the active population. Its main characteristics are the relatively small percentage of workers in major manufacturing, and the significant numbers of construction and maritime transport workers. These last two sections of the working class,

because of their dispersion and the relatively higher remuneration than manufacturing workers, acquire class consciousness less easily. Moreover, the large percentage of former farmers has additional income sources, and lacks working class tradition and awareness.

Petit Bourgeois Classes.-- In 1971 they comprised slightly more than one-quarter of the active population.¹⁰² These classes are very heterogeneous, because of the existing income and prestige differentiation, due to educational level, employment in the private or public sector, and level of expectations. As in most countries, the petit-bourgeois strata in Greece are characterized by a high degree of social and political mobility. Because of the rapid post-war urbanization they are, to a large extent, newly-formed classes. These strata, moreover, consist largely of populations which passed from the primary to the tertiary sector; they are not the evolution of other urban (for instance working class) categories.

In summary, the element of small property ownership, and the large weight of the primary and tertiary sectors, are two factors that may have prevented the wider social groups from acquiring class-consciousness; instead they seem to have been, primarily, preoccupied with economic growth, and have given their political support to the post-war Greek governments and their economic policies. If full membership in the EEC results in

¹⁰² According to Filias (1975), the petit-bourgeois classes comprise: businessmen and employed members of their families in small scale industry (less than 10 employees); white-collar workers in the private and public sectors; shopkeepers and their employees; professionals and independent businessmen of all categories.

greater income disparities among classes and a decline in the general standard of living, it is likely that this support of the middle and lower classes will dissipate. It is clear, however, that under the present balance of political and social forces, the alternative economic strategy of self-reliance cannot be considered realistically as a feasible option for Greece.

In the next section, we examine in turn the alternatives to full membership in the EEC¹⁰³ as they appear within the present framework of economic development, based on the open-economy, free-enterprise system.

Alternatives Within the Framework of the Free-Market Economic Model

If Greece were not to become a full member in the Community, and in the absence of any changes in the development strategy pursued, she would continue her integration into the international system under the present international division of labour. Clearly, the problems currently facing the Greek economy would persist; the same type of capital accumulation likely go on, with continuing mal-distribution of income and regional disparities (Table 8, p. 86). Politically and militarily, the country

103. The alternative of joining the COMECON should be discounted, as it would require a violent change of the socio-economic system; a highly unlikely event, given Greece's socio-political structure, and her political, economic and military commitments.

would continue to be primarily dependent on the United States. With regard to external economic relations, Greece would be faced with the question of future ties with the EEC. She could either maintain her present status of Associate Membership, or withdraw from the Agreement altogether. In the latter case, she could establish ties with the Community within the Mediterranean Policy, and diversify her trade relations towards the Socialist and Third World countries.

What are the costs and benefits of the above options? If Greece decided to *maintain her Association status*, by 1984 there would be no tariffs or other trade barriers on EEC industrial exports to Greece, whereas trade liberalization would not apply to Greek agricultural exports. Moreover, by not being a member, Greece would not be entitled to financial aid from Community funds for restructuring her economy.¹⁰⁴

Withdrawing from the Association Agreement altogether would have even more serious economic repercussions. The evaluation of the Association Agreement showed that it has had beneficial effects on Greek exports of both industrial and agricultural products. Going back to the pre-1961 regime or concluding a preferential agreement with the EEC would therefore result in a fall of the country's exports to the EEC

104. According to Commission estimates, if Greece were a full member in 1978, she would have received a net inflow of 370-420 million EUA: 500 million from FEOGA, 20-50 mn from the Social Fund, 105 mn from the Regional Fund, and 70 mn from other sources; in return, Greece would have contributed 330 mn EUA (Commission of the E.C.s, 1978c).

countries, where previously they were being imported duty-free.¹⁰⁵

The cost for Greece of staying outside the Community has increased since the early 1960s, because of the latter's Mediterranean accords, and the acceptance, in principle, of Spain's and Portugal's applications for full membership. Tovas (1978 : 260) points out that

... as the size of the preferential area increases, the losses become more concentrated in the countries excluded from the preferences. Other things being equal, the pressures for accepting such an agreement increase with the number of partner countries already accepted.

What Tovas calls 'drag effect' becomes even greater when countries included in the agreements are competitive with one another in exports; this is precisely the case with the countries in the Mediterranean Basin.

An alternative to competition among these countries within the EEC context, i.e., the Mediterranean Policy, could be their cooperation in an organization outside the Nine. The creation of a political/economic Mediterranean Community comprising all the countries in the area, would be an appealing idea because of their common problems and their common reliance on Western Europe. As Hager (1973 : 212-3) points out,

an increase in trade among the Mediterranean countries, would seem a precondition for their independent industrial development, and for the promotion of a wider than North-South integration in the region.

Papandreou, the leader of the Greek Socialist Party, stresses

105. Particularly affected would be the export-oriented clothing sector, but also the textiles and canned foods industries, and agriculture.

also the importance of research centres financed with Arab oil-money that could help create and develop technologies adopted to the needs of the participating countries (*The Times* (London), 27 September 1976).

Despite its economic appeal, however, the idea of a Mediterranean Community seems to be highly unlikely, at least for the near future, if we take into account the political realities in the area. One could mention, for instance, the differences between Greece and Turkey over Cyprus and the Aegean; between Israel and the Arab states; between 'moderate' and 'radical' Arab regimes. Also the existence of socioeconomic differences: capitalist and socialist regimes and feudal monarchies; oil producers, relatively developed countries in the northern littoral of the region, and less-developed economies in the south (Tsoukalis, 1977; Siotis, 1978). The notion of a Common Market among these countries, in the long-run, is clearly associated with political changes in the region. For the time being, there are not many areas in the world that display such profound differences as the Mediterranean Basin.

Although the discussion of alternatives has been brief, there are indications that there is a number of serious problems involved. The alternatives appear to be either unfeasible or inferior options to that of membership.

CONCLUSIONS

The discussion of the evolution of the Association Agreement and of the likely impact of accession on the Greek economy have indicated that the costs of adjustment to the new conditions may be high. While allowing certain sectors to expand, full membership may endanger the existence of certain other industrial and agricultural sectors, and may force the country into few lines of specialization - usually of low productivity - as a peripheral economy within the EEC. However, these costs are compensated by substantial amounts of aid from the Community funds, which will alleviate some of the hardships of the adjustments that would have to be made even without EEC membership. Failure to make these adjustments would endanger the future of the political system itself. In the political sphere, the internal status quo will be reinforced, but at the risk of compromise in certain foreign policy issues.

The Association Agreement and the full membership, by themselves, cannot be regarded as the causes of Greece's present political and socioeconomic problems. It is rather the laissez faire economic development strategy pursued that has led to a lopsided development with huge sectoral and regional disparities. The political and economic costs of a strategy aiming at self-reliance appear to be too high today. Such an

alternative is not feasible under the present balance of political and social forces within the country, and within the Mediterranean Region. Full membership in the Communities, however, does not mean that the country will necessarily escape from its peripheral role in the European South. Accession may alleviate some of the symptoms of the present type of development, but only a change in the *economic strategy* would radically alter this pattern of development. If this change does not take place, it is very likely that Greece will remain an economically backward region of the enlarged EEC.

LIST OF REFERENCES

- ALIBONI, R. (1976), "Development of the Maghreb and its Relations with the EEC" in SHLAIM, A. and YANNOPOULOS, G.N. (eds.), *The EEC and the Mediterranean Countries*, Cambridge: Cambridge University Press
- ARROW, K.J. and LIND, R.C. (1970), "Uncertainty and the Evaluation of Public Investment Decisions", *American Economic Review*, 60, 3 (June), pp. 364-78
- AVDELIDIS, P. (1974), "The Importance of Agriculture in the Greek Economy"*, *Oek. Tach.*, 1031 (January), p. 15
- AXLINE, W.A. (1977), "Underdevelopment, Dependence and Integration; the Politics of Regionalism in the Third World", *International Organization*, 31, 1 (Winter), pp. 83-106
- BANK OF GREECE (1973), *Monthly Statistical Bulletin*, Athens: Bank of Greece
- BARAN, P.A. and SWEEZY, P.M. (1968), *Monopoly Capital*, UK: Penguin
- BREWSTER, H. (1973), "Economic Dependence: A Quantitative Interpretation", *Social and Economic Studies*, 22, pp. 90-5
- BULLETIN International des Douanes (1976), *Grece: Exercice 1975-76*, Fascicule 20, 9^e ed. Bruxelles: Bureau International des Tariffs Douaniers
- CAMPBELL, J.C. (1975), "The Mediterranean Crisis", *Foreign Affairs*, 53, 4 (July), pp. 605-24
- CAMPBELL, J. and SHERRARD, Ph. (1968), *Modern Greece*, London: Ernest Benn
- CAPORASO, J.A. (1974), *The Structure and Function of European Integration*, Pacific Palisades: Goodyear
- _____ (1978a), "Introduction to special issue on dependence and dependency in the global system", *International Organization*, 32, 1 (Winter), pp. 1-12

* indicates source is in Greek

CAPORASO, J.A. (1978b), "Dependence, Dependency, and Power in the Global System: A Structural and Behavioral Analysis", *International Organization*, 32, 1 (Winter), pp. 13-44

COFFEY, P. (1976), *The External Economic Relations of the EEC*, London: Macmillan

COMMISSION of the European Communities (1978a), General Considerations on the Problems of Enlargement, 120 final, Brussels

_____ (1978b), The Transitional Period and the Institutional Implications of Enlargement, 190 final, Brussels

_____ (1978c), Aspects Economiques et Sectoriels, 200 final, Bruxelles

COUROUDAKIS, V. (1977), "The EEC and the Freezing of the Greek Association 1967-74", *Journal of Common Market Studies*, 16, 2 (December), pp. 114-131

COUTSOUMARIS, G. (1963), *The Morphology of Greek Industry; a Study in Industrial Development*, Athens: Centre of Economic Research

_____ (1974), "Agricultural Problems in Greece", *Oek. Tach.*, 1053, (June), p. 9

DOBB, M.H. (1960), *An Essay on Economic Growth and Planning*, London: Routledge and Paul

DOS SANTOS, T. (1970), "The Structure of Dependence", *American Economic Review: Papers and Proceedings*, 60, 2 (May), pp. 231-36

DUVALL, R.D. (1978), "Dependence and Dependencia Theory: Notes Towards Precision of Concept and Argument", *International Organization*, 32, 1 (Winter), pp. 51-78

ECONOMIC and SOCIAL COMMITTEE of the European Communities (1977), Study of the Section for External Relations on Community Policy towards Southern and Eastern Mediterranean Countries, Dossier EXT/12, Brussels

_____ (1978), Study of the Economic and Social Committee on Relations between the Community and Greece, Dossier EXT/13, Brussels

ECONOMIST, selected issues from 1976-77

EDWARDS, G. (1977), "How Large a Community?", *Atlantic Community Quarterly*, 15, 1 (Spring), pp. 67-79

EDWARDS, G. and WALLACE, W. (1976), *Wider European Community: Issues and Problems of Further Enlargement*, London: Federal Trust

ELSENHANS, H. (1978), "La Republique Fédérale d'Allemagne et, une nouvelle politique Européenne en Méditerranée", *Revue d'Intégration Européenne*, 1, 2 (Janvier), pp. 191-220

EUROPEAN COMMUNITIES, *Background Information*, selected issues from 1972-77

EUROPEAN COMMUNITIES, *Bulletin* (1976a), "European Union", Report by Mr. Leo Tindemans to the European Council Supplement 1, Brussels

_____ (1976b), "Opinion on Greek Application for Membership", Supplement 2, Brussels

EUROPEAN COMMUNITY (1975), "Harmonization of Greek and EEC Agricultural Policies"*, 51 (October) - Greek Version (EUROPAIKI KOINOTIS)

_____ (1976), "The Tindemans Report", 193 (March), pp. 3-8

_____ (1977), "Enlargement Puzzle: Can They Fit?", 203 (September-October)

EVERLING, U. (1977), "Ten Thoughts on an Enlarged EEC", *Atlantic Community Quarterly*, 15, 3, pp. 321-327

FAGEN, R.R. (1978), "A Funny Thing Happened on the Way to the Market: Thoughts on Extending Dependency Ideas", *International Organization*, 32, 1 (Winter), pp. 287-300

FILIAS, V. (1975), "Social Integration and Class Awareness: The Case of Greece"*, *Oek. Tach.*, 1123 (November), p. 15

FINANCIAL TIMES, selected issues from 1976-77

FRERIS, A.F. (1976), "Foreign Capital in Greece, 1940-1940"*, *Oek. Tach.*, 1134 (January), p. 13

GALTUNG, J. (1973), *The European Community: A Superpower in the Making?*, London: George Allen and Unwin

_____ (1978), "La Convention de Lomé et le Neo-Capitalisme", *Etudes Internationales*, 9, 1 (Mars), pp. 75-86

GERONYMAKIS, G. (1961), "Regional Distribution of Income in Greece", *Oekonomiki Poreia*, 123 (December), p. 13

3 3

OF/DE

GIANNITSIS, A. (1975a), "Foreign Capital in Greece"*, *Oek. Tach.*, 1095 (April), p. 30

____ (1975b), "The Role of MNCs in Greek Development", *Oek. Tach.*, 1123 (November), p. 19

____ (1976), "The Role of MNCs in Greece's Relations with the Arab States"*, *Oek. Tach.*, 1133 (January), p. 13

GOODWIN, G. (1977), "The External Relations of the European Communities - Shadow and Substance", *British Journal of International Studies*, 3, 1 (April), pp. 39-54

GOULARAS et al (1976), *Common Market and Greece*, Athens: Synchroni Epochi

GREAT BRITAIN (1942a), "Morocco", Geographical Handbook Series (GHS), Oxford: Naval Intelligence Division (BR 506A)

____ (1942b), "Portugal", G.H.S., Oxford: N.I.D. (BR 502A)

____ (1944a), "Spain", G.H.S., Oxford: N.I.D. (BR 502B)

____ (1944b), "Algeria", G.H.S., Oxford: N.I.D. (BR 505A)

____ (1944c), "Greece", G.H.S., Oxford: N.I.D. (BR 516A)

____ (1945), "Tunisia", G.H.S., Oxford: N.I.D. (BR 523)

____ (1978), House of Lords, Select Committee on the European Communities, *Enlargement of the Community*, Session 1977-78, 17th Report, London: HMSO

GREECE: BACKGROUND-NEWS-INFORMATION, issues 1976-78, London: Greek Press and Information Office

HAGER, W. (1973), "The Community and the Mediterranean" in KOHNSTAMM, M. and HAGER, W. (eds.), *A Nation Writ Large*, London: Macmillan, pp. 195-221

HENIG, S. (1971), *External Relations of the European Community: Associations and Trade Agreements*, London: Political and Economic Planning

HITIRIS, Th. (1972), *Trade Effects of Economic Association with the Common Market: The Case of Greece*, New York: Praeger

ICAP (1971), *Financial Directory of Greek Industrial Companies*, Athens: ICAP Hellas

INTERNATIONAL MONETARY FUND - IMF (1977), *International Financial Statistics*, Washington, D.C.: IMF

- KALAMOTOUSAKIS, G.J. (1976), "Greece's Association with the European Community: An Evaluation of the First Ten Years", in SHLAIM, A. and YANNOPOULOS, G.N. (eds.), *The EEC and the Mediterranean Countries*, Cambridge: Cambridge University Press
- KANELLOPOULOS, A. (1976), "Greek Agriculture within the Community: Prospects"*, *Oek. Tach.*, 1132 (January), p. 14
- KARAGIORGAS, D. (1973), "The Distribution of Tax Burden by Income Groups in Greece", *Economic Journal*, 83, 330 (June), pp. 436-48
- KATSOS, G. (1978), "Optimism or Pessimism for Greece's Accession to the EEC?"*, *Oek. Tach.*, 1255 (May), p. 18
- KAZAKOS, P. (1977), "Contradictions and Problems of the CAP"*, *Oek. Tach.*, 1209 (July), p. 21
- KEEFE, E.K. et al (1977), *Area Handbook for Greece*, 2nd ed., Washington, D.C.: American University
- KINNAS, J. (1977), "Greek Accession to the EEC and Community Foreign Policy"*, *Oek. Tach.*, 1088 (February), p. 19
- KOLMER, K. (1976), "Greece in Front of the Community's Doors"*, *Oek. Tach.*, 1137 (February), p. 5
- LAMPSIDIŞ, G. (1974), "What will be the State of the Greek Agricultural Sector in 1985?"*, *Oek. Tach.*, 1031 (January), p. 11
- MANDEL, E. (1970), *Europe vs. America: Contradiction of Imperialism*, New York: Monthly Review Press
- MARINOS, J. (1973), "The Mediterranean Plans of the EEC, and their Political Implications"*, *Oek. Tach.*, 1066 (August), p. 5
- ____ (1977), "The dominance of the two Super-powers in the Mediterranean"*, *Oek. Tach.*, 1222 (October), p. 22
- ____ (1978), "Critical Evaluation of the Arguments Used Against Full Membership"*, *Oek. Tach.*, 1240 (February), p. 3
- McQUEEN, M. (1976), "Some Measures of the Economic Effects of Common Market Trade Preferences for the Mediterranean Countries", in SHLAIM, A. and YANNOPOULOS, G.N. (eds.), *EEC and the Mediterranean Countries*, Cambridge: Cambridge University Press

MICHALET, C-A (1977), "Multinational Corporations and Transfer of Technology: A Comparative Approach of the Cases of Greece, Ivory Coast, Morocco and Spain" in GERMIDIS, D. (ed.), *Transfer of Technology by Multinational Corporations*, Paris: OECD, Development Centre, pp. 46-76

MIKESELL, R.F. (1963), "The Theory of Common Markets as Applied to Regional Arrangements Among Developing Countries", in HARROD, R. (ed.), *International Trade Theory in a Developing World*, London: Macmillan, p. 221

MORAN, T.H. (1978), "Multinational Corporations and Dependency: A Dialogue for Dependentalists and Non-Dependentalists", *International Organization*, 32, 1 (Winter), pp. 79-100

MOUSSIS, N.S. (1969), *Greek Industrialists and the Association of Greece with the Common Market*, Athens: Skouras

MYRDAL, G. (1957), *Economic Theory and Under-developed Regions*, London: Duckworth

NATIONAL ACCOUNTS OF GREECE, Athens: Ministry of Coordination and Planning, (Annual 1971-76)

NIKOLINAKOS, M. (1976a), *Studies on Greek Capitalist Development*, Athens: Nea Synora

_____ (1976b), "Stagflation and Economic Theory"*, *Oek. Tach.*, 1130 (January), p. 17

_____ (1977), *Dependence and Economic Development**, Athens: Nea Synora

_____ (1978), "Full Membership and the Problem of Firm Size and Transfer of Technology"*, *Oek. Tach.*, 1253 (May), p. 15

OEKONOMIKOS TACHYDROMOS*, selected issues from 1973-78

ORGANIZATION for Economic Co-operation and Development (OECD), *Economic Surveys "Greece"*, Paris: OECD (Annual 1964-76)

OECD, *Trade by Commodities, Series C*, Paris: OECD (Annual 1963-75)

PAPA, G.P. and PETIT-LAURENT, J. (1976), "Commercial Relations between the EEC and the Mediterranean Countries: An Analysis of recent trends on trade flows", in SHLAIM, A. and YANNOPOULOS, G.N. (eds.), *EEC and the Mediterranean Countries*, Cambridge: Cambridge University Press

PANHELLENIC SOCIALIST MOVEMENT-PASOK (1976), *Greece and the Common Market**, 2nd ed., Athens: PASOK

PAPANDREOU, A.G. (1977), "The reasons why we oppose entry into the Common Market"*, *Oek. Tach.*, 1221 (September), p. 22

PAPANTONIOU, J. (1978), "EEC and Greek Industrialization"*, in PAPASPILIOPOULOS et al, *EEC and Greece*, Athens: ANTI, pp. 56-66

PAPASPILIOPOULOS, S. (1975), "The Reasons why Greece is not Ready for Accession"*, *Oek. Tach.* 1105 (July), p. 14

____ (1978), "Full membership and the problem of Employment in the Greek Economy"*, *Oek. Tach.*, 1266 (August) p. 13

PAPASPILIOPOULOS et al (1978), *EEC and Greece**, Athens: ANTI

PERROUX, F. (1955), "Note sur la notion de pôle de croissance", *Economie Appliquée*, 7, pp. 307-20

PETIT-LAURENT, Ph. (1976), *Les Fondements Politiques des Engagements de la Communauté Européenne en Méditerranée*, Paris: Presses Universitaires de France

PSILOS, D.D. (1968), "Postwar Economic Problems in Greece", in Committee for Economic Development, *Economic Development Issues: Greece, Israel, Taiwan and Thailand*, New York: Praeger

ROUMELIOTIS, P. (1976), "Is the structure of the Greek economy Oligopolistic?"*, *Oek. Tach.*, 1167 (September), p. 20

SARIDIS, E. (1978), "The Reasons Why the Community does not want Greece's Accession"*, *Oek. Tach.* 1266 (August) p. 27

SECRETARIAT OF THE COUNCIL of the European Communities (1975), *Association between the EEC and Greece: Collected Acts*, Brussels

SERVAN-SCHREIBER, J.J. (1968), *The American Challenge*, New York: Atheneum

SHLAIM, A. (1976), "The Community and the Mediterranean Basin", in TWITCHETT, K.J. (ed.), *Europe and the World: The External Relocations of the Common Market*, London: Europa Publications

SHLAIM, A. and YANNOPOULOS, G.N. (eds.) (1976), *The EEC and the Mediterranean Countries*, Cambridge: Cambridge University Press

SHONFIELD, A. (1973), *Europe - Journey to an Unknown Destination*, London: George Allen and Unwin

SILVESTRI, S. and ALIBONI, R. (1972), "Italy's Mediterranean Role", *International Journal*, 27, 4 (Autumn), pp. 499-510

SIMONET, E. (1978), "The EEC has never been enthusiastic about the Enlargement"*, *Oek. Tach.*, 1241 (February), p. 8

SIOTIS, J. (1978), "L'Europe Communautaire et la Méditerranée: les Cheminements tortueux d'un 'grand dessein'", *Etudes Internationales*, 9, 1 (Mars), pp. 57-74

SOLDATOS, P. (1978), "La Théorie de la Politique Étrangère et sa Pertinence pour l'Étude des Relations extérieures des Communautés Européennes", *Etudes Internationales*, 9, 1 (Mars), pp. 7-42

STATISTICAL YEARBOOK OF GREECE, (Annual 1975-76), Athens: National Statistical Service of Greece

TERLEXIS, P. (1976), "The Cyprus Problem and Greece's Accession to the EEC"*, *Oek. Tach.*, 1160 (July), p. 15

TEZAPSIDIS, L. (1978), "Technology Policy and Technology Transfer in Greece", Carleton U.: Unpublished Paper

THE TIMES (LONDON), Selected issues from 1976-77

TOVIAS, A. (1978), "Differential Country Size as an Incentive to the Proliferation of Trading Blocs", *Journal of Common Market Studies*, 16, 3 (March), pp. 246-66

TREHOLT, A. (1972), "Europe and the Greek Dictatorship" in CLOGG, R. and YANNOPOULOS, G.N. (eds.), *Greece Under Military Rule*, London: Secker and Warburg

TRIANIIS, S.G. (1965), *Common Market and Economic Development: The EEC and Greece*, Athens: Center of Planning and Economic Research

TSOUKALAS, K. (1977), "Modernisation Économique et Développement d'un Class Ouvrière", *Le Monde Diplomatique* (November), p. 9

TSOUKALIS, L. (1977), "The EEC and the Mediterranean: Is 'Global' Policy a Misnomer?", *International Affairs*, 53, pp. 422-38

____ (1978), "The US Position on the Issue of the Second Enlargement"*, *Oek. Tach.*, 1265 (August), p. 23

UNITED NATIONS, *International Trade Statistics* (1976), New York: UN

VATIKIOTIS, P. (1974), *Greece: A Political Essay*, Beverly Hills: Sage Publications

WEIL, G.L. (1970), *A Foreign Policy for Europe? The External Relations of the European Community*, Bruges: College of Europe

WOODHOUSE, C.M. (1968), *A Short History of Modern Greece*, New York: Praeger

XYDIS, A.G. (1972), "The Military Regime's Foreign Policy", in CLOGG, R. and YANNOPOULOS, G.N. (eds.), *Greece under Military Rule*, London: Secker and Warburg

YANNOPOULOS, G.N. (1973), "Immigration from the Mediterranean Countries and its Impact on the Economies of the European Countries", (December), University of Reading

_____ (1975), *Greece and the European Economic Communities: The First Decade of a Troubled Association*, Beverly Hills: Sage Publications

_____ (1976), "Migrant Labour and Economic Growth: the Postwar Experience of the EEC Countries" in SHLAIM, A. and YANNOPOULOS, G.N. (eds.), *The EEC and the Mediterranean Countries*, Cambridge: Cambridge University Press

ZOLOTAS, X. (1976), *Greece in the European Community*, Athens: Bank of Greece

_____ (1978), *The Positive Contribution of Greece to the European Community*, Athens: Bank of Greece

END

05 · 03 · 80

FIN