# Greece’s Economic Development and Early European Integration: Business Strategies and State Policies, 1945-1962

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**Abstract**

This thesis explores, through the lens of state-business relations, Greece's participation in the process of European integration from 1945 until 1962. During this period, Greece's economy was progressively integrated with the economies of Western Europe and in 1962 the Greek state was the first to associate with the newly created European Economic Community (EEC). Most authors and academics have concluded that Greece's road to the EEC was driven solely from above, as part of the government's foreign policy emphasizing geopolitical motives.

This study, situates the interrelated problems of (un)employment and economic (under)development at the centre of the analysis, arguing, instead, that Greece's road toward Europe was a complex politico-economic process considerably influenced by business interests. It shows how and why business and state agencies had collectively identified the country's viability with the development of economic and commercial relationships initially with the US and, after 1950, with West Germany, aiming to resolve its viability problem and to remain within the western capitalist bloc. For these reasons, Greece participated in the process of European integration from the very beginning, adopting in turn its own European strategy. This strategy included not only the aims of the Greek side during the relevant negotiations but, as will be argued, the industrial and commercial policies applied were also a substantive part of this strategy. Equally, it is claimed that big business and state agencies cooperated to formulate and implement these two policies.

In this way, this research contributes not only to the Greek historiography on economic development and to the debate in respect of Greece's road to Europe. It also adds to the historiographical strand on European integration which, through a business history perspective, has incorporated business interests in the analysis.

# Contents

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## Author's Declaration

I declare that, except where explicit reference is made to the contribution of others, this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Signature:

Printed name: Ioannis Vasilopoulos

## Abbreviations

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| ABG | Agricultural Bank of Greece |
| ACCI | Athens Chamber of Commerce and Industry |
| AEEXPL | Hellenic Company of Chemical Products and Fertilizers Ltd |
| AERE | Hellenic Radiocasting SA |
| AETE | Hellenic Telephones Co. SA |
| AMAG | American Mission for Aid to Greece |
| ASA | Supreme Reconstruction Council |
| ATA | Athens Traders Association |
| BAA | British Chartered Accountants |
| BCTD | Bulleting of the Customs Tariff Directorate |
| BDI | Bundesverband der Deutschen Industrie |
| BIAs | Business Interest Associations |
| BoG | Bank of Greece |
| CAP | Common Agricultural Policy |
| CEC | Committee for Economic Cooperation |
| CED | Committee for Economic Development |
| CEPES | European Committee for Economic and Social Progress |
| CIF | Cost, Insurance and Freight |
| CIF | Cost, Insurance and Freight |
| CLC | Central Loan Committee |
| CNPF | Conseil National du Patronat Francais |
| ECA | Economic Cooperation Administration |
| ECSC | European Coal and Steel Community |
| EDA | United Democratic Left |
| EDFO | Economic Development Financial Organization |
| EDHK/HA | Democratic Centre Union Historical Archives |
| EEC | European Economic Community |
| EEOO | Greek Wine and Spirit SA |
| EER | Hellenic Wool Industry SA |
| EFTA | European Free Trade Association |
| EIB | European Investment Bank |
| EIR | National Broadcasting Institute |
| EPK | Greek Powder and Cartridge Co |

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| EPU | European Payments Union |
| ERP | European Recovery Program |
| ESYE | National Statistical Service of Greece |
| EU | European Union |
| FAO | Food and Agricultural Organization of the United Nations |
| FBI | Federation of British Industry |
| FDI | Foreign Direct Investment |
| FGI | Federation of Greek Industrialists |
| FGTT | Federation of Greek Tobacco Traders |
| FMTI | Federation of Macedonian and Thrace Industrialists |
| FPI | Federation of Patras Industrialists |
| FPPI | Federation of Piraeus Industrialists |
| FRUS | Foreign relations of the United States |
| FTA | Free Trade Area |
| FTRAD | Foreign Trade Administration |
| GATT | General Agreement on Tariffs and Trade |
| GATT/DA | General Agreement on Tariffs and Trade/Digital Archives |
| GDP | Gross Domestic Product |
| GR/BOGHA | Bank of Greece Historical Archive |
| GR/ELIA/IFA | The Hellenic Literary and Historical Archive/Ioannis Fragos Archive |
| GR/GAK | General State Archives of Greece |
| GR/GAK/CCA | Currency Committee Archive |
| GR/GL | Gennadius Library Archival Collections |
| GR/GL/CIT | Constantine Tsatsos and Ioanna Tsatsou Papers |
| GR/GL/KAV | Constantine Vovolinis Papers |
| GR/NBGHA | National Bank of Greece Historical Archives |
| GR/NBGHA/DA | National Bank of Greece Historical Archives, Diomidis Archive |
| GR/NIRSEV/EVA | National Institute for Research and Studies ‘Eleftherios K. Venizelos’, Eleftherios Venizelos Archive |
| GR/NIRSEV/SVA | National Institute for Research and Studies ‘Eleftherios K. Venizelos’, Sofoklis Venizelos Archive |
| GR/NPFA/ADA | Nikolaos S. Pantelakis - Family Archives/Diomedes, Alexander of Nicholaos Archive |
| GR/PIOP | Historical Archives of the Piraeus Bank Group Cultural |

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| | Foundation |
| GSU | Greek Shipowners' Association |
| HEAP | Athens Piraeus Electricity Ltd |
| IARA | Inter-Allied Reparation Agency |
| IBRD | International Bank for Reconstruction and Development |
| IDC | Industrial Development Corporation SA |
| IMF | International Monetary Fund |
| ITO | International Trade Organization |
| KKAFT | Konstantinos G. Karamanlis Foundation, Konstantinos Karamanlis Archive: Facts and Texts |
| KKF | Konstantinos G. Karamanlis Foundation/Historical Archives |
| KKF/EAA | Evangelos Averoff Tositsas Archive |
| KKF/GKA | Georgios Kontogeorgis Archive |
| KKF/GSA | Georgios Spentzas Archive |
| KKF/KKA | Konstantinos G. Karamanlis Archive |
| KKF/KPA | Konstantinos Papakonstantinou Archive |
| KKF/KTA | Konstantinos Tsaldaris Archive |
| NATO | North Atlantic Treaty Organization |
| NBG | National Bank of Greece |
| OEEC | Organisation for European Economic Co-operation |
| OEEC/DA | Organisation for European Economic Cooperation Digital Archive |
| OTE | Hellenic Telecommunications Organization S.A. |
| PEA | Panhellenic Exporters Association |
| P-P | Piraiki Partraiki Cotton Industry SA |
| PPC | Public Power Corporation |
| PTC | Permanent Tariff Committee |
| PUTI | Panhellenic Union of Textile Industrialists |
| RO | Reconstruction Organization |
| ROCEP | Research and Organization Committee for Economic Planning |
| GSR | Greek State Railways |
| SITC | Standard International Trade Classification |
| TA | Technical Annales |
| TCG | Technical Chamber of Greece |
| UCI | Union of Cotton industrialists |

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| UII | Union of Iron Industrialists |
| UK | United Kingdom |
| UN | United Nations |
| UNRRA | United Nations Relief and Rehabilitation Administration |
| USA | United States of America |
| USSR | Union of Soviet Socialist Republics |
| UWFI | Union of Woollen Fabrics Industrialists |
| UWI | Union of Woolen Industrialists |
| VE | Viomichaniki Epitheorissis |
| WP17 | Working Party 17 |
| WP23 | Working Party 23 |
| YDIA | Diplomatic and Historical Archives of Foreign Ministry |
| YDIA/EI | Diplomatic and Historical Archives of Foreign Ministry/European Integration |
| YDIA/MP | Diplomatic and Historical Archives of Foreign Ministry/Marshall Plan |
| YSESA | Implementation Service of the Reconstruction Plan |

# Introduction

Recently, Wolfgang Schaeuble, the former German finance minister, claimed that in the middle of 2015 almost all European finance ministers agreed that it would be preferable for Greece to exit, temporarily, the Eurozone and to devalue its currency.[1] This was a proposal discussed by Greek left-wing political forces at the time, aiming to deal with the unprecedent economic crisis which had hit the country in 2009. From 2010 Greece was enforcing consecutive structural adjustment programs which entailed an extensive devaluation of internal assets. Eventually, Greece remained inside the Eurozone and did not follow the proposed alternative. Instead, the internal devaluation continued apace. Even if we have much more to learn about the details of these proposals and their context, the call for a 'timeout' from the Eurozone is a compelling challenge to deepen our knowledge about the turbulent politico-economic relations of Greece with Europe.

The association of Greece with the European Economic Community (EEC) back in 1962, had largely defined a growth model that during the 1960s marked the golden age of Greek capitalism. With manufacturing to act as its locomotive, the Greek economy was thereafter catching-up with the core of Europe. However, by the end of the 1970s this growth model had virtually collapsed. The core of Greek industry had crumbled and, following the full membership of Greece to the EEC in 1981, both the fiscal and current account deficits became derailed reflecting the persistently low competitiveness of the domestic economy. Up to the mid-1980s these two deficits had skyrocketed and Greece's economic performance was obviously below European standards.[2] The public debt accumulated during the 1980s did not fall again.

Arguably, the roots and the specificity of Greece's economic crisis should be traced back to the course of its post-war economic development, highlighting the need to go beyond short-term ahistorical analyses in order to understand the

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[1] 'Schaeuble says temporary Grexit idea was backed by euro-group majority', *Kathimerini*, 9 October 2017, http://www.ekathimerini.com/202703/article/ekathimerini/business/temporary-grexit-idea-was-backed-by-15-nations-schaeuble-claims-in-documentary> [accessed 20 October 2017].

[2] *Economic crisis and Greece*, ed. by Andriana Vlachou and others (Athens: Gutenberg, 2011).

origins of Greece's developmental model and the extent to which it deviated from the rest of Europe. Thus, this thesis explores how and why Greece participated in the process of European integration from 1945 until 1962. It begins in 1945 because it was the year that the shaping of the main politico-economic aims of the country, in respect to its long-term viability, began and ends with the year that the association with the EEC took effect. Greece's participation in European integration is examined through the lens of state-business relations; the thesis explores primarily how big business and its representatives interacted with state agencies, that is, with the government and state managers in order to steer Greece towards Europe.

As will be argued, there is a unilateral emphasis in the Greek literature upon state agencies, emphasizing the geopolitical dimensions of Greece's European path. The role of economic and social forces has been marginalized which is a common trend in the wider literature on European integration. This thesis will argue that business interests played an important role, illuminating in this way dimensions of Greece's participation to European integration which have been neglected. In this way, it aims not only to contribute to the Greek literature by filling a substantive gap, but it also aims to add to the historiographical strand on European integration which has incorporated business and its actions.

In broad terms, it will be argued that Greece participated in the process of European integration because Greek businessmen and state agencies had *collectively* identified the country's viability and thus the reproduction of the socioeconomic system, initially with US financial aid and after 1950 with the development of economic and commercial relations with German business and the Federal Republic.[3] For this reason, Greece had no real choice but to follow their plans for European integration adopting, in turn, its own European strategy. This strategy was not restricted to the aims of the Greek side during the relevant negotiations, rather, it will be argued, that Greece's substantive European strategy was the combination of these aims with the industrial and commercial policies which it applied. Again, it will be argued that this substantive strategy had been formulated and implemented collectively by

[3] The term *businessmen* is preferred from *businesspeople* to underline the absence of women's involvement in Greek business at the time.

businessmen and state agencies. When the Association Agreement took effect in 1962, the Greek growth model was an amalgam of import substitution industrialization followed by Greece since the 1920s, and the export led growth model implied by European integration.

Since Greece had depended for its viability, predominately on the US and West German economies, it is important here to explain what was the content of viability as specified by contemporaries. For both businessmen and state agencies, Greece's viability had been largely identified with rapid industrialization, aiming to absorb the idle and semi-idle labour force of the agricultural sector and to reduce the huge and persistent trade deficit. However, the aim of industrialization was not unique to Greece.

As Alan Milward has shown, industrialization and the modernisation of manufacturing 'as another aspect of employment policy' was a 'distinctive aspect of the post-war period'.[4] What clearly differentiates Greece from other European countries, and in particular from those which had formed the core of Europe during the 1950s, was the level of industrial development and employment.[5] In a comparative perspective, during the 1950s Greece was the least industrialized country across Western Europe with the lowest ratio of labour utilization.[6] Moreover, it had the lowest level of income per capita within the Organization for European Economic Cooperation (OEEC), except for Portugal and Turkey. In short, Greece was a poor, agricultural country resembling the main features of relative economic backwardness; its association with the industrially advanced countries, which had formed the EEC in 1957 was, therefore, an integration between unequal partners.

Importantly, the underutilization of the available labour force and the trade deficit, were two inter-related problems which had become acute since the 1920s yet, were still there during the 1950s.[7] For contemporaries, the former

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[4] Alan S. Milward, *The European Rescue of the Nation-State* (London: Routledge, 1992), p. 37.
[5] The Six countries which formed the EEC in 1957 were the Federal Republic, France, Italy, Netherlands, Belgium and the Luxembourg.
[6] United Nations, *Some Factors in Economic Growth in Europe during the 1950s* (Geneva: UN, 1964), ch. I, p. 1; ch. III, p. 6; ch. IV, p. 5.
[7] Alexis Fragiadis, *Greek Economy: 19$^{th}$-20$^{th}$ Centuries* (Athens: Nefeli, 2007), pp. 111-148;161-178.

was rooted in the imbalance between the population on the one hand and the limited land and mechanical equipment on the other. It was known in Greece as the *imbalance* problem.

Surveys at the time, although with insufficient and fragmented statistical data, had estimated that more than one third of the work force in the Greek countryside was periodically or permanently idle and in cities a considerable portion were unemployed or employed unproductively.[8] In the circumstances, this was deemed economically and politically unsustainable by both businessmen and state agencies. Economically, the surplus population in the agricultural sector meant that incomes and productivity were low, weakening internal demand for industrial products and deteriorating competitiveness.[9] In turn, these weaknesses induced internal prices undermining the internal and external value of the currency. As a result, the trade deficit was growing, undermining the ability to import capital goods. Under these circumstances, the impoverished population was receptive to the calls of the robust and mass communist movement. Indeed, mainly in response to the state's massive repression and persecution, the Communist Party and its followers decided to fight for political power and the country entered in to a civil war which lasted from early 1946 until late 1949. Thereafter, the communist movement could seriously threaten the rule of law only based upon the strengthening of Greece's commercial and economic ties with the Soviet bloc. This was the perceived economic and political challenge to the country's viability as a capitalist state and economy and to which state agencies and businessmen aimed to respond in the post-war era. Industrialization was considered as the appropriate answer.

The underlying rationale was that industry could reach high productivity levels because, in contrast to agricultural production which was governed by diminishing returns, it was conducive to economies of scale. As it became progressively evident, however, increased industrial production necessitated the

[8] UNRRA, *Plan for the utilization of Greece's natural resources,* Annex II, 2 vols (Athens: UNRRA, 1947), I, Section II, pp. 1-18. During the 1950s all surveys had derived similar results. It was only in 1962 that the extent of the surplus population at agriculture was questioned, see: Adam. A. Pepelasis and Pan. A. Yotopoulos, *Surplus Labour in Greek Agriculture, 1953-1960* (Athens: KEPE, 1962).

[9] Production costs at agriculture were also burdened by high domestic prices, for example those of fertilizers and irrigation machines which were monopolized. This was a salient feature of the domestic economy which was usually downplayed by industrialists and state managers.

importation of capital goods and intermediate inputs on a large scale, whereas, increasing incomes were channelled predominately to consumer durables.[10] As a rule, domestic industry was unresponsive to the increasing demand for these goods. Since exports, dominated by semi-luxury agricultural products, could not follow the tempo of imports, the result was that the trade deficit was growing both in absolute terms and as a percentage of Gross Domestic Product (GDP).[11] This was, therefore, the main structural problem for Greece.[12]

The industrial sector was underdeveloped with low productivity. Particularly, manufacturing sectors such as textiles, foodstuff and metal-working were dominated by a sea of small and inefficient units with obsolete mechanical equipment and limited organizational capabilities.[13] These units coexisted with a small number of big businesses which were price setters and who enjoyed a dominant position.[14] In other manufacturing sectors, notably cement, paper, fertilizers, glass, tobacco, metal producing and tubes, there was only a limited number of companies which monopolized the internal market with restrictive practices. As was the case in Europe, cartels and syndicates, most of which had been formed before 1945, existed in many sectors.

Moreover, in comparison to other European economies and especially the core of Europe, manufacturing was dominated by the traditional sectors of textiles, light chemicals and foodstuff, whereas the capital goods sector was quite underdeveloped.[15] Overall, the technological base of industry was quite underdeveloped and only few big businesses had their own research departments.[16] From this perspective, there was a compelling need for industrial modernization and development. Certainly, this effort was the prerequisite for the survival of Greece's vulnerable capitalism and presupposed high investment rates which were, in turn, based predominately upon the inflow of capital goods and technological transfers which were supplied by the US and, after 1950, by

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[10] Dim. I. Halikias, *The Economic Development of Greece and the Balance of Payments* (Athens: BoG, 1963).
[11] Appendix 1, Table 8;9.
[12] Fragiadis, *Greek,* pp. 175-78.
[13] George Coutsoumaris, *The Morphology of Greek Industry* (Athens: KEPE, 1963).
[14] Howard S. Ellis, *Industrial Capital in Greece* (Athens: KEPE, 1964), pp. 172-9.
[15] United Nations, *Some Factors*, ch. III, table 7.
[16] Kostis Vaitsos and Tasos Yannitsis, *Technological Transformation and Economic Development* (Athens: Gutenberg, 2001), pp. 83-108.

West Germany. Mainly as a result of its dependence upon these two advanced economies for capital goods and technology, as well as the need to increase its import capacity to finance investments, Greece was present in the process of European integration from the very beginning. It was a recipient of the Marshall Plan aid in 1948, participating in the European Payments Union (EPU), which aimed to boost intra-European trade, and the attached trade liberalization program within the OEEC. In 1957 it participated in the negotiations within the OEEC for a Free Trade Area (FTA) and, in the middle of 1959, Greece was the first state to apply for an association with the EEC. The Association Agreement was signed in 1961 and took effect the following year. The main characteristic of this road was that by 1953 Greece had abolished almost all its quantitative import restrictions and in 1961 had agreed to abolish tariff protection within a predetermined and fixed period. Within this framework, businessmen and state agencies interacted to adjust the industrial and tariff policies, a crucial part of Greece's European strategy.

## 1. Historiography

### 1.1 Geopolitical reasoning and modernization

The participation of Greece in European integration has been seen mainly from above, as part of the government's foreign policy. In particular, for the period until the conclusion of the negotiations for the full membership of Greece to the EEC in 1979, Greece's European strategy has been addressed as if it had been formulated and implemented primarily by the then prime-minister, Konstantinos Karamanlis and his close collaborators.[17] Business interests and their influence upon the association and accession strategies are almost absent, substantiating

[17] Marrieta D. Minotou, 'The European Choice of Karamanlis' Government, 1957-1959' (unpublished doctoral thesis, National and Kapodistrian University of Athens, 2002); Konstantina Botsiou, *Griechenlands Weg nach Europa: Von der Truman-Doktrin bis zur Assoziierung mit der Europäischen Wirtschaftsgemeinschaft, 1947–1961* (Frankfurt: Peter Lang, 1999); Evanthis Hatzivassiliou, 'Security and the European Option: Greek Foreign Policy, 1952-1962', *Journal of Contemporary History*, 30-1, (1995), 187-202; *Greece, the West and the Mediterranean 1945-1962: New Research Approaches*, ed. by Konstantina Botsiou and Yannis Sakkas (Thessaloniki: University of Macedonia, 2015); Eirini Karamouzi, *Greece, the EEC and the Cold War 1974-1979: The Second Enlargement* (New York: Palgrave Macmillan, 2014), pp. 14-34.

the dominant academic view of a weak civil society driven by the state.[18] In this respect, the conclusion is that the weak industrial base prevented business from fully supporting Greece's association and accession to the EEC.[19] Even endeavours to explain Greece's association utilizing Andrew Moravcsik's analytical framework which proposed that state agencies primarily consider the interests of domestic producers, have reached the conclusion that Greece's European policy was an exclusively state-led strategy defined by Karamanlis and his close associates.[20] This unilateral emphasis has resulted in a literature which has three main characteristics.

To begin with, it attaches primary importance to the geopolitical reasoning within the framework of the Cold War. In this respect, Greek literature shares affinities with the state-centric approach on European integration which is rooted in the traditional diplomatic history and the realist school of international relations. This historiographical strand claims that national policies toward European integration were broadly defined by 'domestic political and, especially, foreign and security policy reasons'.[21] A prime example of this approach is the explanation offered for French European policy during the 1960s. It was launched as a significant part of de Gaulle's 'Grand Strategy' and forced the process of integration towards an intergovernmental path.[22] For the Greek case, Panagiotis Ioakimidis, assessing the position of Greece in the European and regional systems since its independence in the early eighteenth century, sets the general framework for the geopolitical reasoning of Greece's road to the EU.[23]

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[18] Panagiotis Ioakimidis, 'Greece in the European Union', in *Economic History of the Greek State*, ed. by Thanasis Kalafatis and Evagellos Prontzas, 3 vols (Athens: Piraeus Bank Group Cultural Foundation, 2011), II, pp. 681-717.
[19] Kostas Ifantis, 'State interests, external dependency trajectories and 'Europe'', in *European Union Enlargement: A Comparative History*, ed. by Wolfram Kaiser and Jürgen Elvert (London: Routledge, 2004), pp. 75-98.
[20] Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Abington: Routledge, 1999); Susannah Verney, 'The Greek Association with the European Community: a Strategy of State', in *Southern Europe and the Making of the European Union, 1945-1980s*, ed. by Antonio Costa Pinto and Nuno Severiano Teixeira (New York: Columbia University Press, 2002), pp. 109-156.
[21] Michael Gehler, 'At the Heart of Integration: Understanding National European Policy', in *European Union History: Themes and Debates* ed. by Wolfram Kaiser and Antonio Varsori (Basingstoke: Macmillan, 2010), pp. 85-101 (p. 104).
[22] Garret Martin, 'Conclusion: A Gaullist Grand Strategy?', in *Globalizing de Gaulle: International Perspectives on French Foreign Policies, 1958–1969* ed. by Christian Nuenlist and others (Plymouth: Lexington Books, 2010), pp. 291-308.
[23] Panagiotis Ioakimidis, *The Position of Greece in the International, European and Regional System: Historical Conceptualizations and Contemporary Reality* (Athens: Themelio, 2007).

Situating Greece within the group of post-war western liberal democracies had notable security implications and was additionally considered as a means to internal political stabilization and modernization. Thus, the political implications of the increasing trade dependence upon the Soviet bloc after 1953 and the simultaneous internal pressure from the communist oriented party United Democratic Left (EDA) explains the association, whereas, the demand for a reduction of dependence on the US and the necessity for the consolidation of democracy explains accession. Politico-economic considerations played an important role, especially in the face of the increasing trade interdependence with the EEC after the association. In this respect, the European market would absorb Greek exports and modernize the socioeconomic base of Greece.

The salient feature here is that geopolitical forces were considered as dominant, usually treated separately from the economic and social forces which were deemed to be only of secondary importance.[24] Accordingly, the Greek literature has claimed that it was the material calculations of state agencies which had specified the national economic interest in relation to the dominant geopolitical concerns. This is the second characteristic, and it seems that this kind of reasoning has dominated the wider literature which deals with the integration of the European periphery to the EEC, and particularly for Portugal and Spain, the countries which joined the EEC as full members shortly after Greece.[25] This reasoning largely follows the highly influential work of the economic historian Milward, who claimed that European integration has actually saved the nation-state from its collapse under the pressure of the Great Depression and the second world war.[26] Milward has argued that increasing trade flows within post-war Europe, above all with West Germany, facilitated an export-led growth model leading to economies of scale and thus to productivity gains.[27] And it was West Germany which was the locomotive for, not only did it supply the necessary machinery and transport equipment that enabled the post-war

[24] Neil Rollings, *British Business in the Formative Years of European Integration, 1945-1973* (Cambridge: Cambridge University Press, 2007), pp. 4-5.
[25] Loukas Tsoukalis, *The European Community and its Mediterranean Enlargement,* (London: George Allen & Unwin, 1981); Alfred Tovias, 'The Southern European economies and European integrations', in *Southern Europe and the Making of the European Union, 1945-1980s*, ed. by Antonio Costa Pinto and Nuno Severiano Teixeira (New York: Columbia University Press, 2002), pp. 159-81.
[26] Milward, *The European.*
[27] Ibid., 119-73.

investment boom and the subsequent industrialization/modernization, but it also absorbed a significant part of European manufactured exports and surplus labour. Thus, industrialization efforts were assisted by comprehensive export outlets. Simultaneously, the selective protection at the national frontier along with the discrimination that the EPU offered until 1957, and subsequently the common external tariff, formed a commercial policy which Milward calls neo-mercantilism. To put it simply, the export-led growth model combined with neo-mercantilism was implied by the process of European integration and states embarked on the project because it facilitated the much-needed high rates of growth. By putting the power and the material calculations of the nation-state in the driving seat of the process, however, Milward stresses that BIAs, with the significant exception of agricultural interests in France, were virtually unable to exercise any direct influence on their states and the integration process.[28] This was so because their interests were deemed incurably fragmented and thus the powerful state was able to impose its will upon them. Certainly, in the Greek case, businesses were small by European standards and predominately inward looking thus Greek scholars had an additional reason to claim that their actions were guided exclusively from above. Not surprisingly therefore, the economic historian Iordanoglou has argued that the choice for the association in the second half of the 1950s implied, beyond the geopolitical motivations, a decision taken by state agencies for an export-led growth model. The rationale of this decision was to progressively reverse the adverse effects which the import substitution policy followed since the inter-war period had upon the country's economic development.[29] He suggested that the export crisis, since 1957, made the issue of agriculture a problem seeking an immediate solution, and the association provided the appropriate export outlets. However, the issue of industry was a strategic one. The argument here is that industry would not survive within the limited Greek market. Protection in the long run was not only unsustainable due to obligations stemming from the General Agreement on Tariffs and Trade (GATT) but it was also unproductive, in the sense that it undermined the potential for economies of scale trapping industry on an uncompetitive path. The solution was the delicate exposure of Greek industry to

[28] Ibid., p. 251.

[29] Chrisaphis Iordanoglou, 'Yiagkos Pesmazoglou and the negotiations for the Greek – EEC Association Agreement (1959-1961)', in *Ioannins S. Pesmazoglou: Academic, Europeanist, Negotiator,* ed. by Michalis Psalidopoulos (Athens: Metamesonykties Ekdoseis, 2010), pp. 69-89.

foreign competition with the strategic aim of improving export performance. The core of this argument was first established and elaborated in relation to the Soviet bloc by an authoritative study of Eastern trade.[30] It was precisely exporting to the uncompetitive market of the Soviet bloc, based on bilateral agreements, that would undermine the ability of domestic industry to become competitive. Yet the low quality of Eastern machinery and mechanical equipment was another factor that would further jeopardize the modernization of Greek industry. Equally, the choice for accession in the second half of the 1970s, beyond the dominant political reasons, is explained by the economic concerns of state agencies because of Greece’s export reliance upon the large European market.

Last but not least, it is argued that Karamanlis’ aim was to modernize the socioeconomic base and the political system. For example, Kostas Lavdas, exploring the organization and representation of the FGI and the adaption of state-business relations to the changing public policy paradigm emanating from European integration, has claimed that the rehabilitation of state-society relations, or their Europeanization and modernization, was as one of the most welcomed likely effects of EEC membership and this was among the main aims of Karamanlis’ governments.[31] Equally, for the period after the accession of Greece to the EEC in 1981, this literature is particularly preoccupied with the evaluation of the adjustment of Greece’s politico-economic system to that of the core of Europe.[32] Thus the country’s road to Europe has been addressed as a process of Europeanization, or to use a more familiar term in Greece’s contemporary history, as part of the modernization of the political and economic structures of the country emanating from Europe. In this respect, some have argued that post-war Greece responded successfully to the modernization challenge emphasizing the significant rise in the standard of living.[33] Other have questioned this claim underlining the mass emigration which took place during the 1960s and the

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30 Sotiris Walden, *Greece and the Eastern Countries 1950-1967: Economic Relations and Politics,* 2 vols (Athens: Odisseas, 1991).
31 Kostas A. Lavdas, *The Europeanization of Greece: Interest Politics and the Crises of Integration* (London: Macmillan, 1997).
32 Kevin Featherstone and Dimitris Papadimitriou, *The Limits of Europeanization: Reform Capacity and Policy Conflict in Greece* (Basingstoke: Palgrave, 2008).
33 William H. McNeill, *The metamorphosis of Greece since the World War II* (Chicago: The University of Chicago Press, 1966).

persistent social inequalities.[34] Equally, it is has been argued that the anachronistic educational and administrative systems which survived only because the right-wing governments treated any attempt for their modernization as subversive actions, had undermined a balanced economic development.[35]

Overall, the argument is that modernist state agencies acted autonomously for geopolitical reasons and big business did not influence the formulation and implementation of economic and European policies. Therefore, it is not surprising that the literature which has incorporated business interests in its analysis is quite limited. However, it has reached unexpected conclusions. In particular, the unique to date study which directly considered Greek business interests in relation to European integration from the middle 1950s to the middle 1960s, considered the peak-level representative body of industry, the Federation of Greek Industrialists (FGI) and utilized exclusively secondary sources.[36] In contrast to the dominant view, Nickolas Moussis argued that the FGI, primarily because its members were efficient producers, not only supported the FTA option but had also considerably influenced the process. Thus, the proposals of the federation for an FTA were similar to the basic terms for the participation of Greece to this scheme within the OEEC. Yet Moussis suggested that these terms were the cornerstone of the strategy of Greece for association with the EEC and were largely embodied in the Association Treaty. However, he has treated social forces as mere pressure groups which lacked a class identity and major political concerns and ignored Greek-German business cooperation.

A further step has been made in two archival based historical studies which have treated business as social forces, that is, with both corporate and wider political interests. In particular, Mogens Pelt has argued that the underlying, though not decisive, economic force behind Greece's association to the EEC was the necessity for the revival of pre-war Greek-Germany relations.[37] The Federal Republic financed the Greek developmental plans from 1953 and absorbed a

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[34] Jon V. Kofas, *Under the Eagle's Claw: Exceptionalism in Postwar U.S. - Greek Relations* (Westport: Praeger, 2003).
[35] David Close, *Greece 1945-2004: Politics, Society, Economy* (Thesaloniki: Thyrathen, 2006), pp. 125-130.
[36] Nicholas S. Moussis, *Greek Industrialists and the Association of Greece with the Common Market* (Brussels, 1967).
[37] Mogens Pelt, *Tying Greece to the West: US-West German-Greek Relations 1949-1974* (Copenhagen: Museum Tusculanum Press, 2006).

considerable part of the mounting tobacco surpluses and, later, the so-called surplus labour. The role which the prominent Greek industrialist Prodromos Athanasiadis Bodosakis, commonly known as Bodosakis, played in the engagement with German businesses was crucial, for the majority of the financed industrial projects belonged to the Bodosakis industrial group. In turn, the Federal Republic aimed to use Greece as an industrial export platform to East Mediterranean states. Similarly, it has been shown that the FGI, as well as individual businessmen, had conditioned the transition of Greece to democracy in 1974, in many respects influencing Greece's industrial policy and its path to Europe.[38] First, the FGI utilized the threat of the exposure of traditional Greek industry to international competition to press domestically for the strengthening of state aid to industry. Second, the businesses which had gained from industrial exports to the EEC, pressed the dictatorship to improve its relations with the EEC. Third, the federation progressively recognized that the EEC could guarantee the socioeconomic system of Greece, backing and influencing Karamanlis' European strategy from 1974.

Certainly, the dominant historiographical approach has illustrated important aspects of Greece's participation in European integration but the historical studies which considered business as social forces have highlighted the deficiencies attached to the exclusive preoccupation with state agencies, showing that there were hidden dimensions which are indispensable for a rounder evaluation of Greece's road to Europe. This study aims to go a step further in this direction by considering the government's European strategy in relation to the economic and social forces which had been actively engaged with the main politico-economic target of post-war Greece, namely, rapid industrialization which aimed to employ the idle labour force and to balance the external account. To do this, there is a need for an analytical framework.

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[38] Christos Tsakas, 'Greek Industrialists ahead of the European Challenge: State Strategy and Private Interests from the Association with the EEC to the restoration of Democracy' (unpublished doctoral thesis, University of Crete, 2015).

### 1.1.1 The new historiography

The Greek studies which considered business as social forces share affinities with a growing historical literature which has emphasized societal actors rather than central governments and state power.[39] Closely following a wider trend in social sciences research in the EU, this new strand aims to transcend state-centric approaches by applying network and institutional analyses to explain European integration from its very beginning. In this respect, its significance lies in the fact that this new approach attempts to overcome a dichotomy, inherited from political sciences, which concerns the action of business and its impact upon the process of integration. This dichotomy is exemplified by Ernest Haas' neo-functionalism approach, on the one hand, and Moravcsik's inter-governmentalism, on the other. In particular, the former's detailed political study, first published in 1958, initially examined the role played by the various domestic *pressure groups* and *political parties* of the Six founding members of the European Coal and Steel Community (ECSC).[40] Once the need for a solution to a functional problem had been fulfilled, with the creation of a supranational body, then the key procedure for Haas was the shifting loyalty of BIAs from national governments to supranational authorities and their participation in new formal supranational business associations in search of tactical solutions to their common problems. This procedure induced an automatic process of sectoral/economic and then political integration, known as 'spill-over'. Though the proposed automaticity did not materialise during the 1960s for the so-called 'empty chair crisis' substantially questioned the dynamics of the shifting loyalty of BIAs. Subsequently, Haas dismissed such functional automaticity in 1968 but not the core of his approach.[41] In contrast, Moravcsik follows Milward's prioritization of the state and attaches even more weight upon economic reasoning.[42] However, he argues that national governments primarily consider the interests of domestic producers as they are represented by peak-level BIAs

[39] Wolfram Kaiser, 'From State to Society? The Historiography of European Integration', in *Palgrave Advances in European Union Studies*, ed. Michelle Cini and Angela K. Bourne (Basingstoke: Palgrave, 2006), pp. 190-208.
[40] Ernst B. Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957* (Notre Dame: Notre Dame Press, 2004).
[41] Ibid., p. xix.
[42] Moravcsik, *The Choice*.

and emphasises the continuous allegiance of business to the nation state. [43] Certainly, these arguments substantiate the intergovernmental approach. For reasons of simplicity Moravcsik assumed fixed preferences at peak-level BIAs, essentially bypassing business fragmentation. Importantly, for Moravcsik BIAs do not assimilate political ideas or projects which is still the exclusive preoccupation of state agencies.

The new historiography has provided evidence which has enriched the debate and relaxed the rigidity of each approach. Initially, the basic assumption was that the power of central governments has been diffused by decentralised informal and predominately transnational business and political networks[44] but, progressively, it relaxed this position examining also the influence exercised by more formal societal actors with a national and European origin.[45] Initially, the implication was that the decision making has been diffused to almost non-hierarchical institutions and the sovereignty and the executive control of the nation-state has been hollowed out. Accordingly, the European edifice was treated as a multi-level polity from its origin and, sharing affinities with neo-functionalism and institutionalism, it focused upon post-war transnational informal business and political networks as well as upon other societal actors such as national BIAs and political parties. In respect to business networks, informal cooperation and communication help businesses to overcome fragmentation and to establish public discourses which influence indirectly the decision-making process. Yet such networks have both economic and wider political motivations providing the link between different levels of the European polity and the powerless states, transcending national boundaries. Their impact can be traced from the national to the global level, though it is the trans-Atlantic level that is the prime focus when considering the origins of the EEC and its formative years.

[43] Ibid., p. 42.
[44] Wolfram Kaiser and others, ‘Transnational Networks in European Integration Governance: Historical Perspectives on an Elusive Phenomenon’, in *Transnational Networks in Regional Integration: Governing Europe 1945-1983*, ed. by Wolfram Kaiser and others (Basingstoke: Palgrave Macmillan, 2010), pp. 1-17.
[45] Kaiser and Henrik-Meyer, 'Beyond Governments', pp. 1-14.

Representative of this approach is Sigfrido Ramirez Pérez's historical analysis of the European Committee for Economic and Social Progress (CEPES).[46] This was a transatlantic business network with many informal aspects whose action is illustrative of the process of integration from a business perspective. Originating as an initiative of US big business represented by the American Committee for Economic Development (CED), an association which aimed to roll back Soviet influence and to promote simultaneously its business interests within an international free trade framework which presupposed a united and liberal Europe, CEPES was created in the early 1950s and adopted its own European neoliberal vision compatible with the strategic aim of an Atlantic unity. The European factions of CEPES backed the first steps of European integration and subsequently adopted their own economic and political agendas for the course of European integration, detaching progressively from the more liberal CED. During the early 1960's CEPES embraced the EEC trade policy and was able to influence, in cooperation with the Commission, the negotiations with GATT. Certainly, this approach is not new, since Neo-Gramscian scholars have shown the influence of transnational business networks in this respect, highlighting the CED's international and European strategies.[47] Thus, with the utilization of a social class analysis, it has been convincingly argued that after the second world war, US businessmen were by themselves able to forge close ties with their European counterparts. In turn, this development induced a liberal dimension within the core European states and businesses which subsequently contributed to the process of integration.

Still, the importance of the action of national BIAs and governments is indispensable. The unfolding of the international economic crisis in 2008, which has allegedly halted the process of integration, has highlighted the significance of the state and encouraged this new historiographical strand to reconsider the power of national governments in the light of their cooperation with more organized BIAs implied by the notion of societal actors. The overall picture here is that the national peak-level BIAs have supported integration and the respective policies of their governments. In this respect, the basis for the

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[46] Sigfrido M. Ramirez Pérez, 'The European Committee for Economic and Social Progress: Business Networks between Atlantic and European Communities', in *Transnational,* ed. by Kaiser, pp. 61-84.
[47] Kees Van Der Pijl, *The Making of an Atlantic Ruling Class* (London: Verso, 2012).

formulation of shared interests for BIAs at the national level is traced to neo-corporatist arrangements and the ability for individual leadership within business associations. In particular, the French Conseil National du Patronat Francais (CNPF) was pro-European during the 1950s and its stance is attributed, primarily, to its president's leadership and not to any consensus among the business community in France which was, on average, protectionist.[48] In contrast, the strong pro-European attitude of the West-German Bundesverband der Deutschen Industrie (BDI), is attributable to its membership which was constituted predominately by competitive and export orientated big businesses. During the 1950s it had been aligned with ordoliberal minded Ludwig Erhard supporting a wide Free Trade Area.[49] However, below the peak-level there was a variety of sectoral views, some of which opted for the EEC option and these latter attitudes had facilitated the enforcement of Adenauer's policy in respect to the EEC and the UK.[50]

More illustrative here is Neil Rollings' work which has gone a step further.[51] Rollings has shown that fragmentation was quite evident among UK businesses and their attitudes regarding trade effects were, even within the same sector, diverse.[52] Peak-level BIAs were not always able to overcome such fragmentation and, for this reason, Rollings went beyond the peak-level, the Federation of British Industry/Confederation of British Industry (FBI/CBI), addressing sectoral BIAs as well as the investment strategies and attitudes of individual companies. In this way, he was able to show that domestic BIAs and individual companies in the UK exercised both a direct and an indirect influence on the course of the UK towards the EEC. The Marshall Plan aim for a customs union was considered from sectoral and horizontal BIAs, but their actions were limited because their interests were primarily oriented towards the Commonwealth. The loose

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[48] Werner Buhrer and Laurent Warlouzet, 'Regulating Markets: Peak Business Associations and the Origins of European Competition Policy', in *Societal*, ed. by Kaiser, pp. 59-83 (p. 61).
[49] Werner Buhrer, 'German Industry and European Integration: 1947-1957', in *Western Europe and Germany: The Beginnings of European Integration 1945-1960,* ed. by Clemens Wurm (Oxford: Berg, 1995), pp. 100-4.
[50] Markus Schulte, 'Industrial Interest in West Germany's Decision against the Enlargement of the EEC. The Quantitative Evidence up to 1964', *Journal of European Integration History*, 3-1 (1997), 35-61.
[51] Morten Rasmussen, 'European Rescue of the Nation-State? Tracing the Role of Economics and Business', in *European Union History: Themes and Debates* ed. by Wolfram Kaiser and Antonio Varsori (Basingstoke: Macmillan, 2010), pp. 128-49.
[52] Rollings, *British*.

association with the ECSC is attributable to a compromise between sympathetic state managers and reluctant sectoral BIAs. Thus, politically, the period until 1955 was mainly a preparatory stage for business interests. However, at the economic level, the re-orientation of trade and, importantly, of investment flows from the Commonwealth to continental Europe progressively intensified during the 1950s, promoting European companies and economic integration as such. In this way, individual companies had exercised an additional indirect influence on the political level towards the decision of the UK to seek accession to the EEC in 1961. This was an example of the relation between economic and political integration. In some cases, British BIAs have influenced more directly the European policy of the UK, for example, by consulting other national and international BIAs and providing the government with valuable information. Additionally, UK peak-level BIAs considered wider political and economic issues affecting the business environment. They asked for safeguards during the 1950s and their attitudes were influenced by the EEC competition, tax and company policies during the 1960s. In turn, these EEC policies in some cases, did occasionally strengthen BIAs position.

Certainly, this new strand has shown the sheer complexity of business action and thus the need to consider business at both the national and translational levels. This is confirmed by the examination of the formulation of European policies, where the role of business appears mixed. For example, the Commission privileged UNICE as a representative body for the formulation of the European competition policy.[53] However, in contrast to the French and German peak associations, the European peak-level industrial association was unable to influence the process because it was internally fragmented. Instead, for the formulation of the EEC's commercial policy within the GATT in the early 1960s, both UNICE and EEC-level sector organizations were consulted and influenced the Commission, whereas individual European companies pressed successfully both at the European and the national levels to protect their interests.

[53] Wermer Buhrer and Laurent Warlouzet, 'Regulating Markets: Peak Business Associations and the Origins of European Competition Policy', in *Societal*, ed. by Kaiser, pp. 59-83.

### 1.1.2 Private interests, state policies and European integration

Summarizing the historiography, the story of European integration has been told primarily from the perspective of countries that were the main actors, notably Germany, France and the UK. In this respect, Eichengreen provides a comprehensive summary of this general trend.[54] He has concluded that the EPU had made the commitments attached to the Code of Liberalization irreversible, promoting intra-European trade and thus economic integration as such. In turn, such trade expansion made the restructuring of European industry along export-oriented lines feasible, whereas Europe's discrimination improved external accounts providing the room for a settlement between capital and labour that enabled high investment rates. The underlying reason was that expanded intra-European trade provided the means to industrial units, notably those with high sunk costs, to take advantage of scale and scope and thus to increase productivity and incomes. Competitive big business from sectors which were conducive to scale and scope, such as German chemical and electrical industries, for example, were the main drivers at the economic level and supported the initiatives at the political level. This general explanation has three main sides that need further clarification.

First, however significant was export promotion, it presupposed a number of peripheral countries that imported a crucial part of the machinery and manufactures which were eventually integrated to the new institutional arrangement. Since all these countries had collectively formed the EEC, any attempt to explain European integration that ignores core or peripheral states and their domestic businesses, tends to provide one-sided explanations. Second, capital and labour flows were equally significant to the process, but they are essentially missing from the picture for the emphasis has been predominately upon trade flows. Third, the reduction of the incentives to the private or to the public sphere alone cannot provide an adequate explanation in respect to the formulation of economic and political incentives and their promotion to the international arena. In some cases, it results in a rigid dichotomy between economic and geopolitical reasoning.

[54] Barry Eichengreen, *Reconstructing Europe's trade and payments: The European Payments Union* (Manchester: Manchester University Press, 1993), pp. 81-97;121-6.

Each approach has addressed these issues either directly or indirectly. Haas has demonstrated that geographical spill-over explains enlargement, that is, the inclusion of the peripheral states to the core Europe had gained momentum as the fear of isolation forced less developed counties to participate.[55] It might be expected that key social actors on the periphery would shift their loyalty from the national to supranational level. Similarly, Neo-Gramscian literature has highlighted that the convergent interests of an emerging transnational capitalist class have promoted regionalization and particularly the creation and then the restructuring of the EEC during the 1980s.[56] Obviously, the national segment of such a class drives the nation-state to enter this one-way street. In contrast, for Milward, European integration simply saved the nation-state from its collapse and the question is if this is valid for peripheral states as well. For Moravcsik, the distribution of gains accruing to each state from the inter-governmental bargaining, is dictated by 'asymmetrical interdependence'.[57] This simply means that states which anticipate reaping the most significant benefits may concede to demands from states which have feasible alternatives. In respect to the significance of capital and labour flows, Rollings and Federico Romero have shown clearly their importance for the cases of the UK and Italy, respectively.[58] As far as the origin of the incentives is concerned, the new historiography has shown that these should be addressed through the lens of the cooperation of business and governmental agencies. What is missing, however, is an analytical framework that addresses simultaneously all the elements appropriate for an adequate explanation of the forces which drive small countries to integrate with advanced economies.

This can be provided by Harvey's formulation of geographical political economy which has shown that capitalism works through spatio-temporal fixes.[59] The latter checks overaccumulation crises within one region or state. The main

[55] Haas, *The Uniting*, pp. 313-7.
[56] Bastiaan van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration* (New York: Routledge, 2002).
[57] Ibid., p. 60.
[58] Rollings, *British*, pp. 43-70; Federico Romero, 'Migration as an issue in European interdependence and integration: the case of Italy', in *The Frontier of National Sovereignty: History and Theory 1945-1992*, ed. by Alan S. Milward and others (New York: Routledge, 1993), pp. 33-58.
[59] David Harvey, *The New Imperialism* (Oxford: Oxford University Press, 2003).

features of these crises are those which characterized the Great Depression and the economic crisis of the 1970s and beyond:

> Overaccumulation within a given territorial system means a condition of surpluses of labour (rising unemployment) and surpluses of capital (registered as a glut of commodities on the market that cannot be disposed of without a loss, as idle productive capacity and/or as surpluses of money capital lacking outlets for productive and profitable investment).[60]

Spatio-temporal fix is a process guided by the coordinated efforts of businessmen and state agencies. Schematically, the term fix indicates the solution to overaccumulation crises through spatial and/or temporal displacement of surpluses.[61] Spatial displacement predominately takes the form of market expansion and Foreign Direct Investment (FDI) which businesses use to create and protect their monopoly power whereas temporal displacement usually takes the form of investment in domestic long-term infrastructural projects, production and consumption. The important dimension for this study is the spatial displacement: the close trading blocs formed after the First World War prevented the international free movement of goods and capital and thus the overaccumulation problem of the 1930s could not be solved.[62] This legacy is the key to understand the forces which shaped European integration because thereafter it guided the strategies that, as it was hoped, would permit international economy to overcome the 'economic problems that had plagued the 1930s and protect against the threat of communism.'[63] Indeed, it has been shown that the post-war era is characterized by the effort of US state agencies and big business to establish a multilateral world trading system and the formation of a customs union in Europe was certainly part of this strategy.[64] In this respect, the customs union was the mechanism which facilitated, and partially institutionalized, the movement of such surpluses across national borders in the post-war era and was thus one of the main reasons for which, at

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[60] Ibid., p. 109.
[61] Ibid., p. 87-9;96-101;108-24.
[62] Ibid., p. 140.
[63] Ibid., p. 58.
[64] Volker R. Berghahn, *American Big Business in Britain and Germany: A Comparative History of Two "Special Relationships" in the 20th Century* (Princeton: Princeton University Press, 2014); Michael J. Hogan, *The Marshall Plan: America, Britain, and the reconstruction of Western Europe, 1947-1952* (Cambridge: Cambridge University Press, 1987).

least until the late 1960s, the recurrence of an economic crisis analogous to that of the Great Depression was prevented. For Harvey these increasing cross-border exchanges did shape the 'formation of supra-state administrative structures such as the European Union'.[65] Certainly, the German post-war economic miracle which Milward has shown that marked European integration was made possible because, in the first place, export outlets were made feasible through peaceful mechanisms which had been largely constructed at the European level for this reason. As will argued, the importation of German investment goods and capital along with the exportation of Greek labour surpluses to the Federal Republic, were two intra-European flows which played a substantive role in Greece's economic development, shaping in turn its participation in early European integration.

However, this does not mean that the process of integration is irreversible, for countervailing tendencies are also released and can halt or even reverse this process. Indeed, the new historiography has acknowledged that the international crisis erupted in 2007 has questioned supranationalism and problematized European integration because:

> In times of crisis, only national governments seem to have sufficient power to make credible commitments about resources.[66]

For Kaiser and Henrik-Meyer, this is especially true for the big and rich members of the EU. However, the reasons behind this outcome are not illustrated by them. In this respect, Harvey's analysis indicates that the process of unequal geographical development combined with devaluation opens the road for such a development. Indeed, as historical experience has shown, when surpluses that have been generated within a territory are displaced abroad, they can either set in motion developmental and modernization processes similar to those in the region of their origin or reproduce uneven geographical development. The general outcome is not always clear but it crucially depends not only upon the form and the institutional nature of the recipient region or state but also upon

[65] Ibid., p. 107.
[66] Wolfram Kaiser and Jan Henrik-Meyer, 'Beyond Governments and Supranational Institutions: Societal Actors in European Integration', in *Societal Actors in European Integration: Polity-Building and Policy-Making 1958-1992*, ed. Wolfram Kaiser and Jan Henrik-Meyer (2013), p. 1.

the extent to which asymmetrical exchange relations enhance the monopoly power of multinational businesses which sell and invest abroad.[67] In this respect, the Greek case shows that the general result can be mixed and, additionally, illustrates some reasons for which the imported capital and technology cannot be effectively utilized in relatively backward countries. In any case, the failure to develop and modernize can be quite punitive, for the resulting limited competitiveness makes assets and labour in the recipient region or state quite vulnerable to devaluation. Equally, if one state cannot displace abroad surpluses generated within its borders, then it is obliged to internally devalue both assets and labour. Since unequal development and devaluation threatens their own status and existence, states step back in, aiming to preserve the terms of exchange that are most 'advantageous to the dominant capitalist interests working within its frame' and to shift devaluation abroad.[68] Certainly, this mechanism can provide a broad guide to study the reasons for which economic and political integration can be halted. Overall, these fundamental consequences of the movement of capital, labour and goods, provide the room for the development of the interaction between businessmen and state agencies in relation to European integration.

Yet capital accumulation has two fundamental extra-economic, that is political, preconditions; the guarantee of the rule of money and law.[69] The value of the currency is fundamental because money enables, in principle through the price mechanism, the devaluation of overproduced commodities and the revaluation of those in scarcity. The law recognises all legal subjects as private property owners and protects their rights, whereas simultaneously it renders the owner of the means of production and the owner of the commodity labour power the freedom to contract as equals.[70] In the post-war era, communism had threatened both the private property rights and the price mechanism and unemployment and (hyper)inflation acted in the same direction. In the words of Barry Eichengreen:

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[67] Harvey, *The New*, pp. 129-32.
[68] Ibid., p. 133.
[69] Bob Jessop, *State Theory: Putting Capitalist States in their Place* (Cambridge: Polity, 1990).
[70] Bernhard Blanke and others, 'On the Current Marxist Discussion on the Analysis of the Form and Function of the Bourgeois State', in *State and Capital: A Marxist Debate*, ed. by John Holloway and Sol Picciotto (London: Edward Arnold, 1978), pp. 108-147.

> Critical to Western Europe's success was the security of private property rights and reliance on the price mechanism.[71]

But this was not the only task performed by the state, for its power and political legitimation depends crucially upon the healthy pace of capital accumulation.[72] Thus there is a scope for state agencies to go beyond mere regulation. It was exactly in the post-war period that states across Europe directly intervened in the circuit of capital and they extensively attempted to guide finance and investments.[73] As a result states adopt projects to cope with problems emanating from the circuit of capital and businesses naturally have a direct interest in shaping them. Even if in principle there is a division of labour between those who are preoccupied with capital accumulation, the businessmen, and those who deal with its political preconditions and manage the state apparatus, the state agencies, there is clear scope for interaction and cooperation between them. The significance of this relationship has been emphasised not only by the new historiography, but also from a variety of other perspectives.[74] Within this framework, different factions of capital, pursue, primarily through BIAs but also at the firm level, business accumulation strategies aiming to cope with problems emanating from the circuit of capital as a whole. In the words of Bob Jessop:

> An 'accumulation strategy' defines a specific economic 'growth model' complete with its various extra-economic preconditions and also outlines a general strategy appropriate to its realization.[75]

The concept of strategy has been utilized in business history for the political analysis of BIAs, as well as for individual companies[76] but it does not address all

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[71] Barry Eichengreen, *The European Economy since 1945: Coordinated Capitalism and beyond* (Princeton: Princeton University Press, 2007), p. 53.
[72] Claus Offe, *Contradictions of the Welfare State*, ed. by John Keane (London: Hutchinson, 1984).
[73] At this level can be drawn a distinction between liberal and coordinated market economies, see: Peter A. Hall and David Soskice, 'An Introduction to Varieties of Capitalism', in *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* ed. by Peter A. Hall and David Soskice (Oxford: Oxford University Press, 2001), pp. 1-68.
[74] Matthias Kipping, 'Business-Government Relations: Beyond Performance Issues', in *Business History around the World*, ed. by Franco Amatori and Geoffrey Jones (Cambridge: Cambridge University Press, 2003), pp. 372-93; Alex Callinicos, *Imperialism and Global Political Economy*, (Cambridge: Polity, 2009), pp. 84-6.
[75] Jessop, *State Theory*, p. 198.

the appropriate elements in considering European integration. The above definition provides a broad guide to study the role of business and outlines a framework within which BIAs interact with state agencies which can be utilized to explain European integration. Firstly, it captures the ability of businesses not only to cooperate with state agencies but also to impose constraints upon them with economic decisions, especially in regard to investments. Secondly, by relating BIAs action to growth models it enables the comparison, both within the nation-state and internationally, of business action with the model implied by the process of European integration. Thus, it poses the general question: how did BIAs deal with the main axis of the export-led growth model implied by European integration? Thirdly, it shows how strategies can forge shared interests, beyond the solutions identified from the literature review.[77] Business accumulation strategies include the political preconditions of capital accumulation and thus BIAs are obliged to pursue a strategy that reconciles both corporate and political interests. Indeed, Greek BIAs and individual businessmen had a wider class interest to defend the rule of law and, at a crucial point of time in mid-1957, they considered their long-term corporate interest through the political prism. These considerations open the way more clearly for business action to provide the link between economic and geopolitical reasoning.

## 2. Greek politics, state agencies and big business

The common denominator which underpins almost all of the approaches which seek to theorize Greek state-business relations, is that Greek civil society, and particularly its capitalist class, is weak and underdeveloped and for this reason a hypertrophic state drives the economy and shapes social relations.[78] For its own reproduction, the state perpetuates the traditional patronage-clientele relationship, inherited from its Ottoman past.[79] The conclusion in respect to the

[76] Daniele Fraboulet, 'Introduction', in *Historical and International Comparison of Business Interest Associations*, ed. by Daniele Fraboulet and others (Brussels: P.I.E. Peter Lang s.a., 2013), pp. 11-7.
[77] The role played from leadership within BIAs, network communication, individual capitals and neo-corporatist arrangements.
[78] The most elaborate analysis of this imbalance comes from Konstantinos Tsoukalas, *State, Society, Labour in postwar Greece* (Athens: Themelio, 2005).
[79] Nicos Mouzelis, *Politics in the Semi-periphery: Early Parliamentarism and Late Industrialisation in the Balkans and Latin America* (Athens: Themelio, 2005); Dimitris Haralabis, *Army and Political Power: the structure of the post-civil war Greece* (Athens: Exandas, 1985).

origin of state policies is that the anemic civil society was exemplified by the fact that developmental policies were not induced by organized interests. Instead, as Pagoulatos has argued, they were solely state-driven.[80]

However, those who have examined the issue more closely have argued that the state did manipulate the intermediate levels of society, but the organized interests of the 'bourgeoisie class remains essentially unscathed' from the state, at least until 1974.[81] This is what Lavdas essentially meant when he claimed that post-war Greek corporatism was asymmetric until 1974.[82] Equally important, within the international shipping industry, Greek shipowners were among the most robust and dynamic businessmen around the world.[83] Certainly, these suggestions encourage historical research to take Greek big business seriously.

In this respect, this study confirms that the patronage-clientele relationship existed and informed state-business interaction, but it also claims that this relation cannot capture neither the dominant socioeconomic and political divisions in Greece nor the country's main historical turning points, including the association with the EEC. Instead, business accumulation strategies, as defined in the previous section, can cast light upon Greece's contemporary economic and business history. Since the independence of Greece in the early nineteenth century, there was an evident social and political division which reflected the economic status of Greece's propertied and entrepreneurial classes. On the one hand, there were those who were living in Greece and had fought during the struggle for national independence headed by the old and domestically powerful agricultural families. On the other hand, there were those who were living abroad, headed by the robust business communities of merchants and shipowners who, as a rule, were much richer and more educated than the old families. Progressively, they invested in Greece, primarily in infrastructure and Greek bonds but also in manufacturing, pressing simultaneously for a modern and liberal state that could safeguard their investments. The economic and

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[80] George Pagoulatos, *Greece's New Political Economy: State, Finance, and Growth from post-war to EMU* (Basingstoke: Palgrave, 2003), pp. 38-44.
[81] George Mavrogordatos, *Between Ptiokamptis and Prokroustis: Business Association in Contemporary Greece* (Athens: Odysseas, 1988), p. 202.
[82] Lavdas, *The Europeanization,* pp. 57-92.
[83] Gelina Harlaftis, *Greek Shipowners and Greece, 1945-1975* (London: The Athlone Press, 1993).

political power of this liberal faction explains, among other things, the absence of protectionist policies until 1922. Not attributable to the patronage-clientelist relation, limited protection is considered responsible for Greece's anemic industrialization from the second half of the eighteenth century until the 1910s.[84] As will be shown, it was only after the Asia minor 'catastrophe' in 1922, that the import substitution accumulation strategy pursued by domestic businessmen did prevail. Moreover, the division between these two dominant social strands was reflected at the political level, expressed as an antithesis between conservatism and liberalism. In the early 1910s, this had culminated in a division between the conservative Popular Party and the progressive Liberal Party, known as the rift between anti-Venizelism and Venizelism.[85] At the time, their common antithesis to the emerging working classes was the salient, but not the dominant, social and political feature. Following the Great Depression in 1929, the measures against communism were intensified and this was especially true during the Metaxas dictatorship (1936-1941). Moreover, after the Great Depression the conservatives represented mainly the interests of industry, the leaders of which were concentrated around the powerful National Bank of Greece (NBG) and who had progressively adopted ties with German business. This expanding business network was to play a decisive role in the development of post-war economic and business relations between the two countries, tying Greece to the Federal Republic and German big businesses which were the locomotives of European integration. However, the liberals tended to represent mainly the interests of commerce and shipping, the leaders of which had adopted close ties with UK business. This business network also played a crucial role, not only actively backing Greece's European strategy at the political level, but also substantiating the core of this strategy at the economic level, the attraction of FDI.

Moreover, from the Nazi occupation onwards, the dominant internal political division became that between communism and anticommunism and only secondarily between conservatives and liberals. This dominant social and political division was exemplified by the civil war which cannot be explained by

[84] Hatziiosif, *The Waning*, pp. 271-9.
[85] George Mavrogordatos, *Stillborn Republic: Social Coalitions and Party Strategies in Greece, 1922-1936* (Berkeley: University of California Press, 1983), pp. 111-44;181-2.

the patronage-clientele relation.[86] Instead, the strong anti-communist character of the governments until the early 1960s remained the main feature of domestic politics and in this respect, the palace and the army were two powerful forces which symbolized and guaranteed this character and the corresponding socioeconomic system.[87] This division coexisted with an endemic governmental fragmentation and instability.[88] Until the end of the civil war, the conservative Popular Party ruled in cooperation with the Liberal Party, giving more than fifteen coalition governments. Thereafter, and until November 1952, it was the centre-left party, the National Progressive Centre Union (EPEK), which formed seven governments in coalition with the Liberal Party. The government was tentatively stabilized when the leader of the national-army during the last year of the civil war, General Alexandros Papagos, united conservatives within the Greek Rally party. He ruled from late 1952 until late 1955. From 1952, the defeated communist left was represented by the United Democratic Left (EDA), which in 1956 and 1958 had shown that it could effectively challenge the Right through elections. Still, issues such as Greek-German politico-economic relations or the status of Cyprus, could easily produce political earthquakes. Even if its power was not unchallenged, the government was further stabilized after the elections in early 1956 when Papagos was replaced by Konstantinos Karamanlis as the leader of the Right and governed until 1963.

The above characteristics were also embedded in the state's institutional apparatus. Despite their different views or their adherence to a business faction or political party, the most prominent state managers were united under the umbrella of anticommunism. Importantly, state administration recruited only those who had a 'Certificate of social beliefs', a semi-official paper which confirmed their anticommunism.[89] This practise was widespread until the 1970s,

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[86] Sotiris Rizas, *From Liberation to the Civil-War* (Athens: Kastaniotis, 2011).
[87] Sotiris Rizas, *Greek Politics after the Civil-War: Parliamentarism and Dictatorship* (Athens: Kastaniotis, 2008).
[88] Ilias Nicolakopoulos, *The Cachectic Democracy: Political Parties and elections, 1946-1967* (Athens: Patakis, 2001).
[89] National Institute for Research and Studies 'Eleftherios K. Venizelos', Sofoklis Venizelos Archive (hereafter GR/NIRSEV/SVA) 226/11/224, Handwritten and unsigned document for the framework of the cooperation between the Liberal Party and EPEK, no date.

affecting the efficiency of public administration and undermining its modernization.[90]

It was on the premise of these public structures and agencies that the new institutions, which the US imposed progressively after 1946, were established. From the middle of 1947 the American Mission for Aid to Greece (AMAG) supervised the aid program of the Truman Doctrine and after the middle of 1948 the Economic Co-operation Administration (ECA) supervised the aid within the Marshall Plan framework. Both had been staffed by US state managers and, along with the US Embassy, had significant political and economic responsibilities. The drachmas portion of the Marshall Plan funds were channelled to the private economy through the Central Loan Committee (CLC), a quasi-bank founded in late 1948. In 1954 it was transformed into the Economic Development Financing Organization (EDFO).

During this period, two other institutions were charged with the formulation of economic policies. To these institutions US state managers participated with the right of veto. The first was the Currency Committee established in early 1946 within the framework of the economic agreement with the UK and which formulated and implemented monetary and credit policy. The second was the Free Trade Administration (FTAD) which was established in 1947 to supervise commercial policy.

The free aid received implied that Greece had to depart on economic development and modernization along the lines defined by US big businesses and state agencies.[91] Indeed, Greece to a large extent adopted the liberal economic measures which the US had suggested and this was especially true in 1953. However, even before the termination of the Marshall Plan in 1952, Greece's industry-bank and business-government relations were adapted to the needs of Greek-German bilateral relationships because the respective banks and governments mediated the flow of German capital to domestic economy and thus these relations strengthened. Combined with the features of Greek capitalism, such as the family character of business and the strong

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[90] David Close, *Greece 1945-2004: Politics, Society, Economy* (Thesaloniki: Thyrathen, 2006), pp. 60;149;156;223.
[91] Harvey, *The New*; Berghahn, *American*.

anticommunism which united businessmen and state agencies at the political level, they largely account for the distinct Greek developmental model. Indeed, this model essentially resists categorization failing between the ideal types of liberal market economies like the US which is based predominately upon capital market and arm's length exchange and coordinated market economies like the German which is based upon banks and corporatism.[92] As will argued, the economic policy had been decisively influenced by the liberal minded economist Xenophon Zolotas, who was educated in Germany and since the pre-war era was a much-respected scientist. Yet the coordination minister of Karamanlis' governments, Panagiotis Papaligouras, was an influential politician who was pro-European and aimed to adapt German ordo-liberalism to the Greek circumstances. When Zolotas was appointed by Papagos as the head of the Bank of Greece (BoG) in 1954, the central bank became the key institution which coordinated economic development, and especially the monetary and credit policies.[93] The importance of the BoG is exemplified by the fact that Ioannis Pesmazoglou, a Keynesian economist who became the central bank's economic advisor from 1955 and after 1960 its deputy governor, became Greece's chief negotiator during the negotiations for FTA and the association with the EEC. Another important economist was Kyriakos Varvaressos, who was a Keynesian scientist influenced by the 'New Deal'.

## 2.1 Organized business interests and big business

The peak-level representative body of industry in Greece is the FGI, established in 1907 and initially included both industrialists and craftsmen. The initiative had been taken by industrialists, known as the *Zurich Circle*, who had established big businesses with the assistance of the NBG. Its initial aim was to press the state for the enactment of an industrial policy.[94] Indeed, until 1922 the federation's import substitution strategy had informed industrial and commercial policies.[95] The federation was actively involved in politics and its members

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[92] Hall and Soskice, 'An Introduction', p. 21.
[93] Michalis Psalidopoulos, *History of the Bank of Greece, 1928-2008* (Athens: The Bank of Greece, 2014), pp. 161-248.
[94] Margarita Dritsas, 'Business and politics: the state and networks in Greece', in *Business and Politics in Europe, 1900-1970* ed. by Terry Gourvish (Cambridge: Cambridge University Press, 2003), pp. 289-306.
[95] Hatziiosif, *The Waning*, pp. 280-3.

participated in the inter-war governments. On the eve of German occupation, businessmen, and particularly the FGI, had entered the 'core of politics as a mechanism of class identity and strategic planning.'[96]

In the post-war era the FGI was a still a quasi-federation, representing both the corporate and the wider class interests of Greek big business. In 1946 it excluded craftsmen from its membership and became the peak-level industrial association in the sense that its members were the owners of the big, by Greek standards, manufacturing and mining businesses from all branches across the country.[97] According to the federation's statute in 1946, the presidents of the other sectoral and regional BIAs were occasionally allowed to participate in the meetings of its Governing Body, but they were not entitled to vote.[98] Other BIAs were accepted as official members from the FGI only in 1962.[99] Importantly, participation in the federation's elections declined over time.[100]

In practice, the FGI considered the views of the dominant sectoral BIAs, as was the case when it delivered its opinion to the government on a FTA. Regarding its formal internal procedures, the General Meeting of the federation elected its Governing Body every two years. The latter, consisting of sixty members, transferred most of its power to the eight-member Administrative Committee, which was the executive of the federation. This executive consisted of the president, three vice-presidents, the secretary general, the treasurer and two supervising officers.[101] Informally, there was also a steering committee consisting of the honorary and ex-presidents which consulted the leading team of the federation. This 'advisory body' was officially incorporated into the structure of the FGI from the new statute in 1962.[102] The same year the FGI was

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[96] Dritsas, 'Business', p. 299.
[97] For the Greek standards, big companies are considered those with more than 50 employees. In 1950 the number of those companies was 578, which employed about 81% of the total employment in industry. See: FGI, *The Greek Industry during 1954 and 1955* (Athens, 1956), p. 56. In 1958 the respective number was 863 plants, which accounted for 67% of the value added. See: National Statistical Service of Greece, *Results of the 1958 Annual Industrial Service* (Athens: National Printing Office, 1961), pp. 13;20.
[98] FGI, *Federation of Greek Industries 1907-2007: A century in the service of the business idea* (Athens: FGI, 2007), p. 330.
[99] FGI, *Deltion,* 30 April 1963, p. 6.
[100] FGI, *Federation of Greek*, p. 383. The participants were 185 in 1950, 225 in 1952, 169 in 1954, 112 in 1956, 119 in 1958, 114 in 1960 to become only 81 in 1962.
[101] Lavdas, *The Europeanization*, p. 83.
[102] 'In order to widen its base', *FGI Bulletin,* 30 April 1963, p. 6.

accepted as a member in the Union of Industrial and Employers' Confederations of Europe (UNICE).

From the sectoral BIAs, the most active were four unions which represented the dominant part of Greece's traditional industry and the first business faction examined in this study, the large textiles sector and its two main subsectors. The Panhellenic Union of Textile Industrialists (PUTI), active throughout the period under discussion, represented mainly the cotton subsector and periodically acted as the umbrella BIA of textiles. Less active before 1958, at least publicly, was the second union of the cotton industry, the Union of Cotton Industrialists (UCI). Also active were the representative bodies of the woollen subsector, the Union of Woollen Industrialists (UWI) which represented the big companies and the Union of Woollen Fabrics Industrialists (UWFI), representing the small spinning units. Each industrialist would be a member of two or more BIAs, as was frequently the case with the FGI and the textile BIAs.

The same logic of membership was followed by the three main regional industrial associations which were also active throughout the period under discussion. The first was the Federation of Macedonian and Thrace Industrialists (FMTI), founded in 1915, which represented the industrialists of North Greece which was also dominated by the textile industry.[103] The other two were the Federation of Patras Industrialists (FPI) and the Federation of Piraeus Industrialists (FPPI), representing industrialists operating around the ports of Patras and Piraeus respectively. The main task of the FMTI and the FPI was the protection of rural industry against the industrial cluster surrounding the capital, Athens, and the port of Piraeus which accounted for more than two thirds of the total industrial production in 1956.[104] The FPPI, along with the Union of Iron Industrialists (UII), represented mainly metal producing and metal using companies of the wider Piraeus region which was the second most important business faction within manufacturing.

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[103] In 1950 the FMTI represented 140 industries out of 238 establishments in the region. See: FMTI, 'The Industry of North Greece during 1950', *Viomichaniki Epitheorissis* (hearafter *VE*), May 1951, 22-3; FGI, *The Greek Industry during 1954 and 1955 (*Athens: FGI, 1956), p. 54. In 1956 the members of the FMTI were 121. See: FMTI, 'The Industry of North Greece during 1956', *VE*, April 1957, 264.

[104] Nikolaos G. Sideris and P. K. Floros, *The Industry of the Athens-Piraeus Region during the years 1955-1957* (Athens: ACCI, 1958), p. 21.

The third major business faction was concentrated around the Bodosakis group, which included companies from all sectors and had thus adopted ties with companies belonging to the other two main sectors mentioned above. The main shareholder of the group was Bodosakis himself who had close relations with politicians and state managers across the nationalist political spectrum and he frequently recruited them to his businesses. In 1949 Bodosakis had majority participation in the chemical and mining industrial complex, Hellenic Company of Chemical Products and Fertilizers SA (AEEXPL), the arms industry Greek Powder and Cartridge Co (EPK), the textile company Hellenic Wool Industry SA (EER) the wine company Greek Wine and Spirit SA (EEOO), the chemical company Greek Tire Industry Co and the Vasileiadis shipyard. At the time, the first two companies were by far the biggest companies in Greece whereas all the above were the largest within their sectors. According to the ECA, the group, monopolizing several sectors of the economy, produced about 22% of total output in manufacturing and 15% in mining.[105] In 1946 Bodosakis also acquired a complex of industries and mines in Cyprus which dominated the island's market and exported to the Middle East. His companies were represented within several BIAs, for example, the AEEXPL was represented by the FGI and the Greek Mining Enterprises Association (SME) which represented big mining companies.

As will be shown throughout the thesis, even if all the above business factions participated in the FGI, the leadership was not always representative. From 1945 until 1951 the president and dominant figure of the federation was Christoforos Katsabas, who came from textiles and was the main shareholder of the dominant textile industry Peiraiki-Patraiki SA (P-P). From 1952 until 1955 the FGI was led by Alexandros Tsatsos, a liberal businessman and the main shareholder of the cement industry AGET SA. In 1956 FGI's president was Nikolaos Dritsas who represented the metal using sector situated at Piraeus. From early 1958 the president was Georgios Drakos, the main shareholder of the electrical appliances company Izola SA and in early 1960 came Leonidas Kanellopoulos, who had stakes in the cement industry, Titan SA and the AEEXPL.

The fourth business faction was initially concentrated around energy and transportation. The most important companies were the Athens Piraeus

[105] Georgios Stathakis, *The Truman and the Marshall Plan* (Athens: Vivliorama, 2004), p. 312.

Electricity Ltd (HEAP) and the Electric Transportation Company SA. They provided electricity and transportation services to the Athens-Piraeus region, respectively. Both belonged to the General Hellenic Company SA, known as Power Group, which was controlled by UK companies.[106] Progressively, two prominent Greek businessmen, Alexandros Tsatsos, mentioned above, and Stratis Andreadis cooperated with this group. Andreadis was a prominent shipowner who was initially involved in transportation and banking and who controlled the Commercial Bank. Progressively, he became engaged in manufacturing, forming the second major business group in Greece. Andreadis was also the president of the Greek Ship-owners Association (GSU), the representative body of shipowners situated at Piraeus. These two businessmen, cooperating within the Industrial Development Corporation SA (IDC), bridged domestic industry with the inward-looking fraction of shipping capital. Such ship-owners invested mainly in sectors related to their international activities such as shipbuilding and oil refineries, opening the road for FDI in Greece. Certainly, the merchant marine was traditionally the most competitive and dynamic sector of Greek entrepreneurship.

Importers were mainly represented by the local Chambers of Commerce and Industry where industrialists were in the minority.[107] The most important of these was the Athens Chambers of Commerce and Industry (ACCI). From trade BIAs, important also was the Athens Trade Association (ATA). Exporters were represented by the Panhellenic Exporters Association (PEA) which had been established in 1945, representing agricultural unions and companies along with tobacco and mining companies. Tobacco companies were also represented by the Federation of Greek Tobacco Traders (FGTT).

This study has confirmed the existence of several informal networks which linked businessmen and the state apparatuses, though it has only scratched the surface and much more work needs to be in this direction because the historiography has not yet considered them. This study will primarily consider the main institutions and committees which were the formal channels of state-business relations. To

[106] Nikos Pantelakis, *The Electrification of Greece: From Private Initiative to State Monopoly 1986-1956* (Athens: MIET, 1991).
[107] In 1957 industrialists held 25 sheets out of 60 in the Governing Body of the ACCI.

begin with, the FGI was represented formally to the Boards or the Supervisory Councils of the BoG, the CLC and the EDFO. Importantly, FGI members had adopted close ties with the NBG. Simultaneously, the federation participated on several ministerial committees, such as the Industrial Council (IC) which delivered its opinion to the government on the importation of machinery and the licensing of new industries by the state. Additionally, the FGI participated on the committee, created in 1953, which evaluated the applications for foreign direct investments. Equally important was the Permanent Tariff Committee (PTC) which was a committee within the economics ministry composed of high-ranking state managers and peak-level business representatives. This committee had been established in 1910, charged with the revision of the customs tariff at the time and after the war it remained powerful, rejuvenated in 1953, when the abolition of import quotas necessitated the upgrading of tariff protection. Moreover, the FGI participated in the Anti-dumping Committee which had been established within the finance ministry in 1955, charged with the enforcement of the new anti-dumping law.

As will be argued, businesses were either represented or they participated directly in institutions charged with the formulation of long-term planning thereby playing a substantive role in the decision-making process. To begin with, the most important of these institutions was the Reconstruction Organization (RO) created in 1946 and succeeded by the Greek Marshall Plan Committee in 1947. In early 1948 the Marshall Committee was transformed into the Supreme Council for Reconstruction (ASA). In late 1948 the establishment of the Implementation Service of the Reconstruction Plan (YSESA) followed and both were incorporated within the coordination ministry and were merged with the permanent delegation to the OEEC.[108] After 1951 several ad hoc committees attempted to institutionalize business interests, such as the Council of Productive Forces. This was a quasi-formal meeting forum between the government and the main BIAs which occasionally was associated with a loose federation of the main industrial and commercial BIAs, except for the FGI. It was

[108] The Greek Permanent Delegation to OEEC was initially headed by the engineer Alexandros Verdelis, president of the Technical Chamber of Greece (TCG). He was very soon replaced by the engineer Professor Leandros Nikolaidis, subsequently recruited by Bodosakis. Both supported energetically the adoption of heavy industry. Since August 1955 the delegation was headed by Theodoros Christidis, a conservative and highly ranked official of the Athens Chamber of Commerce and Industry (ACCI) during the inter-war period.

this Committee of Productive Forces which was mainly preoccupied with the reduction of the labour costs. In 1951 the FGI participated with the US mission and the Greek government in a tripartite committee for the formulation of industrial policy but it was a short-lived effort. New efforts for the formalization of state-business relations at the highest level were made in April 1956 when they attempted to collect data for tariff protection and the formulation of an industrial policy and a new developmental plan. Very soon, however, European integration conditioned these initiatives. The agricultural and industrial committees for the specification of Greece's response to the FTA, established in April 1957, were later morphed into the Research and Organization Committee for Economic Planning (ROCEP). From this institution emerged a new set of industrial policies and the first comprehensive developmental program in 1960. In late 1959 there followed the IDC, charged with the implementation of the industrial plan within the framework of the Greek-German economic and business relations.

## 3. Sources

Most historians have predominately utilized foreign archives to reconstruct Greece's post-war history and this is understandable given the significance of the external factor. However, in this way domestic forces which were equally important have been underestimated or even neglected. Thus, the absence of any systematic consideration of organized business interests during the period discussed was the first difficulty which this research had to address. The identification of the basic structure of business interest representation and the collection of basic information for the main industrial BIAs of the time, required an extensive reading of various economic and business magazines and newspapers. Valuable in this respect, were the Vovolinis Archive held at Gennadius Library and the unclassified Ioannis Frangos Archive held at the Hellenic Literary and Historical Archive. This latter archive, among various primary and secondary material for the tariff policy and the attitudes of businessmen and state agencies for European integration, included minutes of the Permanent Tariff Committee and correspondence with BIAs for a short period after import liberalization in 1953. Never accessed before, it provided a panorama of the main BIAs upon which this study is largely based. The above sources, combined with the official publications of the main BIAs, such as their annual reviews, and the *Bulletins* of the FGI and the ACCI, guided the research further. They offered a first but valuable insight in respect to BIAs' public attitudes towards the evolving European integration and Greece's situation within the process. However, once the main BIAs were identified and their published attitudes specified, the responses for the status and the accessibility of the FGI and the PUTI archives were not encouraging. For this reason, the research entered the phase of the consideration of primary sources looking in two directions. The first were mainly bank and business archives, aiming primarily to consider individual companies and the finance structures of industry. The second were public archives and individual collections, aiming to consider state agencies in respect to Greece's European policy, as well as the industrial and commercial policies applied. From both kinds of archives, it was expected that business interests would be traced back in their interactions with the concerns and the priorities of state agencies. Indeed, a variety of archives included primary sources in respect of the political action of individual companies and of various BIAs.

In respect of the consideration of individual companies and business finance, the Historical Archives of the Piraeus Bank Group Cultural Foundation was of paramount importance. In particular, the CLC and the EDFO sub-archives made it possible to trace back the development of the main companies financed by the counterpart funds and to examine their investment strategies. It was thus helpful to approach the dominant business interests represented within the high echelons of the FGI and other BIAs. The National Bank of Greece Historical Archive along with the Currency Committee Archive held at the General State Archives of Greece were also helpful in this respect.

The Bank of Greece Archive, and especially the Zolotas sub-archive which has become accessible only recently and was thus utilized for the first time for such research, provided crucial information to the first reaction of Greece to the FTA highlighting the largely underestimated role of the BoG in the formulation of Greece's European strategy. Importantly, this archive contained much of the correspondence of Konstantinos Karamanlis with Ioannis Pesmazoglou, Greece's chief negotiator for both the FTA and the association with the EEC.

The Democratic Centre Union Archive and the Sofoklis Venizelos Archive, contained valuable material for the period of the Marshall Plan. They included correspondence with both organized BIAs and individual companies, casting light upon business demands, their justification and their impact upon the formulation of economic policies. Equally, the Diomedes Archive offered material for the formulation of the developmental plans during the reconstruction period and the input from business.

The research in the Diplomatic and Historical Archives of the Foreign Ministry was time consuming but the material was quite useful. Much of this material has been utilized for the first time here helping to illustrate dimensions of Greece's road to Europe which were, until now, blurred. In particular, it provided primary sources for Greece's foreign economic and commercial policies, including their European dimension. Of primary importance was the correspondence of the ministries involved with the permanent delegation to OEEC, as well as the material for analysing Greek-German economic and commercial relations. Crucially, such material was also provided by the Constantine Tsatsos Papers held at Gennadius Library. Equally useful for these policies were the archival collections held at the Konstantinos G. Karamanlis Foundation. Additionally, these collections offered information about the interaction of business and state agencies for the formulation of the industrial and tariff policies and for the export incentives to industry. In addition, the published archival collections of the Foreign Ministry and Konstantinos Karamanlis were also utilized as were the digital archives of OEEC and GATT. Moreover, the official publications of many state organizations and ministries provided useful information.

## 4. Structure of the thesis

The thesis consists of three main parts which contain six substantive chapters plus this introductory chapter and a concluding chapter. The main parts follow a chronological order. The first part considers the developments from the immediate post-war years until the termination of the Marshall plan and the subsequent internal economic reforms in early 1953 which had reversed the deteriorating course of the Greek economy. These reforms included the devaluation of Drs by 50%, the abolition of quantitative restrictions and the legislation of the favourable treatment of FDI. The second part examines the period until the collapse of the negotiations for FTA in 1958, which marks the end of an important episode in early European integration and coincides with the conclusion of the Greek-German economic agreement which tied even more Greece to the locomotive of European integration. The final part concludes in 1962, when the Association Agreement took effect and Greece's developmental path had been largely specified. Each part comprises of two thematic chapters and starts with an overview of the main politico-economic developments of the period, explaining how they were related to the process of European integration. Each overview serves as the introduction to the two thematic chapters which follow. These two chapters within each part consider the main axes upon which state agencies and businessmen interacted to guide Greece's participation in European integration. In a broad sense, the first axis is based upon the endeavour to industrialize and resolve the imbalance problem, primarily examining the formulation and implementation of industrial policy and the evolution of big businesses in the main manufacturing sectors. The treatment of the effort towards industrialization precedes, not only for analytical reasons, but also because it was the prime objective of contemporaries and the main incentive to adapt commercial relations with third countries and particularly with the EEC. Thus, the second axis considers the commercial policy and deals directly with the course of the Greek state and domestic big business towards European integration.

The first chapter examines how and why Greece called for US aid in 1946, showing how this aid was utilized by the private sector for the development of the secondary sector and why this utilization was presupposed to restore the pre-1945 patterns of Greek-German economic and business relations. The reliance upon US finance and the need to increase import capacity implied that Greece had to participate in the international and regional trade liberalization schemes advanced by the US. This is the theme of the second chapter, which examines the participation of Greece in GATT, the European customs union, the Council of Europe and the EPU along with the attached Code of Liberalization within the OEEC.

Chapter three considers the formulation of industrial policy as a response to increasing European competition after the abolition of import restrictions and the consolidation of Greek-German economic relations in both the public and the private sectors. It shows how and why both businessmen and state agencies progressively identified the country's viability within those relationships. In the next chapter it is argued that these relationships prescribed Greece's reaction to the progress of European integration. In particular, chapter four examines Greece's reaction to the pressure for tariff disarmament within GAAT and from the Low Tariff Club within OEEC.[109] Subsequently, it elaborates the response to the challenge posed by the plans of the Six for a customs union in 1955 and especially the attempt to associate all OEEC members within a wider FTA.

The fifth chapter explores the formal cooperation between business and state agencies to adapt industrial policy to the realities which the formation of the customs union in 1959 entailed. Subsequently, it examines this endeavour within the framework of the evolution of Greek-German economic and business relationships, demonstrating the growing dependence of Greece upon the Federal Republic for the solution of the imbalance problem. In the last chapter it is argued that this dependence was a prime motive in applying for an association agreement with the EEC in mid-1959 and highlights its significance for the way that Greece was finally integrated to the customs union. Moreover, it considers the deployment of the substantive strategy of Greece towards the EEC by elaborating its origins. The concluding chapter returns to the questions which the thesis has posed and attempts to incorporate its findings within the existing literature.

[109] The Low Tariff Club included the countries Benelux, Denmark, Sweden and Switzerland.

# PART I STABILIZATION (1945-1952)

During the first years of the period 1945-1952, Greece's socioeconomic and political edifice was on the verge of collapse and Greek capitalism was seriously threatened. Indeed, following the retreat of the occupation forces in 1944, the crippling of both industrial and agricultural production was accompanied by hyperinflation and the communist movement claimed power. Under these circumstances, in 1945 and 1946 Greece asked and received generous relief by the Military Liaison and the United Nations Relief and Rehabilitation Administration (UNRRA).[1]

Within this uncertain politico-economic environment, the demands of Greek business were twofold. On the one hand, it had asked for capital inflows and the reduction of the production costs by the state, mainly the interest rate, taxation and insurance charges, aiming to assist production and to initiate reconstruction. On the other, it highlighted the necessity for the preservation of private property rights and the rule of law, which meant the defeat of communism and the restoration of power of the propertied classes. The Greek government had the same priorities, asking for US aid in order to initiate 'reconstruction' and to restore 'order'.[2] Indeed, the US intervened through the Truman Doctrine in 1947 and the Marshall Plan in 1948 and the aid provided was decisive in the tentative restoration of production and the preservation of the rule of law. From 1947 until 1952 it provided approximately $1.8 billion of economic and military aid, on average 8.3% of the Greek GDP for the years 1948-1952 which covered almost entirely both the budget and the current account deficits financing, simultaneously, the contact of the civil war.[3] At the heart of these US programs, and especially of the ERP, were the counterpart funds,[4] the Drs equivalent of the value of imports financed by the US which were channelled to investments

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[1] Athanasios Lykogiannis, *Britain and the Greek economic crisis, 1944-1947 from liberation to the Truman Doctrine* (Missouri: University of Missouri Press, 2002), pp. 53-9.
[2] Service of Diplomatic and Historical Archives, Foreign Ministry, *Documentary History of Greece, 1943-1951: Truman Doctrine and Marshall Plan, ed.* by Photini Tomai (Athens: Ministry of Foreign Affairs of the Hellenic Republic, 2011), (hereafter YDIAMP), Greek Government to the U.S. Mission in Athens, 7 August 1947, pp. 157-62.
[3] Michalis Psalidopoulos, *Supervisors at Despair: American Consultants in Greece, 1947-1953. From Paul A. Porter to Edward A. Tenenbaum* (Athens: Metamesonykties Ekdoseis, 2013), pp. 41-7.
[4] Milward, *The European*, pp. 82-6.

only with the approval of the Americans, giving them considerable leverage in internal politico-economic affairs. This intervention served also US interests.

In the post-war era the US emerged as the indispensable capitalist world power based upon its superior technology and industrial dynamism characterized by its large-scale production. The dominant sections of US big business along with state agencies envisioned a post-war international order at the centre of which was the support of developmentalism as a generalized goal within a multilateral trading system. This was the core of the US Open-Door policy.[5] This strategy aimed primarily to stabilize US business and the domestic economy, first with the achievement of full employment and, second, with the elimination of the disruptive overproduction tendencies which were quite evident during the inter-war years and which had resurfaced after the war. Indeed, US big businesses represented by the Committee for Economic Development (CED), had related the achievement of full employment and the elimination of the overproduction tendencies from the free flow of both investment capital and goods internationally.[6] Thus, they were clear enough proposing that:

> The wider market resulting from an expanded international trade would offer more foreign buyers for goods in the production of which we have excess facilities and a comparative advantage, such as aluminum and machine tools. We would not thereby be “solving our problem of general overproduction,” for we should have to find a market for the goods eventually sent us in payment unless we, in effect, gave the exported goods away. It does mean that certain of our industries with surplus capacity would find abroad a larger receptivity for their products if foreign countries were able to gain American dollars by selling their goods on our expanded domestic market.[7]

Evidently, for the rest of the capitalist world, and especially Europe which had suffered severe material damages, this US policy presupposed its economic revival and development within a multilateral trade and payments system. If Europe continued to follow the pre-1945 path of closed and autarkic trade blocs,

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[5] Berghahn, *American*, 288-93;299-301.
[6] Calvin B. Hoover, *International Trade and Domestic Employment* (New York: McGraw-Hill, 1945).
[7] Ibid., pp. 22-3.

it would not be able to trade with the US on a sustainable basis. This would mean that the so called ‘dollar gap’ in Europe would be growing, undermining the US prime objectives.[8] The answer was the revival of both European dollar earnings exports and intra-European trade. This, however, was not the unique aim of the US.

For Europe economic reconstruction and development was associated with the achievement of two political goals. Firstly, it would guarantee the protection of private property rights and restore the power of the ‘propertied classes and dominant elites wherever they existed’.[9] Secondly, it promised the absorption of the idle-labour force and the increase of its purchasing power. Both were deemed by the US as prerequisites for the construction of frontline capitalist states in the context of the Cold War. For the realization of these objectives the US proposed the economic and political integration of Europe along the lines of its own experience during the nineteenth century.[10] The US claimed that a large market was conducive to economies of scale in production and distribution, promising to increase productivity and prosperity; such a market could stimulate competitiveness, eliminating the dollar gap in Europe and restoring equilibrium in international payments. This was the main economic aim of the ERP, which from 1948 until 1952 allocated more than thirteen billion dollars to sixteen European states which had formed the OEEC for the coordination of this purpose. It was expected that by 1952 Europe would have achieved *viability*, which meant that she would not need further aid to purchase US exports.

At the international level, the pressure for a multilateral trading system was channelled through the General Agreement on Tariffs and Trade (GATT), whereas, at the European level it took place through the customs union in 1947 and 1948 but from late 1949 it was pursued through the EPU and the related trade liberalization programme within the OEEC. At the same time, the European movement, inspired by the war-time resistance leaders, envisaged a federal Europe as a means to preserve peace although these efforts were not enough to

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[8] Alan S. Milward, *The Reconstruction of Western Europe, 1945-1951* (London: Methuen, 1984), pp. 162-78.
[9] Harvey, *The New*, pp.132-6.
[10] Hogan, *The Marshall*.

persuade European state agencies and businessmen who had their own priorities in relation to European integration.

To begin with, the US proposals for a customs union faced opposition from Europe and this was especially true of the UK. In August 1947 the French proposed a customs union with Benelux countries and Italy and included Germany because otherwise they considered that they could not control the Ruhr region.[11] Despite Ernest Bevin's attitude that the western 'defensive alliance' could be based upon the customs union[12], the British economic ministries[13] and the FBI[14] rejected this prospect because it was incompatible with the preferential trading system with the commonwealth. Because the US opposed this British closed trading bloc, the UK proposed a study group to consider the customs union 'away from the American influence in Paris' only to let the matter drop very soon.[15] From late 1949, efforts for economic integration were renewed within the OEEC framework now through the multilateral offset mechanism European Payments Union (EPU), a scheme financed by the US, with the aim of promoting intra-European trade and the reduction of quotas.

The French, given the significance of the iron and steel industry, had largely conditioned the success of their reconstruction plans upon the control of Ruhr's coal and coke reserves. In early 1950 they proposed a plan to internationalize the iron and steel industry and the newly established Federal Republic was quick to accept it, for Konrad Adenauer considered that it would lift the limitations upon its sovereignty and the restrictions upon German heavy industry.[16] The reaction of the latter was mixed, with the faction of big businesses preferring a cartel arrangement instead of the US 'antitrust' input to the Schuman Plan, to accept the High Authority of the ECSC for political reasons.[17] In the meantime, US big business, being in agreement with US state agencies which implemented the Marshall Plan, had supported their German counterparts in their endeavour

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11 Milward, *The Reconstruction,* pp. 178-9.
12 Ibid., p. 180.
13 Ibid., pp. 184-96.
14 Rollings, *British,* pp. 79-82.
15 Milward, *The Reconstruction,* p. 184.
16 Ibid., pp. 305-13.
17 Buhrer, 'German Industry', pp. 102-3; Berghahn, *American,* p. 323-4.

to stop the dismantling of German plants and to lift the Allied restrictions upon industrial output.[18] Very soon, it was understood that only the Federal Republic and its heavy industry could drive European integration, supplying the appropriate mechanical equipment for investments across Europe and assisting the revival of intra-European trade. Unsurprisingly, the idea of a united Europe was 'strongly supported'[19] by German chemical and electrical big businesses which were already export oriented in the pre-1945 era, and the BDI had welcomed both the EPU and the related trade liberalization.[20] Instead, British heavy industry was cautious with the ECSC prospect and, mainly for this reason, the UK did not participate as a full member.[21] These developments were at the heart of the first substantive phase of European integration.

The response of Greek business and state agencies to this phase of European integration is largely the theme of chapter two. Certainly, the evaluation of this response presupposes an understanding of the complex politico-economic situation of Greece. During the occupation the communist oriented resistance movement, the National Liberation Front (EAM), had fought against both the Nazi forces and their internal collaborators. After the war, the rift between the communists and the, mostly right-wing, 'nationalist-minded' and anti-communist political and social forces, which had ties with war-time collaborators and utilized them, escalated dramatically.[22] It was an expression of a polarization rooted to 'two diametrically opposite political, economic and social visions.'[23] In December 1944 the military wing of EAM, which controlled at the time all the country except for Athens, was defeated in the Greek capital by the combined Greek and British troops. Based upon the territorial status quo which came up after the war and agreed subsequently with the USSR in October 1944, the UK had decided to dissolve the EAM in order to control Greece, aiming to utilize its geopolitical position in order to protect British interests in the oil rich Middle

[18] Berghahn, *American*, pp. 307-12.
[19] Harm G. Schröter, 'The German Question, the Unification of Europe, and the European Market Strategies of Germany's Chemical and Electrical Industries, 1900-1992', *Business History Review* 67-3 (1993), 395.
[20] Buhrer, 'German Industry', pp. 101.
[21] Rollings, *British Business*, pp. 83-92.
[22] André Gerolymatos, *An International Civil-War: Greece, 1943–1949* (London: Yale University Press, 2016), pp. 99-142.
[23] Rizas, *From Liberation*, pp. 14-5.

East region and the Suez Canal.[24] Thereafter, mainly in response to the state's massive repression and persecution[25], the Greek Communist Party and its followers decided to fight for the political power and the country entered in to a civil war which started in the middle of 1946 and ended only in late 1949. The defeat of the communists confirmed the orientation of Greece towards the capitalist bloc and its inclusion in NATO in 1952, providing in turn, military security against the communist bloc.[26]

The fragmentation of the nationalist-minded political forces made the management of this polarization difficult. From 1945 until 1952 about fifteen successive governments were formed headed by the pre-1945 traditional leaders of the Populist and Liberal parties. After 1945 the royalist Populist Party was still headed by its pre-war leader Konstantinos Tsaldaris. Instead, the republican Liberal Party had disintegrated into three main segments. The first was the conservative centre-right faction headed by Sofoklis Venizelos, Georgios Papandreou and Panayiotis Kanellopoulos. The second faction represented the republican moderate centre and was headed by Themistoklis Sophoulis. The third section was the republican centre-left faction headed by Nikolaos Plastiras and Emanuel Tsouderos.

With only a few exceptions, all governments were coalitions of these parties and factions. Their main tasks were to utilize the huge economic aid effectively and to mobilize the internal resources for both reconstruction and against the communists. There is an agreement in Greek literature that these were largely the criteria with which their performance was evaluated by the British until 1946 and thereafter by the US.[27] Until the first post-war elections in March 1946, and under the pressure of the British for politically moderate cabinets, the leaders of the fragmented liberal party, Papandreou, Plastriras, Petros Voulgaris,

[24] Gerolymatos, *An International*, pp. xi-xii.
[25] There is a huge literature which deals with the roots of the civil war. For the argument adopted here see: National Institute for Research and Studies 'Eleftherios K. Venizelos', Sofoklis Venizelos Archive (hereafter GR/NIRSEV/SVA) 226/13/140, George P. Skouras to Al. Vamvetsos, New York, 24 April 1947.
[26] Rizas, *Greek Politics,* pp. 108-17.
[27] Lykogiannis, *Britain;* George Stasinopoulos, *The Rhetoric of Development: Economic Ideas and Economic Policy during the Period of Reconstruction, 1944-1952* (Athens: Gutenberg, 2010); Stathakis, *The Truman*.

Panayiotis Kanellopoulos and Sophoulis, formed successive governments.[28] The Populists, taking advantage of the absence of the communist left and, as Venizelos confirmed to AMAG, backed by the 'rich' and 'all capitalists', gained the majority vote in these elections and in September 1946 contracted a referendum which opened the road for the restoration of the monarchy in Greece.[29]

As the civil war was escalated and, at the same time, business profits were frequently converted to gold sovereigns, the US pressed Tsaldaris to widen his government's base and in January 1947 Venizelos, Papandreou and Kanellopoulos joined the cabinet.[30] With the onset of the Truman Doctrine, the US pressure to broaden the basis of the government intensified and in September 1947 Sophoulis joined the government as prime-minister.[31] He was replaced after his death in July 1949 by the financier and liberal politician Alexandros Diomides.

From the second post-war elections in March 1950 until November 1952, the centre and centre-left, occasionally with the support of the populists, provided successive coalition governments. Plastiras governed from April until August 1950 and he was succeeded by Venizelos who was prime minister until November 1951. Thereafter, Plastiras again became prime minister and governed with the minority participation of Venizelos. These weak governments had to deal with the drastic reduction of US economic aid and were obliged, despite their pre-election commitments to the contrary, to enforce unpopular restrictive economic policies yet they did not challenge the established principles of limited state intervention and the protection of private property rights. At the time, the Americans, who were dissatisfied with the weaknesses of the centre, Spyros Markezinis and the 'leaders of industry, finance and business'[32], all supported the so-called Papagos solution. Indeed, the leader of the national army during the civil war was able to reorganize the right in order to formulate a stable

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[28] Lykogiannis, *Britain,* p. 55. Petros Voulgaris was an admiral working at the time for the Bodosakis group.
[29] GR/NIRSEV/SVA/226/14/169, S. Venizelo's interview with Griswold, 17 July 1947.
[30] Rizas, *From Liberation,* pp. 301;314-7; Lykogiannis, *Britain,* pp. 175-7.
[31] Vetsopoulos, *The Economic,* pp. 63-8; Stathakis, *The Truman,* pp. 169-72.
[32] FRUS/1951, Vol. IV, The Minister of Greece (Yost) to the Department of State, Athens, 4 January 1951, p. 46.

government capable to carry on the twin objectives of economic development and anticommunism.[33] In November 1952, he became prime minister.

The situation at the economic level was equally problematic, and the general picture which emerges is that the US intervention saved Greek capitalism and its socioeconomic system. In the first place, in 1945 industrial production was less than one third of its pre-war level and agriculture less than half. The material losses during the occupation, even if the available estimates are not considered accurate, were severe and had substantially contributed to this result.[34] The infrastructure, and especially transportation and communications, had been damaged considerably. The Greek merchant fleet had lost about 72% of its pre-war tonnage. However, with some notable exceptions, the industrial mechanical equipment had not been damaged although this equipment had not been renewed but it was, in general, obsolete. Mainly as a result of the US aid, in 1950 industrial production was above the pre-war level whereas the merchant fleet had revived even earlier. From 1949 until 1953 the average annual growth of GDP was almost 8%, which compared fairly with the trend in Europe, whereas industrial production was growing more than 13% annually, which was considerably above European standards.[35] Yet, from 1948 until 1952, private investment in manufacturing was, for the post-war Greek standards, exceptionally high as a percentage of GDP but a considerable portion of private investments had been directed to housing.[36] Public investments were channelled primarily to infrastructural works, particularly to transportation and communications which were necessary for both military purposes and to assist private industrial investments, and secondly to agriculture and housing. However, until 1952 the agricultural character of the economy had hardly changed and manufacturing was still dominated by its traditional labour-

[33] Rizas, *Greek Politics*, pp. 69-108;130.
[34] Panos Kazakos, *Between State and Market: Economy and Economic Policy in post-war Greece 1944-2000* (Athens: Patakis, 2001), pp.57-60;79-86; George Politakis, *The Post-War Reconstruction of Greece: A History of Economic Stabilization and Development, 1944-1952* (New York: Palgrave Macmillan, 2017), 31-8; Sokratis D. Petmezas, *Introduction to the history of the Greek inter-war Agricultural Economy* (Athens: Alexandreia, 2012), pp. 261-4.
[35] United Nations, *Economic Survey of Europe in 1957* (Geneva: United Nations, 1958), ch. II, p. 3; Appendix 1, table 5.
[36] Appendix 1, Table 3.

intensive branches.[37] Even more, industry could not absorb the idle labour-force and unemployment was still severe.[38]

Although about half of the counterpart funds had not been utilized by 1952, they had nevertheless contributed to the country's economic growth. The counterpart funds were not fully utilized because they were channelled to cover the budget deficit and additionally it was considered by the US mission that their release would induce inflation.[39] This was because the state budget was constantly deficient due to the exceptionally high military expenses on the one hand, and the problematic tax institutions along with the ability of the entrepreneurial classes to escape taxation, on the other. In the private sector, it was the unwillingness and, in some cases, the inability of private businesses to provide their part to the investment financed by the counterpart funds. For these reasons, very soon state agencies and businessmen turned to the Federal Republic for credits.

The problems with the value of the currency and inflation was severe. The occupation period had inherited hyper-inflation which proved persistent until 1946.[40] Thereafter, it remained at high levels, approximately between 10% and 15%. As a result, savings were not channelled to banks and the internal finance mechanism had collapsed. Instead, savings and profits were invested in more stable items, mainly to gold sovereigns, commodities and exchange. Given this trend and in the absence of a capital market, internal sources of capital were not mobilized for the financing of investments.[41] This was the basis of the so-called capital scarcity. It was only with the stabilization programme introduced in 1951, that inflationary tendencies were largely checked.

The balance of trade was desperately in deficit, with exports covering, on average, only one quarter of imports.[42] This problematic trade balance had many roots. The pre-war markets of central and Eastern Europe, and above all

[37] Appendix 1, Table 5.
[38] Appendix 1, Table 6.
[39] Vetsopoulos, *The Economic*, p. 374.
[40] Michael Palairet, *The Four Ends of the Greek Hyperinflation* (Copenhagen: Museum Tusculanum Press, 2000).
[41] Appendix 1, table 1.
[42] Appendix 1, table 8.

Germany, had been lost; exports were dominated by semi-luxury agricultural products which were exchanged for machinery and manufacturing facing progressively adverse terms of trade; both the agricultural and the traditional industrial sectors had low productivity; the ever-present inflation undermined competitiveness even more and, despite successive devaluations from 1944 until 1949, it widened the gap between domestic and international prices. Last but not least, invisibles had dropped significantly from their pre-war level and could not cover the huge trade deficit.

Importantly, the US had financed this deficit whereas Greece’s trade flows were redirected to Europe within the framework of the EPU.[43] As will be argued, it was within this framework that the pre-war and war patterns of Greek-German trade had been restored. In 1952 the Federal Republic had absorbed one third of Greek tobacco and supplied about one third of the machinery imported by Greece. What had not changed in 1952, however, was the structure of Greece’s foreign trade and its competitiveness. As a result, the trade deficit was still huge.

That the US financial and military aid rescued Greek capitalism, is almost indisputable in Greek historiography. By contrast, the extent to which the US economic aid was properly utilized and the reasons it did not restructure the domestic economy with the development of heavy industry, are the main issues for debate. Some have claimed that the Marshall Plan did not aim to restructure the economic base, but only to restore production to the pre-war levels.[44] Others, that the enforcement of the industrial part of the ERP was not among the plans of domestic business which resisted the adoption of heavy industry.[45] Another argument is that Greek state agencies resisted the appropriate internal reforms asked for by the US.[46] Finally, others have claimed that, in fact, the Marshall Plan had fulfilled its main tasks, whereas the economy had simply limited absorption capacity because releases from the counterpart funds induced

[43] Appendix 1, Tables 10;11;12.
[44] Stathakis, *The Truman*.
[45] Politakis, *The Post-War*; Stasinopoulos, *The Rhetoric*.
[46] Michalis Psalidopoulos, *Supervisors at Despair: American Consultants in Greece, 1947-1953. From Paul A. Porter to Edward A. Tenenbaum* (Athens: Metamesonykties Ekdoseis, 2013).

inflation.[47] This study adds a new dimension to this debate, showing that the adoption of heavy industry and core energy facilities presupposed the rehabilitation of Greek-German business and economic relations, but this effort was not easy because of the Nazi past. The circumstances under which Greece asked for US financial aid and utilized this aid to boost industrialization within the framework of reviving Greek-German relations, is the theme of chapter one.

Importantly, this growing historiography has not addressed this period within the framework of the first phase of European integration (1947-1955) and has almost ignored the significance of Greek-German political and economic relations. Thus, the conclusion is that Greece turned to Europe only after 1953. To this chronology studies which have considered the issue through the lens of Greek-US-German relations also agree.[48] Instead, those who have considered the issue before this year, derive the Greek European stance from the pro-European attitude of Greece's representatives within the Council of Europe during the years 1949-1954.[49] This study claims that Greece's formal European strategy was cautious and informed by the *viability problem* as it was defined by the interaction of state agencies and businessmen. This is the theme of chapter two.

[47] Apostolos Vetsopoulos, *The Economic Dimensions of the Marshall Plan in Greece, 1947-1952: The Origins of the Greek economic miracle* (Athens: Gutenberg, 2007).
[48] Pelt, *Tying,* 73-80.
[49] Minotou, 'The European', pp. 86-94; Kazakos, *Between,* 97-8.

# Chapter 1 The US intervention and the rehabilitation of Greek-German economic and business relations

This chapter explores industrialization and its aims within the Marshall Plan framework and the evolution of Greek-German economic relations. The first section examines how and why in early 1946 a broad circle of businessmen and state agencies called on the US to provide financial aid. It shows that their declared aims were to obtain the financial and exchange means for economic reconstruction and to defeat the communist threat. Indeed, financial aid did arrive, and the communist movement was defeated. However, the aid, despite the frustration of the US mission and the Currency Committee, provided simultaneously the gold and exchange means for the translation of business profits to stable values. The second section shows that the US mission had a decisive impact upon the priorities established by the developmental plan in 1948. It intervened in the domestic debate, supporting the businessmen and the state agencies which claimed that only the provision of ample and cheap energy for the adoption of heavy industry would promote industrialization on a healthy basis, capable of absorbing the idle labour force.

The third section shows that the developmental plan submitted to OEEC in November 1948 was not plausible and the US mission stepped back in 1950 enforcing instead restrictive monetary and credit policies. Simultaneously, it attempted to remove the obstacles which the state posed to business, aiming to mobilize the gold in which profits were primarily invested. However, the adoption of heavy industry had now acquired an indispensable internal dynamic, but this was not the unique legacy of the Marshall Plan which produced long-term results. This is shown in the last section, which follows the implementation of the industrial part of the plan. It argues that on the one hand, the counterpart funds stabilized the monopolistic position of the main big businesses in the internal market, except for those in cotton textiles. On the other, it advocates that the realization of the plan presupposed the rehabilitation of Greek-German economic relations.

## 1.1 Industrialization plans, capital scarcity and industrial policy

### 1.1.1 The pre-war experience

There is no doubt that state agencies and businessmen in post-war Greece had to deal with the restoration of both the substantive and the formal unity of the circuit of capital. At the time, this had been identified as Greece's *viability*, a target which later became the cornerstone of the Marshall Plan. However, the discussion for the conditions under which Greece would become viable is rooted in the inter-war period, when the term viability first appeared. The substrata for the development of the perspectives adopted was the mass labour inflows which took place after the Asia Minor 'catastrophe' in 1922.[1] These inflows had signalled the return of the majority of the population with Greek nationality to the Greek nation-state. Importantly, this retreat had put an end to the plans of Greek nationalism for territorial gains, known as the Greek *Great Idea*. The materialization of these expansionist plans was considered in that it could not only ameliorate the overpopulation problem. For both businessmen and state agencies it also promised to widen the small internal market and thus to assist industrialization and particularly the adoption of big businesses capable of large-scale production.[2] Simultaneously, the mass emigration of Greeks, approximately half a million people between 1890 and early 1920s which were directed primarily to the US, was interrupted. These developments had two major consequences.

In the first place, they increased the population by almost one fifth at once, adding approximately one million two hundred thousand people. In economic terms, these inflows had boosted the internal market encouraging industrialization. However, it facilitated the adoption of small-scale businesses in traditional manufacture and trade, for such businesses required relatively small amounts of investment capital.[3] Moreover, the refugees had

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[1] Christos Hadziiosif, 'Perspectives about the viability of Greece and the role of industry', in *A Tribute to Nikos Svoronos*, ed. by Vasilis Kremmydas and others, 2 vols (Rethymno: Crete University, 1986), I, pp. 330-68.

[2] Hatziiosif, *The Waning,* pp. 96-7.

[3] Christos Hadziiosif, 'The refuge shock, constants and variables of the Greek economy', in *History of the 20th century Greece: the interwar 1922 – 1940,* ed. by Christos Hadziiosif, 5 vols (Athens: Vivliorama, 2002), II, Part I, pp. 9-57.

simultaneously exaggerated the so-called surplus population problem, attributed by contemporaries to the ensuing imbalance between land and population. This was perceived to be the main problem of Greece. The dominant view, of the ability of Greece to respond adequately, was coming from conservative state agencies and was pessimistic: natural resources were neither sufficient to feed the growing population nor adequate to support industrialization.[4] To be sure, this was also the view of the League of Nations at the time.[5]

Secondly, they signalled the shrinkage of repatriated capital, which accrued to Greek businessmen from their traditional and international economic activities, mainly from trade and shipping. This development interrupted an investment trend which had contributed to Greece's industrialization and economic development since the 1860s.[6] Moreover, especially after the Great Depression, in the absence of a stock market, businesses were financed with short term capital by the NBG whereas investments were financed primarily from retained earnings.[7] In the public sector, the resettlement of the refugees required huge expenditures which were covered by state loans.[8] For contemporaries, agrarian overpopulation was thereafter coupled with the exaggeration of the so-called scarcity of capital. After 1922, with the significant exception of shipping, economic development and industrialization was confined within the fixed boundaries of the Greek nation-state.

The Great Depression in 1929 rapidly deteriorated the imbalances of both the external accounts and the state's budget. In response, the Greek government in mid-1932 suspended the convertibility of Drs to gold and the service of the public debt, devaluing and imposing extensive exchange controls.[9] Thereafter, following the general trend in Europe, Greece resorted to autarkic economic policies and bilateral clearing trade agreements to promote economic development and to balance its external accounts. At the core of this policy was

[4] K. D. Sfyris, 'Under which circumstances Greece can become viable?', *Archives of Economic and Social Sciences*, 11-3 (1931), 291-354.
[5] National Institute for Research and Studies 'Eleftherios K. Venizelos', Eleftherios Venizelos Archive (hereafter GR/NIRSEV/EVA) 173/064/28, League of Nations-Financial Committee: Report to the Council, June 1933.
[6] Margarita Dritsas, *Industry and Banks in Inter-war Greece*, (Athens: MIET, 1990), pp. 213-7.
[7] Hatziiosif, *The Waning*, pp. 260-4.
[8] Dimosthenis S. Stefanidis, *The Inflow of Foreign Capital and its Economic and Political Consequences* (Thessaloniki: University of Thessaloniki, 1931), pp. 231-307.
[9] Mark Mazower, *Greece and the Inter-War Economic Crisis* (Athens: MIET, 2002), pp. 239-67.

autarky in wheat and the systematization of the protection of industry from foreign competition. As expected, the reliance upon tobacco exports, the main exportable and exchange earning product, which provided the means for the importation of mechanical equipment mainly from Germany, increased significantly.[10]

Under these circumstances manufacturing, which at the time was dominated by textiles, light chemicals and foodstuff, was shielded from foreign competition by tariffs and quotas. Despite the restrictions on the importation of mechanical equipment, which substantiated the cautious stance of the responsible authorities for the prospects of manufacture, such a protection had boosted industrialization in the above sectors.[11] As was the norm in Europe, in many sectors such as textiles and cement, cartels and sales syndicates had been formed. Simultaneously, protection had fostered private monopolies with high final prices, nourishing industries known as *tariff dependent* industries.

Even if the inter-war industrialization could not absorb the idle labour force, businessmen insisted on this prospect aiming to legitimating their demands. In particular, big business had reacted to the cautious stance of state agencies to the prospect of industrialization, claiming instead that this option was not only feasible, but also that it was the only one promising to provide a long-term solution to the overpopulation problem. PUTI's president's public statement is representative of business attitudes:

> The demographic problem of Greece during the previous crucial years, as the President of the Federation of Industrialists Mr Andreas Hatzikiriakos has repeatedly emphasized to the responsible authorities, was not resolved via emigration and agricultural [development] or by erecting barricades on the roads to the capital city and Piraeus. Instead, it was resolved by Industry, which absorbed thousands of working hands.[12]

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[10] Mogens Pelt, *Tobacco, Arms and Politics: Greece and Germany from World Crisis to World War 1929-41* (Copenhagen: Museum Tusculanum Press, 1998).
[11] Supreme Economic Council, *The Greek Economy during the year 1938* (Athens: Pyrsoi SA, 1939), pp. 32-8.
[12] Ioannis Terzakis, 'Greek Industry & the State, *VE*, August 1934, 14-6.

The discussion among businessmen and state agencies was concentrated upon the question of whether the development of new industries, and especially those which did not utilize domestic raw materials, was feasible or not. Progressively, and especially after the establishment of the Metaxas dictatorship in 1936, there were business interests and state agencies which had considered the adoption of heavy industry. The common characteristic of these initiatives was that they were based, directly or indirectly, upon German industry. This was especially true for the utilization of ores and minerals, such as lignite, bauxite and iron ore deposits. Beyond these sectors, German businesses had already monopolized telecommunications and radio-casting, adopting also close relations with the only developed branch of the metal-using industry, the Bodosakis armament company, EPK.[13] These economic relations were further developed with the bilateral clearing trade agreement between Greece and Germany signed in 1932. After 1936 commercial relations were boosted significantly. In 1938 the German market was absorbing about 40% of Greek exports and about half of tobacco exports. To match the growing value of exports, Greek industry imported German mechanical equipment and transportation items. In this way, economic relations were very soon expanded to other branches, including the production of electricity and transportation, challenging the primacy of UK businesses in the field. As will be shown, during the occupation these links were further forged, embracing almost all the sectors and branches of the economy.

The neo-Malthusian reasoning which had guided the actions of state managers in the inter-war period was not a Greek novelty. Indeed, that the economic problem of Central and Eastern Europe was overpopulation matched with capital scarcity, was a politico-economic analysis which had been elaborated after the Great Depression by businessmen and state agencies in both Great Britain and Germany.[14] Yet they had suggested that only agricultural modernization combined with limited industrial development, mainly food processing, textiles and mining, in the periphery of Europe would absorb the idle-labour force. It was also considered that such economic modernization could increase the supply

[13] Christos Hadziiosif, *The Waning Moon: Industry in Greek Economy 1830-1940* (Athens: Themelio, 1993), pp. 118-200; Pelt, *Tobacco*, pp. 133-81;241-54.
[14] Stephen G. Gross, *Export Empire - German Soft Power in Southeastern Europe, 1890–1945* (Cambridge: Cambridge University Press, 2015), pp. 253-72; Michele Alacevich, ‘Planning Peace: The European Roots of the Post-War Global Development Challenge’, *Past & Present*, 239-1 (2018), 219-64.

of the much-needed agricultural products and raw materials to the developed regions and, in turn, it could increase the periphery's purchasing power for the capital goods produced in the core. This economic doctrine guided a substantive part of German businesses which, pressed by the excess capacity induced after the First World War, had resorted to cartelization and to their progressive expansion to South-eastern Europe under the Nazi umbrella. [15] Certainly, these developments were an inheritance that conditioned Greece's industrialization in the post-war era.

### 1.1.2 Post-war era

In the post-war era, the neo-Malthusian reading of the Greek political economy was re-stated and elaborated by Xenophon Zolotas in 1945.[16] For the dominant and most influential economist of post-war Greece, the substantive problem of the country was rooted in the 'tragic imbalance' between 'soil' and 'population'.[17] Following explicitly the analysis of the League of Nations back in 1933, he emphasized that the high density of agricultural population was translated to an exceptionally low productivity in agriculture whereas the prospects of industrialization were limited.

This claim revitalized the debate which had dominated economic analysis during the inter-war period. At the centre of discussion was still the role that industry might play towards the solution of the imbalance problem.[18] State agencies and businessmen were still divided over the prospects of industrialization.[19] On the one side, there were those who emphasized the limited natural resources, mainly with respect to raw materials and fuels, as well as the backward technology and the capital scarcity to show that there were objective limits to industrialization. For them, among whom in 1945 was Zolotas, the ensuing high production costs were prohibitive for the development of a viable, internationally competitive industry. On the other hand, there were those who

[15] Gross, *Export Empire*, pp. 272-329.
[16] Xenophon Zolotas, *Greece should become viable* (Athens: Papazisis, 1945).
[17] Ibid, p. 3.
[18] Christos Hadziiosif, 'Perspectives about the viability of Greece and the role of industry', in *A Tribute to Nikos Svoronos*, ed. by Vasilis Kremmydas and others, 2 vols (Rethymno: Crete University, 1986), I, pp. 330-68.
[19] Chr. Panagos, 'The Industrial Potentialities of Greece', *VE,* September 1945, 15-6.

not only challenged the claim that Greece was poor in natural resources but, even more vigorously, emphasized that the problem was that these resources had been utilized in a wrong way. Yet, they questioned the extent of capital scarcity. For them, this insufficient and problematic utilization could be ascribed to organizational and institutional deficiencies of both the private and public sectors, to wrong economic policies or even to the social and political system itself. Their aim was to show that industrialization, and particularly heavy industry, was not only feasible and viable, but also necessary to solve Greece's substantive problems.

The FGI had adopted an intermediate position. In early 1945 the federation clarified that if Greece was to solve its main problems, industrialization was the only way forward. However, it exclusively emphasized the need for the improvement and extension of existing traditional industries and did not consider the development of new branches or the restructuring of Greece's industrial base and the adoption of heavy industry. Simultaneously, it clarified the main prerequisite for industrialization.[20] This was the cooperation between industry and the state to formulate a feasible industrial programme and an organization to supervise its implementation which would be left entirely to the private initiative. In contrast, it was the state's cooperation and the coordination with the Military Liaison and UNRRA, that resolve the main obstacles to industrial progress. For the FGI these obstacles were the acute shortages of raw materials and fuels but, above all, the shortage of capital, the 'big and tragic problem'.[21]

However, this claim did not mean that capital was absent. It has been shown that during the occupation period (1941-1944), a considerable portion of domestic commercial and industrial businesses was able to accumulate profits, mainly in the form of gold sovereigns, either forced to work or voluntarily cooperating with the Nazi agencies and German businesses.[22] Kyriakos

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[20] FGI, 'The Past, Present and Future of our Industry', *VE,* February 1945, 16-9; 'The Annual Meeting of the FGI', *VE*, March 1945, 23-30.
[21] Stavros I. Kostopoulos, 'The Organized Appearance of Industry in our Country', *VE*, February 1945, pp. 7-8 (8).
[22] Christos Hadziiosif, 'The Greek economy as a field of fight and resistance', in *History of the 20th century Greece: The Second World War. Occupation – Resistance 1940-1945,* ed. by Christos Hadziiosif, 5 vols (Athens: Vivliorama, 2002), III, Part II, pp. 181-217; *Occupation, Nazism and*

Varvaressos, a prominent economist who headed the BoG during the war from abroad, was aware of the profitable cooperation and collaboration of Greek banks and industrialists with Nazi forces.[23] His conclusion for the main politico-economic characteristic of the occupation period is fundamental for the understanding of Greece's political economy after 1945 and the notion of capital scarcity:

> The new means of payment supplied to the country from Germans were translated to money incomes for different classes of the population and induced demand, when the supply of virtually every good was incredibly rare. The result was the tremendous increase of prices accruing to vast profits to a small number of people like merchants, speculators, black marketers, industrialists and other people who cooperated with the enemy or they were working for its needs. This new class of rich not only satisfied its needs through the free market but it also devoted a considerable portion of this money to invest in real values in order to guarantee its profits against the currency's devaluation. [...] Pursuing the class of speculators and exploiters, as it was mentioned above, to safely invest its unlawful profits turned quickly to the gold sovereign as the safest mean of investment, inducing in turn the well-known incredible increase of its value. The disastrous introduction by Germans (after the suggestion of Greek specialists!) and the Allies of significant amount of gold sovereigns, secured for these speculators the means for which they were seeking.[24]

After the war, Varvaressos considered that high domestic prices, which fed the robust inflation that had annihilated savings inhibiting productive investment, were still attributable to the extraordinary profits enjoyed by both importers and industrialists.[25] The problem was that gold sovereigns, in which these profits were largely invested, functioned as a store of value and thus as the anchor for

*the Greek Economy: Official reports and memories*, trans, ed. and intr. by Thanasis Giouras, ed. and intr. by Michalis Psalidopoulos (Athens: Metamesonikties Ekdoseis, 2015); Vasileios G. Manousakis, 'Economy and Politics in Greece during the Second World War' (unpublished doctoral thesis, Aristotle University of Thessaloniki, 2014).

[23] Bank of Greece Historical Archive (hereafter GR/BOGHA), A4/S1/Y3/F9/T10, The Bank of Athens' action during the occupation period, no date; GR/BOGHA/A4/S1/Y3/F9/T5, Panos Kerassotis to the Minister of Supply, 30 June 1945; GR/BOGHA/A4/S1/Y5/F14/T1, The Greek Currency Problem, 1945.

[24] GR/BOGHA, A4/S1/Y5/F14/T1, The Greek Currency Problem, 1945.

[25] 'Unpublished Letter of Mr Varvaressos to Mr Maben-Athens, 29 September 1945', *Antaios*, January-March 1947 and May-June 1947, 165-69 and 203-08.

domestic prices. The solution for Varvaressos was either to stabilize the value of the gold sovereign with gold sales by the BoG or to control prices and profits from above, taxing simultaneously businesses and prohibiting gold sales. For a short period in 1945 Varvaressos, as the BoG's governor and the government's vice president, attempted to enforce the second solution. This was done for three main reasons. Firstly, he considered that these measures were necessary for social and moral reasons. Secondly, he aimed to utilize internal resources, primarily the accumulated gold, for reconstruction. Thirdly, gold sales would sooner or later absorb the limited exchange reserves.

These were the declared aims of the so-called 'Varvaressos experiment' in 1945, which faced resistance and fierce public criticism of the FGI on the grounds that Varvaressos employed communist practices.[26] Once Varvaressos' policy was defeated, Zolotas made concrete proposals for the enforcement of the alternative solution which had four pillars.[27] First, he suggested the resumption of controlled gold sales by the BoG, leaving the stabilization of domestic prices to market forces. Second, he proposed the liberalization of imports of goods aiming to absorb surplus liquidity, a policy which will be considered in the next chapter. Third, he proposed the provision of ample credits to productive activities with the simultaneous curtailment of the inflationary finance of the budget by the BoG. Fourth, since reconstruction and the new liberal policy presupposed extensive external finance, he urged the state to formulate a comprehensive plan to specify war reparations and financial claims from abroad. Yet Zolotas emphasized the need for the state's modernization, considering that it had 'insufficient organizational level and action'.[28] Furthermore, he stressed the need for the state to organize the finance and raw material supply, highlighting that it had to cooperate with the private initiative and not to impose price and profit controls upon business.[29]

Apparently, these suggestions were very close to the core of FGI's proposals. To the constant claims for extensive finance and gold sales, the federation soon

[26] FGI, *Greek industries and their critics* (Athens, 1945).
[27] Konstantinos G. Karamanlis Foundation, Konstantinos Tsaldaris Archive (hereafter KKF/KTA), 1945/11/3/37, Xenophon Zolotas Report to the Advisory Economic Committee, Athens, 20 September 1945.
[28] Xenophon Zolotas, 'State and Reconstruction', *To Vima,* 10 February 1946.
[29] Xenophon Zolotas, 'State and Private Initiative', *To Vima,* 20 January 1946.

added the second pillar of its proposed industrial policy: the reduction of the production costs by the state which largely meant the provision of cheap capital and the reduction of taxation and insurance costs.[30] Yet the core of the FGI's policy and Zolotas' recommendations was actively defended by the NBG, which until 1944 monopolized credits to industry and had considerable stakes in almost all the significant industries at the time.[31] Indeed, the NBG, aiming to regain its pre-war position in the internal market, pressed for credit expansion and the continuation of gold sales as a means to control domestic prices.[32] As we will be shown in the next chapter, the Athens Chamber of Commerce and Industry (ACCI) had formed an alliance with the FGI backing this policy and agreed with the federation for a selective liberal commercial policy.

Furthermore, it was upon these pillars that the Greek government had claimed UK financial aid.[33] In January 1946, the government signed the London Agreement with the UK which was essentially a stabilization programme which attempted to enforce orthodox fiscal and monetary policies and implied that Greece had to reattempt the utilization of internal finance recourses. The programme, which included the devaluation of Drs and the liberalization of trade, was supervised by the British Economic Mission, and was backed by a UK loan and supplemented by Greek foreign reserves.[34] However, the financing of the new liberal economic policy came at the cost of Greece's surrender of its responsibility to protect the integrity of money. The note issue, and very soon the whole credit policy, was regulated by a new institution envisaged by the agreement, the Currency Committee.[35] The government had reluctantly accepted the US and UK vetoes to the Currency Committee's decisions, but in return it won the continuation of gold sovereign sales.[36]

These developments show that there was a substantive agreement between peak-level BIAs and state agencies for the gold sales policy and selective trade liberalization. On the eve of the civil war, this substantive agreement was

[30] FGI, *Memo to the government's President Mr Konstantinos Tsaldaris* (Athens, May 1946).
[31] Giorgos Pagoulatos, *The National Bank of Greece 1940-2000* (Athens: Historical Archive of the National Bank of Greece, 2006), pp. 119-39;163-70.
[32] KKF/KTA/1946/1/14/41, Memo - Georgios Pesmazoglou, 10 May 1946.
[33] GR/BOGHA/A4/S1/Y2/F198/T3, Memorandum, London, 2 January 1946.
[34] Lykogiannis, *Britain*, 140-80.
[35] BoG, *Annual Reports for 1941-1946* (Athens, 1947), pp. 18-9.
[36] GR/BOGHA/A4/S1/Y2/F198/T8-T9, Record of a meeting, 17 and 18 January 1946.

translated into the Greek Reconstruction Claims Committee.[37] The Committee included the heads of the main industrial and commercial BIAs, the heads of the main banks, the leaders of the Liberal and the Populist political parties, as well as prominent economists and state managers. It was clear that it had adopted Zolotas' arguments, legitimizing Greece's territorial claims, demands for war reparations and economic aid to the overpopulation problem, the pre-war limited economic development and the extensive war destruction. Indeed, this was Greece's foreign economic policy.[38] It is impressive that these arguments were deployed to the Allies for both territorial claims[39] and war reparations.[40] No doubt, there was a broad consensus internally that this would contribute to the solution of the 'acute demographic' problem.[41]

However, territorial claims were refused by the Allies and reparations were evaluated as quite insufficient in relation to Greece's war damage. This outcome was considered by almost all the leaders of the nationalist bloc as a great injustice to Greece by the Allies.[42] Yet the option for a reconstruction plan was rejected not only because the International Bank for Reconstruction and Development (IBRD) did not receive such applications at the time but also this option was doubtful because Greece had not settled her pre-war public debt, which was estimated at about $350 million. Above all, the state was not able to repay the vast amount which was deemed necessary for reconstruction, calculated approximately at $1 billion. It was for these reasons that the Committee and the government clarified that the Allies, and particularly the US and not the economically exhausted UK, had the moral obligation to provide financial aid to Greece.[43]

[37] GR/NIRSEV/SVA/226/29/001, Greek Reconstruction Claims Committee, Statement, Athens, March 1946.
[38] KKF/KTA/1946/14/1/33, Meeting at the BoG, 30 April 1946.
[39] Foreign Relations of the United States (hereafter FRUS) 1946 Vol. III, Minutes, M.C. Tsaldaris, 3 August 1946, pp. 110-15.
[40] Athanasios Sbarounis, 'The German Reparations', *To Vima,* 16 February 1946; GR/NIRSEV/SVA/226/12/012, Athanasios Sbarounis to F. Dragoumis, Athens, 26 June 1946.
[41] Chr. Evelpidis, 'What and for which reason we claim it', *To Vima,* 28 July 1946.
[42] GR/NIRSEV/SVA/226/16/233, Record of Conversation – Meeting with Hon. James F. Byrnes, Paris, 7 October 1946; GR/NIRSEV/SVA/226/22/118, Record of Conversation – Meeting with Ern. Bevin, Paris, 11 October 1946.
[43] KKF/KTA/1946/14/1/33, Meeting at the BoG, 30 April 1946.

Indeed, at the same time, Zolotas, as Greece's representative to the IMF and the IBRD, had preliminary discussions with US economic ministers and highly ranked officials aiming to 'make it particularly clear' that Greece's reconstruction 'had to be based mainly upon American financial aid'.[44] On the agenda was the attraction of private capital but, for Zolotas, US businesses were not ready for this option. It was clear that the logic of capital scarcity, which the FGI had prioritized the previous year, had prevailed.

Until August 1946, under the growing financial pressure of the civil war and the encouragement of the UK, this logic was substantiated with the dispatch of a Greek delegation to the US to ask for financial aid.[45] Its head was Sofoklis Venizelos, the president of the Committee and the leader of the liberals who had formed a secret alliance with Tsaldraris since January 1946.[46] The sources show that the main aims were the financial assistance for the rehabilitation of the Greek merchant fleet[47], economic reconstruction[48] and the promotion of tobacco exports.[49] Very soon, the merchant fleet acquired 100 ships (Liberty-Victory) from the US with the financial guarantee of the Greek state. This move had substantially contributed to the revival of Greece's merchant fleet, which thereafter grew at a 'spectacular' rate.[50] Importantly, Venizelos had stakes in his family shipping business which had acquired such ships.[51]

The membership of the Committee and the delegation, as well as the interests which they mediated, indicated that in Washington a broad circle of businessmen and state agencies was represented; it was clearly broader than the royalist alliance between prominent industrialists and conservative political

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[44] KKF/KTA/1946/14/1/8, Xenophon Zolotas report to the Minister of Foreign Affairs, Washington, 29 March 1946.
[45] KKF/KTA/1946/14/3/13, UK Memorandum, 10 July 1946.
[46] GR/NIRSEV/SVA/226/13/028, Confidential Attached Protocol, 01 January 1946
[47] GR/NIRSEV/SVA/226/12/024, Cryptographic Telegram 4115, Diamandopoulos to Foreign Ministry, 8 August 1946; GR/NIRSEV/SVA/226/12/071, Manolis Kulukundis to Sofoklis Venizelos, 8 January 1947; GR/NIRSEV/SVA/226/14/090, Greek Shipowners New York Committee INC to Sofoklis Venizelos, New York, 26 May 1947.
[48] GR/NIRSEV/SVA/226/12/055, Michalis Ailianos Report, Washington, 22 August 1946.
[49] GR/NIRSEV/SVA/226/29/004, Gouras memo to Ministry of National Economy (Copy), Washington, 28 August 1946.
[50] Gelina Harlaftis, *Greek Shipowners and Greece, 1945-1975* (London: The Athlone Press, 1993), p. 130.
[51] GR/NIRSEV/SVA/226/09/001, G. Moatsos to S. Venizelos, New York, 5 October 1946.

forces, which was concentrated around the Populist party.[52] The US did respond and in early 1947 a US mission arrived in Greece to evaluate the needs.

However, the gold sales policy faced the fierce criticism of the Currency Committee, and later of the US mission. Soon after exchange reserves had been virtually exhausted in November 1946[53], the member of the Currency Committee, Patterson, informed Tsaldaris that during 1946 about $19 million had been consumed by gold sales and bitterly pointed out that:

> 'It is also clear that this policy has permitted a very small group of merchants, traders, industrialists and speculators to avoid the financial risks resulting from the unstable internal and international financial position of their nation.'[54]

At the same time, Varvaressos, equally bitterly, observed for domestic businessmen that:

> 'They continue undisturbed, and protected by the governments, the exploitation of the problems of our country and the misery of the people.'[55]

Varvaressos was not alone, but there were voices which condemned to the prime minister the internal gold standard for the same reason:

> 'Unfortunately, the same persons, utilizing the same methods, exploit the misery of our people today, as they did during the occupation.[56]

Accusations were directed primarily toward businessmen who converted profits and credits to gold sovereigns, sustaining a profitable arbitrage and a parallel gold market. The NBG was included in this picture, for it continued to support credit expansion and gold sales, claiming its pre-war position from the Currency Committee and the BoG.[57] Meanwhile, the State Department, informed by

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[52] Rizas, *From Liberation*, pp. 150-1. This alliance, aiming to restore monarchy, was headed by Spyros Markezinis and was financed primarily by the FGI president Katsabas and the tobacco industrialist Papastratos.
[53] KKF/KTA/1946/14/5/39, Patterson to Prime-minister, Athens, 20 November 1946.
[54] KKF/KTA/1947/23/1/11, Patterson and Gregory to Tsaldaris, Athens, 18 January 1947.
[55] KKF/KTA/1946/14/5/91, K. Varvaressos to Mr President, Washington, 30 December 1946.
[56] KKF/KTA/1946/14/2/38, N. Darveris to Mr President, Athens, 21 June 1946.
[57] KKF/KTA/1946/14/5/3, NBG to Stephanos Stefanopoulos, Athens, 10 October 1946.

Varvaressos of the situation in Greece, clarified to Venizelos that the adequate utilization of internal resources was a precondition for the US financial aid.[58] It proposed a tax reform, emphasizing direct taxation and the taxation of occupation profits, the utilization of foreign deposits held by Greeks abroad and asked for measures to save exchange. The aim was the mobilization of hoarded gold, exchange and commodities, although this conditional dimension was not comprehended by the dominant coalition. When the American Mission for Aid to Greece (AMAG) arrived, the FGI president Christoforos Katsabas rejected that gold hoarding was the rule for FGI's members. For the federation, among those who were buying gold sovereigns were industrialists as well as 'merchants and professionals and farmers and ranchers and doctors and journalists and servants etc.'[59] It was clear that the FGI attempted to diffuse responsibility for gold sales but the AMAG and the Currency Committee were not convinced.

It was within this framework that Paul Porter, the head of the US mission, had targeted a pro-German 'small clique' which was the invisible power of the country aiming to utilize 'foreign aid' for the 'reproduction of its privileges'.[60] The expectations of the FGI for US aid had been outlined after the announcement of the Truman Doctrine. At a meeting with Venizelos, the FGI's president, Katsabas, citing the solution of the overpopulation problem as the prime justification for the federation's proposals, considered that the US finance would remove the balance of payments constraint to investment, eliminating the obstacles which had inhibited industrial development since 1932. Such capital inflows would set in motion the internal circuit of capital, boosting the building activity and supporting the extension and development of the existed traditional branches. [61] At the meeting, the FGI exclusively defended the interests of textiles, paper, colour, cement and mining sectors. Clearly, at this meeting the interests of the Bodosakis group were not represented by the federation. Instead, Bodosakis had utilized other channels to direct the allocation of the US

[58] KKF/KTA/1946/15/1/47, Report, Sofoklis Venizelos, no date.
[59] Archives in the Gennadius Library, Constantine Vovolinis Papers (Hereafter GR/GL/KAV) File 482, Christoforos Katsabas to Sofoklis Venizelos, 18 November 1947.
[60] Paul A. Porter, *Wanted: A Miracle for Greece: the diary of a presidential envoy, January 20 - February 27, 1947,* intr. by Michalis Psalidopoulos (Athens: Metamesonikties Ekdoseis, 2013), p. 223.
[61] 'The Future of Greek Industry', *VE,* June 1946, pp. 11-4; GR/NIRSEV/SVA/226/14/145, Minutes of FGI and Sofoklis Venizelos meeting, 30 April 1947.

funds, as he was prepared with the acquisition of AEEXPL and the recruitment of UNRRA's head Buell Maben. This move had not been welcomed by the government's head, because Maben was 'angling for the job of directing whatever money is sent to Greece.'[62]

## 1.2 The developmental plan: energy and heavy industry or the road to salvation

### 1.2.1 The evolution of perspectives

Meanwhile the discussion for the prospects of Greece's industrialization continued apace. The report of the Food and Agricultural Organization of the United Nations (FAO), submitted in late 1946 at the request of the Greek government, played a substantive role.[63] It confirmed what was already known: agricultural productivity, mainly due to the little land per family, was low and only land reclamation, extensive irrigation and mechanization would improve it. Yet it was the first international institution which went a step further, concluding that even an optimistic estimate for agricultural development was not sufficient to deal with the surplus population problem. Instead, such improvements would create even more labour surpluses and thus industrialization was the only long-term solution for Greece's problems. This was a substantial contribution to the internal debate but what the report did not clarify was what kind of industry was conducive for Greece.

This was still debated by the two major rival business interests and state agencies. The arguments were deployed in their attempt to legitimate their demands from the US financial aid. At its centre was the viability of heavy industry and particularly the question of whether such units would be internationally competitive or not. Those who were close to the FGI, claimed that this was not feasible; high production costs and the lack of domestic technology implied that they would not be competitive. Thus, existing industry would be prioritized, and new branches would be considered only on an *ad hoc*

[62] KKF/KTA/1947/23/7/4, Frary to K. Tsaldaris, 21 February 1947; KKF/KTA/1948/29/1/3, K. Tsaldaris to Washington Embassy, Athens, 11 January 1948.
[63] FAO, *Report of the FAO mission for Greece* (Washington: FAO, 1947).

basis.[64] In contrast, those who were close to the Bodosakis group, the UNRRA mission and the Technical Chamber of Greece (TCG), advocated that the opposite was true.[65] For them, traditional industry was tariff-dependent and only the provision of ample and cheap energy for the adoption of heavy industry would reduce general production costs, providing external economies for the development of the other branches. Yet it emphasized the necessity for the processing of domestic ores and minerals on the grounds that it would substantially ameliorate the balance of payment problems. With the improvement of the investment climate, private savings hoarded in gold, exchange and commodities, would be mobilized for investments in housing and the traditional industry later on. In an impressive shift, Zolotas had now elaborated this argument following Ioannis Zigdis, the UNRRA's member charged with the formulation of the organization's developmental plan.[66] Certainly, this plan was the epitome of the vision which pursued the restructuring of Greece's economy within a free market economy.

It was obvious that perspectives and aims diverged, and that businessmen and state agencies were divided, but there were factors which united them. The substance of the factor of cohesion is highlighted by the programme of the Communist Party. The communists shared the belief that Greece was not poor in natural resources, claiming that the adoption of heavy industry was necessary. However, they advocated that it was feasible only with central planning and the restriction of private property rights. Indeed, in 1947 Dimitris Batsis had published a study which advocated that Greece had a rich mineral wealth, but its efficient utilization should be based upon industrial planning and public ownership. The Communist Party had adopted his proposals.[67] Among the main responsibilities of the state was to channel funds from the traditional sectors of

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[64] National Bank of Greece Historical Archive (hereafter GR/NBGHA), 1/44/1/29, Frixos Georgakopoulos to Marshall Plan Committee, no date; Frixos Georgakopoulos, 'The Reconstruction and Development of Greek industry', *VE*, October 1947, 17-8; Frixos Georgakopoulos, 'The Specificity of Industry', *VE,* March 1948, 19-20.
[65] UNRRA, *Plan for the utilization of Greece's natural resources,* Annex I: Synopsis of technical and economic data (Athens: UNRRA, 1947); Anastasios Konstas, 'The Extension of Industry', *VE,* January 1948, 15-6;36.
[66] Xenophon Zolotas, 'Reconstruction and Viability', *To Vima,* 9,10,11,12 September 1948; Ioannis Zigdis, 'The Road to Salvation', *To Vima,* 10 June 1948.
[67] Dimitris Batsis, *The Heavy Industry in Greece,* intr. by Nikolaos Kitsikis, 8th edn (Athens: Kedros, 1977); Greek Communist Party, *An essay on the history of the KKE* (Athens: Synhroni Epoxi, 1995), pp. 530-31.

the economy to those of heavy industry, especially for the production of iron and steel as well as for heavy chemicals.

### 1.2.2 Industrialization plans and business interests

Even if the above strains between antagonistic business interests were evident, the Reconstruction Organization (RO), which was created for the specification of Greek financial demands to international organizations, was able to include in its technical plan proposals for the extension and development of the traditional industry as well as for the adoption of new branches, such as metallurgy and heavy chemicals.[68] These proposals, although economically unjustified, reflecting the severe administrative deficiencies and the political polarization, left no room for complaints. Indeed, the FGI was satisfied with the plan and wished that the government would adopt it.[69] Importantly, the RO had justified its proposals upon the need to ameliorate the 'sharp demographic problem of overpopulation'[70], and the reader should bear in mind that all the subsequent plans, with no exception, were based upon the same justification which was always shared by the FGI.

The RO, to which the federation was represented by its president, Katsabas, had largely fulfilled the expectations of the FGI for the appropriate form of formal state-business relations. This seems to be also true for the successor of the RO, the Greek Marshall Plan Committee established to prepare Greece's plan for her finance needs within the Marshall Plan framework. However, this plan was not able to reconcile the major competitive business interests and was badly drafted. The industrial plan for the adoption of heavy industry had been submitted to the Paris Conference by Greece's representative and president of the TCG, Alexandros Verdelis.[71] Instead, the revised plan submitted to Washington after the failure of the Paris Conference included only the FGI proposals and was restricted to the extension of existing industries alone. Even more, agricultural development was prioritized and only a few new industries

[68] For a comparison between the different plans of the period and their finance, see Appendix 1, table 4.
[69] FGI, *The Greek Industry during 1946* (Athens: FGI, 1947), pp. 36-45.
[70] Reconstruction Organization, *Reconstruction Programme of the country* (Athens: RO, 1947), p. 3.
[71] YDIAMP, Ambassador Dendramis to Ministry of Foreign Affairs, Washington, 15 November 1947.

were widespread in other sections of the proposal, showing that more moderate financial claims had made it difficult to reconcile divergent business interests. As expected, Zolotas, who had shouldered the mediation of the plan to Washington, informed the government that it had received quite a cold reception in the US because the proposals were 'exaggerated, contradictory and inadequately documented.'[72] He suggested to the government to cooperate without hesitation with AMAG officials in Athens to improve it by justifying the proposals. This pressure culminated in the creation of the Supreme Reconstruction Council (ASA) charged with the formulation of the plans.

However, the industrial section of AMAG aimed exclusively at the restructuring of Greece's industrial base and excluded textiles and other existing traditional branches from its proposals for the first year of the Marshall Plan.[73] In sharp contrast, when the federation was asked to re-state its proposals for the first year, insisted on the extension and improvement of only the existing industry:

> We insisted on the logic that the existing industry should be prioritized from the allies' aid for its renewal and extension, because only from it [the existing industry] will the improvement of the trade balance be fast and adequate. The existing industry has the organizational capacity, the technical executives and the experience to absorb the aid in a systematic way.[74]

As it turned out, the federation was progressively excluded from the formulation of the reconstruction plan. In July 1948, when the ECA in Greece had replaced AMAG, the federation claimed that it had lost contact with the US mission. However, the FGI was able to incorporate its demands in the proposals for the first year, which ASA's vice president, Konstantinos Gounarakis, had submitted personally to OEEC.[75] As Zolotas and Zigdis claimed when they both resigned from the ASA for this reason, projects of secondary importance were given priority in relation to the basic hydroelectric/lignite facilities and the new

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[72] Ibid., Economic Advisor Zolotas to Ministry of Foreign Affairs, Washington, 18 December 1947, pp. 204-10 (p. 205).
[73] KKF/KTA/1948/29/5/2, AMAG to Constantine Tsaldaris, Proposed Programme, 2 June 1948.
[74] FGI, *The Greek Industry during 1948* (Athens: FGI, 1949), p. 29.
[75] Nikolaos S. Pantelakis - Family Archives/Diomedes, Alexander of Nicholaos Archive (hereafter GR/NPFA/ADA) FO01/SF1/SE010/FI002/IT0031, Import Programme for Capital Goods, Paris, 27 July 1948.

industries.[76] The last attempt for the inclusion of the existing traditional industries to the Marshall Plan was made by the ASA member Konstantinos Nevros, who, since the inter-war period, had been a board member of Bodosakis' chemical corporation.[77] There is evidence that this proposal had been incorporated by ASA but the ECA in Greece was adamant. As Gounarakis claimed to his colleges within the ASA, the finance of both the existing traditional industry and the new branches was not feasible because:

> We cannot make both simultaneously, because here exists a fundamental disagreement with the American Mission. We took drop by drop the aid to existing industry, for they are to the standpoint that industrialists have money etc.[78]

Obviously, the Greek side had understood that the US mission did not aim to finance traditional industry not only because some sectors, such as tobacco and textiles, overproduced, but mainly because business had accumulated gold; the mobilization of internal capital resources, and especially of the gold, was the salient feature of the Marshall Plan. The proposals of the NBG and ASA clarified the aims of the domestic banks and big businesses in this respect. Their heads claimed that the counterpart funds should be deposited with the NBG and utilized by this bank exclusively.[79] In particular, they proposed that these funds would be translated to both short and long-term finance to industry, aiming to resolve Greece's capital scarcity which, as the FGI's president had insisted, had affected industrial reconstruction and in general economic development in the inter-war period. To tame the inflation which this expansionary policy entailed, gold sales would be unlimited, and the BoG had to utilize invisible earnings for gold purchases. At the same time, the FGI accused those who denounced industrialists' practice of investing in gold of behaving like 'communists'.[80] However, the government had fully embraced these proposals and pressed the

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[76] GR/NPFA/ADA/FO01/SF1/SE010/FI002/IT0008, X. Zolotas and I. Zigdis to D. Helmis, Athens, 21 August 1948.
[77] GR/NIRSEV/SVA/226/28/138, Report to ASA by K.I. Nevros, September 1948.
[78] GR/NPFA/ADA/FO01/SF1/SE010/FI002/IT0025, ASA, Minutes of the Supreme Committee, Athens, 9 November 1948.
[79] KKF/KTA/1948/29/4/28, Memo for Bank Policy, G. Pesmazoglou, Athens, 6 May 1948; GR/NPFA/ADA/FO01/SF1/SE010/FI002/IT0020, ASA, Al. Diomidis Memorandum, Athens, 16 October 1948.
[80] FGI, *The Greek Industry during 1947* (Athens: FGI, 1948), p. 63.

US mission to finance this policy. Given that ECA was afraid that this would further increase prices through speculation and induce capital flight, the result was that it initially excluded the NBG entirely from industry's finance with counterpart funds.[81] Very soon Alexandros Diomidis resigned from ASA leadership for this reason and under Greek pressure the ECA eventually included the NBG to the Central Loan Committee (CLC). This was a public entity charged to allocate the released counterpart funds with loans exclusively to the private sector via applications through all banks.

As expected, the four-year plan submitted to OEEC did not include the dominant traditional industries, except for foodstuffs.[82] Instead, it prioritized the energy programme and the adoption of heavy industry. This was a decisive break with the past which had long-term consequences. With the 1948 Plan, viability was identified primarily with the exploitation of water (Achelous) and lignite (Ptolemais) reserves to produce ample and cheap energy necessary for the adoption of heavy industry and, secondarily, with the expansion of the existing traditional labour-intensive industries. In 1948, mainly oil fuels and to a lesser extent, lignite reserves produced about 710 million kwh and the aim was, by 1953, to increase it to 1,710 million kwh. At the centre of the hydroelectric energy programme were five facilities aiming to produce from the middle of 1952 onwards 1,193 million kwh annually with the Achelous plant alone producing 730 million kwh. The updating of the existing thermoelectric facilities, mainly those of HEAP, aimed to contribute only as a supplementary source of supply. The plan proposed that lignite should replace oil fuels and included the extraction and exploitation of the lignite reserves, prioritizing the Ptolemais industrial complex which was indispensable for the realization of the whole plan. It would supply not only energy but also raw materials for the other major projects: nitrogen for fertilizers, ammonia for the soda plant, which in turn would supply the alumina plant, as well as metallurgic coke to produce iron and iron-nickel. These projects were the basis for the creation of a ship-repair plant and the subsequent development of the machine industry. Along with the sugar and oil refineries, these core projects consumed the bulk of the proposed

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[81] KKF/KTA/1948/29/4/28, ECA/G Memo, 11 September 1948.
[82] ASA, *Provisional Long-Term Four-Year Reconstruction Plan* (Athens: ASA, no date); ECA/G, *Four-Year Reconstruction Plan for Greece* (Athens: ECA, 1948).

funds in manufacturing and mining. It was a predominately import substitution plan, aiming to create external economies for the whole industry with complementary investments, thus improving the investment climate and inducing the mobilization of the accumulated gold for the development of traditional industry and building. The final aims were to absorb the surplus population and to balance the desperately deficient external accounts.

## 1.3 The implementation of the plan, industrial policy and the US mission

The feasibility of the plan was very soon challenged from all directions. The ECA in Washington, the OEEC, the head of the Greek Coordination and Implementation Service of the Reconstruction Plan (YSESA) responsible for its implementation, and very soon its own creators, all agreed that the plan was not plausible. Indeed, during 1949 the plan was revised twice and in January 1950 the ASA announced its further curtailment insisting, however, upon the necessity for the financing of the core projects on the grounds that the civil war had delayed progress.[83]

In August 1950, Zolotas offered a comprehensive overview of the utilization of the counterpart funds up to that point in time. He observed that during the first two years about 60% of the scheduled Drs funds had been absorbed, from which 67% had been channelled to building and transportation and only 3% to energy, mines and industry.[84] Even more, the priorities had been reversed and the programme for the secondary sector overturned.

At the time there were a number of opinions to try and explain this failure, which more or less are reproduced from the literature. The dominant view was that, as both the coordination minister and the head of the delegation to OEEC claimed, the OEEC members refused to support Greece’s industrialization simply

[83] YDIAMP, MFA Director Tziras to Ministry of Coordination, Athens, 9 April 1949, pp. 349-50; ‘The discussion for Greece’s Long-term programme’, *Technical Annales*, June 1949, pp. 214-7; ASA, *Revision of the Greek economic recovery programme: 1949-1950* (Athens: ASA, 1949); ASA, *Memorandum on the second revision of the Greek economic recovery programme: 1949-1950* (Athens: ASA, 1950); *ASA, General Memorandum for OEEC: Greece 1950-51 and 1951-1952 programme* (Athens: ASA, 1950).
[84] Xenophon Zolotas, ‘The Vision of Reconstruction’, *To Vima*, 10 August 1950.

because it would affect their own industrial interests.[85] Instead, Zolotas had publicly defended the position that there was a severe coordination problem between the different institutions involved, mainly between YSESA, CLC and the Currency Committee, which rendered public authorities vulnerable to private interests and thus investments were 'symptomatic' and not planned.[86]

From its side, the US mission emphasized the governments' reluctance for to reform.[87] In repeated memos to the government it insisted that the rationalization of public administration and especially of the tax system was a precondition for the successful implementation of the plan.[88] However, it had already become clear that the US mission had raised severe doubts about the feasibility of the core projects.[89] Very soon, the US mission stepped back, reducing the amount of aid substantially and enforcing instead a stabilization programme along the lines suggested by the IMF official Sturc.[90] This new policy, compatible with the militarization of the ERP after the outbreak of the Korean war, confirmed, as the ECA informed Greece officially very soon afterwards, that the core of the developmental plan had been essentially postponed.[91] At the heart of the programme was now the curtailment of the persistent inflationary pressures and the reduction of the budget deficit. Releases from the counterpart funds for both public and private investments fell substantially for the next fiscal year (1951-52) and in early 1952 releases for the core projects nearly froze.[92] It was clear that the integrity of money was prioritized by the US mission, posing new limits for the interaction between businessmen and state agencies.

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[85] Stephanos Stephanopoulos, 'From European Economic Cooperation to the Community of an Atlantic Pact', *Spoudai*, 2-1 (1951), 97-110; Leandros Nikolaidis, 'The Greek Reconstruction programme and its promotion abroad', *Spoudai*, 4-4 (1954), 257-69.
[86] Xenophon Zolotas, 'The Vision of Reconstruction', *To Vima*, 18 August 1950.
[87] KKF/KTA/1949/37/2/7, Memorandum on Immediate Measures, 27 June 1949; KKF/KTA/1950/47/5/1, H. Grady to Sofoklis Venizelos, Athens 31 March 1950; GR/NIRSEV/SVA/226/29/019, Dendramis to Foreign Ministry, Washington, 4 April 1950; KKF/KTA1950/46/2/3, Government Economic Policy Committee, Minutes, 15 September 1950.
[88] KKF/KTA/1950/47/5/5, J.L. Roach to Mr Stefanopoulos, 26 September 1950.
[89] Stathakis, *The Truman*, 315-36; Diplomatic and Historical Archives of Foreign Ministry (hereafter YDIA) 1950/120/8, St. Stefanopoulos to Foreign ministry, 13 January 1950; KKF/KTA/1950/47/5/4, Politis to Foreign Ministry, Washington, 17 September 1950.
[90] KKF/KTA1950/46/2/3, Government Economic Policy Committee, Minutes, 15 September 1950; GR/NIRSEV/SVA/226/16/272, Porter to S. Venizelos, Athens, 27 September 1950; 'The Sturk Report', *Eleftheria*, 13,14,15 February 1951.
[91] GR/NIRSEV/SVA/226/16/020, Memorandum. R.D. Lapham to S. Venizelos, Athens, 29 January 1951.
[92] GR/NIRSEV/SVA/226/16/186, MSA to G. Kartalis, Athens, 20 March 1952.

Both businessmen and state agencies, who had been actively engaged with the implementation of the plan, had resisted the US decision to terminate the core of the plan. The government and the ASA claimed that the civil war had delayed reconstruction progress not only because it had prevented the appropriate organizational rationalization. Above all, war and defence expenditures drained considerable resources, necessitating the budget's inflationary financing by the central bank and the transfer of more than half of the available counterpart funds to cover the ensuing deficits.[93] They claimed that it was for this reason that reconstruction was postponed and called the US to grant free aid instead of the proposed internal devaluation. The base-line argument was that Greece's viability was undermined and thus increased unemployment along with persistent poverty which threatened social cohesion and the people's loyalty to the common defence against communism. The FGI had backed this argument, repeating the need for ample short-term finance and claiming that all business profits after 1945 had been invested in the development of industry.[94]

The reasons for the insistence upon the core projects had been elaborated by the new plan submitted to OEEC in January 1951.[95] Drafted by Zolotas and Gounarakis after consultation with the FGI and ACCI, it restated the significance of the core projects for the productivity of the economy as a whole, and consequently for the overpopulation problem. However, the plan simultaneously recognized that the contribution of economic development to the overpopulation problem was limited, suggesting additionally mass emigration. It was the official acceptance that the ERP had not resolved the substantive Greek problems, but that the governments would continue upon the same path looking simultaneously for alternatives. Once more, Zolotas' arguments had been embraced by the government.[96] It was within this framework that Varvaressos was called by the Plastiras government in late 1951 to report on the prospects for the Greek economy.

[93] National Bank of Greece Historical Archives, Diomidis Archive (hereafter GR/NBGHA/DA), File 56/10, ASA Minutes, 26 December 1949; GR/NIRSEV/SVA/226/24/035, S. Venizelos to J. Peurifoy, 6 July 1951; GR/NIRSEV/SVA/226/16/141, E. Tsouderos and S. Venizelos to J. Peurifoy, 21 September 1951.
[94] 'The Finance of Industry: FGI Memo to Currency Committee', *Imerisia,* 16 October 1951.
[95] Coordination Ministry, *Memo for the Three-years Programme 1950-1953* (Athens: Coordination Ministry, January 1951).
[96] Xenophon Zolotas, *The Inflationary Pressures in Greek Economy* (Athens: Papazisis, 1951); GR/NIRSEV/SVA/226/16/248, Memo-Reply to the Chief of ECA 29 January 1951, no date.

Departing from the well-known argument that Greece was poor in natural resources and capitalizing upon the experience of reconstruction, Varvaressos utilized the prevailing orthodoxy within the Bretton Woods institutional regime to deepen the pessimistic claim that Greece's viability was in fact undermined by the adoption of heavy industry.[97] He shared the ECA's emphasis upon the need for the rationalization of public administration and the necessity, which the reduction of the financial aid entailed, to prepare the economy for a currency devaluation with a strict deflationary programme. Moreover, he claimed that the small internal market prevented industry from reaching economies of scale, fostering instead internal monopolies with high production costs and profits which undermined industrialization providing expensive intermediate inputs. He indicated that these two factors reproduced the prevailing business practice and the root of capital scarcity, namely the investment of profits in gold, exchange and commodities and not in productive facilities. Thus, questioning directly the extent of the surplus population problem, he suggested the improvement of agricultural production and productivity and proposed the development of light consumer goods industry, with small production units to process mainly agricultural products, and a huge building programme.

As expected, all the prominent state managers and politicians, like Zolotas, Zigdis and Chrysos Evelpidis, attacked Varvaressos' suggestions reiterating the well-known arguments around the feasibility and necessity of heavy industry.[98] Their combined and aggressive reaction highlighted the fact that the optimistic view had become the indispensable orthodoxy in Greece. It closed the public debate in respect of the feasibility of heavy industry for many years. During the next decades, each government was judged by its effectiveness in respect of the adoption of the core projects proposed in the viability plan, a development that played a substantive role in the consolidation of Greek-German economic relations.

[97] Kyriakos Varvaressos, *Report on the Greek Economic Problem,* intr. by Kostas P. Kostis (Athens: Savvalas, 2002); United Nations, *Measures for the Economic Development of Under-Developed Countries* (New York: UN, May 1951).
[98] Varvaressos, *Report*, 419-503.

### 1.3.1 Industrial Policy

The industrial division of the US mission was in agreement with the FGI's claims regarding the obstacles to business in 1948.[99] It considered that such a policy would mobilize the accumulated gold, which in November 1949 was calculated to be worth about $400 million.[100] Within the framework of its own proposals for a body to report for 'any single issue related to reconstruction', the ECA accepted in early 1950 the FGI's old demand for a tri-partite committee with state, ECA and FGI representatives to work upon an industrial charter.[101] There is an indication that this committee compensated for the exclusion of textiles in the plan. Indeed, despite the continued efforts of Katsabas, the FGI and the PUTI for the opposite, the cotton industry was not financed.[102] In the midst of a representation crisis within the FGI, in March 1950 Katsabas returned to its leadership and despite his fierce criticism of the Marshall plan for misallocation of the funds, he declared that the US mission was ready for cooperation with the federation.[103] A comparison between the committee's recommendations and the ECA's attitude show that in early 1951 there was still a fundamental agreement between the industrial division of ECA and the FGI.[104]

The US mission's actions were deployed within this framework. On the one hand, in 1950 the ECA pressed for the registration of shares to facilitate authorities to detect tax evasion and proposed the taxation of undistributed profits, despite business resistance. The implication was that big businesses were not taxed which was contrary to the needs of the budget and even more to the liberal principle of tax equality which could forge a social environment conducive to investment. For these reasons, it continued to emphasize direct taxation preparing the authorities for the introduction of a more rational tax system. On

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[99] The head of ECA's industrial division, Reginald E. Gillmor, had defended the FGI's proposed industrial policy. See his article written in July 1948 in: Michalis Psalidopoulos, *Supervisors at Despair: American Consultants in Greece, 1947-1953. From Paul A. Porter to Edward A. Tenenbaum* (Athens: Metamesonikties Ekdoseis, 2013), pp. 197-216.
[100] 'The US Mission asks for the formulation of a national industrial policy' *To Vima*, 12 November 1949.
[101] YDIA/1950/120/8, Conversation of Prime-minister with a US Committee, 14 February 1950.
[102] Katsabas, *Believing*, p. 276-7; PUTI, 'Today's situation of the cotton industry', *VE,* October 1950, p. 533.
[103] 'The Annual Assembly of the Industrial Federation [1949]', *VE,* March 1950, pp. 15-20.
[104] 'Measures to promote Industry', *VE*, April 1951, 35-6; GR/NIRSEV/SVA/226/16/054, C. Calvert to C. Tsatsos, Athens, 31 March 1951.

the other hand, it abolished the anachronistic inter-municipal taxes (Law 843/1948) and attempted to record and control the decentralized legal entities which drained unspecified resources from industry in the form of a labyrinth of third-party charges (Laws 630/1948, 1532/1951 and 1619/1951).[105] These measures were constant demands of the FGI.

Moreover, the US mission and the government increased depreciation rates (Law 942/1949) and granted tax reliefs for imported machinery and transportation during the ERP period (Law 1419/1950). Later, the government attempted to promote the decentralization of industry granting the above incentives on a wider scale for investments out of the Athens-Piraeus region (Law 2176/1952).[106] Simultaneously, the ECA attempted to improve the accounting and cost systems of companies and updated book keeping, making it compulsory to all entrepreneurs (Laws 578/1948 and 810/1948). The words of a prominent industrialist describing the situation which prevailed in businesses in early 1948 are representative:

> Until that time everything was moving and transferred under the unwritten laws of the black market. About eighty or even ninety percent of the purchases of raw materials and of other products was made under the label A.T., which meant without invoice.[107]

An adequate accounting and costing system were preconditions for the CLC loans, and thus big businesses were pressed to improve them. These measures were the root of the constant complaints that big businesses were penalized by the tax system.

## 1.4 The implementation of the plan and the reclamation of Greek-German economic relations

The re-equipment of Europe by German heavy industry is an undeniable fact that had placed German businesses and the Federal Republic at the forefront of

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[105] The Hellenic Literary and Historical Archive (hereafter ELIA) Ioannis Fragos Archive (hereafter IFA), Unclassified Material (hereafter UM), Third Party Taxes in Greece, Athens, October 1952.
[106] Stylianos Poulopoulos, *Report: Fiscal Measures for the Facilitation of Industrial Investments* (Athens: Coordination Ministry, 1953).
[107] Eleftherios Mouzakis, *Autobiography: The document of a life* (Kedros, 1997), p. 171.

European reconstruction and economic integration.[108] Certainly, this re-equipment presupposed two interrelated processes, firstly the revival of German industry itself and secondly the adoption of economic links between the Germans and the European countries. The main problem of the first process, however, was that the Allies' policies of denazification, dismantling and deconcentration/decartelization of German big businesses, which aimed to prevent Germans from launching another war and were largely confirmed at Potsdam and Paris conferences in 1945, were at odds with this prospect.[109] After all, the aims of the ERP and particularly the recasting role of German big business for European reconstruction contradicted this kind of policy.[110] As expected, such economic necessity combined with the 'fight' of German business leaders and their international counterparts against such policies, resulted in their progressive reversal.[111] In any case, the implementation of these polices was limited. The persecution of German big businesses was limited and restricted to the Nuremberg trials and until January 1951, businessmen found guilty were granted amnesty by the US.[112] Dismantling of German plants largely ceased by 1948 and only a few big businesses were deconcentrated.[113] Moreover, in 1952 the Allies agreed in London to relieve the public finances of the Federal Republic, reducing by half both its pre-war and post-war debts. As part of the agreement, which was signed in early 1953 and is known as the London Debt Agreement, all countries agreed to cease demands for war reparations.

For similar reasons, that is economic necessity combined with political action, in the rest of western Europe 'businessmen and high officials who had profited from the occupation suffered little'.[114] In Greece the situation was more complex because of the acute economic crisis and the civil war; even if wartime collaboration among the 'bureaucratic and business elites' was 'significant' it was war resisters rather than collaborators 'who were likely to find themselves

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108 Milward, *The European,* pp. 155.
109 Berghahn, *American,* pp. 293-9.
110 Ibid., pp. 301-7.
111 Jonathan Wiesen, *West German Industry and the Challenge of the Nazi Past, 1945–1955* (Chapel Hill: The University of North Carolina Press, 2001), p. 52.
112 Wiesen, *West German,* pp. 202-3.
113 Berghahn, *American,* pp. 307-13.
114 Tony Judt, *Post-War: A History of Europe Since 1945* (New York: The Penguin Press, 2005), p. 51.

tried and imprisoned.'[115] Indeed, within an anti-communist political environment, Greek businessmen largely escaped trials for collaboration or they were acquitted[116] and Germans who had committed economic and other crimes in Greece during the occupation had the same fate.[117] As it will be argued in the remaining two sections, in the Greek case, businessmen and state agencies had collectively contributed substantially to the second process.

Economic relations between Greece and Germany had strengthened during the inter-war period but immediately after liberation they were largely interrupted. However, by 1950 they had been partially restored, and were finally embodied in the trade agreement signed in October 1950 between Georgios Papandreou and Ludwig Erhard. As we will see in the next chapter, this agreement was important because it tied the Greek economy to the premature process of European integration within the EPU framework and was the predecessor of the economic agreement signed in November 1953, which had inextricably tied the construction of core projects with German finance and technology. In short, their significance lies in the fact that it was mainly due to these relations that Greece followed the plans of the Federal Republic for European integration.

During negotiations, Papandreou had indicated that 'the orders to German industry for the realization of reconstruction is a precondition for a successful solution to the tobacco issue.'[118] It became obvious very soon, however, that the opposite was also true; the realization of the projects presupposed the solution of the tobacco issue. The projects, to which Papandreou explicitly referred, were core facilities proposed in the plan; the nitrogen, soda and alumina plants, as well as the Aliveri and Ptolemais thermoelectric facilities. Indeed, the efforts for the signing of the agreement initiated in early 1950, when it was clear that the ECA had essentially refused to finance the core projects of the plan. It was agreed that the respective capital imports would not affect normal trade, but they will be contracted beyond such imports. Significantly, the agreement

[115] Judt, *Post-War,* pp. 48-9.
[116] Dimitris Kousouris, *Trials of Collaborators,1944-1949: Justice, Continuation of the State and National Memory*, trans. by Aggeliki Tseliou (Athens: Polis, 2014), pp. 392-344
[117] Despina-Georgia Konstandinatou, *War debts and war criminals in Greece: In search for moral and material justice after the B' World War* (Athens: Alexandreia, 2015), pp. 371-405.
[118] YDIA/1950/148/6, Georgios Papandreou to Prime-minister, Frankfurt, 11 October 1950.

presupposed the full restoration of Greek-German economic relations and German reparations played a substantial role in this respect.

German reparations, which were allocated during the Paris conference in December 1945 and for which Greece was dissatisfied, as we have seen in the first section, were derived from two sources and their allocation was supervised by the Inter-Allied Reparation Agency (IARA).[119] The first category (List A) included mainly German property rights and interests to companies and public assets outside the Federal Republic and the second (List B) ships and plants derived from dismantling within its borders. The companies and assets in Greece of the first category had been confiscated by the Greek state in 1944 (Mandatory Law 13/1944) and the aim was to progressively liquidate them. The significance of these properties was not only their value on paper but, more importantly, they included key companies and interests in services, manufacturing and mining and they could become again the entry points of German businesses in Greece. The reparations for Greece included in the second category were limited, but the List B acted as a yardstick for the formulation of the industrial plans. Both of them, contributed to the development of economic relations between the two countries. Indeed, one of the most significant results of the List B, was its influence upon the reconstruction plans.[120] At the time, the FGI, in contrast to Bodosakis, did not target the restructuring of Greece's industrial base and this became evident when it essentially refused to participate in the specification of the technical plan upon which Greece's claims for the List B would be based. For the TCG, which had articulated the proposal that was eventually submitted to IARA to outline Greek demands, the federation's claims of the List B were restricted to 10% of its total value. At the time, the value of this list was estimated about $100 million but subsequent calculations reduced the amount to $35 million. However, the TCG's proposal was the basis for the subsequent plans for the adoption of heavy industry by the RO, the UNNRA and eventually by the ASA and ECA.

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[119] GR/NIRSEV/SVA/226/13/232, Tr. Triadafillakos to Foreign Ministry, Brussels, 26 March 1947; GR/NIRSEV/SVA/226/14/110, Tr. Triadafillakos to Foreign Ministry, Brussels, 5 April 1947; 'The Report for the Year 1946-47 Budget', *Empros*, 31 October 1947.

[120] Alex. Verdelis, 'One Industrial Programme', *Technical Annales,* January-June 1946, 1-27; YDIA/1947/144/2, FGI to Coordination Minister, Athens, 14 January 1947; Alex. Verdelis, 'On the occasion of German Reparations', *Technical Annales,* March–April 1947, 74-9.

The Greek government had shown an exceptional interest in German confiscated companies which, according to IARA's Agreement signed by Greece in January 1946, could not return to German ownership or control. Until October 1947 the government had not liquidated any single asset of the German properties.[121] Instead, and despite the pressure of the US Embassy to the contrary[122], in May 1949 Greece excluded itself unilaterally from IARA's procedure for the resolution of the conflicting claims upon German Enemy Assets including all the valuable German properties in Greece (List A). It particularly exempted twelve industrial and commercial companies and all mining companies without exception.[123] In October 1949, the government legislated its right to confirm unilaterally the confiscation of the said properties which consisted of thirty-seven companies (Legislative Decree 1138/1949). However, since the new trade agreement necessitated the establishment of economic links for reconstruction, the government passed, on 25 October 1950, a new law which eventually opened the road for the reclamation of the property rights of these companies from those who were minority shareholders during the occupation period and/or third parties (Mandatory Law 1530/1950). As will be shown, German businesses, mainly Siemens AG and Alfried Krupp, had exercised pressure for this outcome in their endeavour to regain the Greek market. The problem, however, was that many minority participants had collaborated or were accused of collaboration. From their side, both Greek businessmen and state agencies were interested in utilizing German credits and technology for reconstruction and thus for economic viability.

Under these circumstances, Papandreou informed the German side that the government had announced in the Greek parliament its decision to treat German state properties equally with those of Italy and expressed his hope that the Federal government would be 'ultimately satisfied'.[124] As the General Accounting Office of the finance ministry later implied, it had been secretly agreed, because it contradicted IARA's regulations, that the Greek state would

[121] 'The Report for the Year 1946-47 Budget', *Empros*, 31 October 1947.
[122] YDIA/1952/125/4/1, Note Verbale, US Embassy to Foreign Ministry, 23 December 1947.
[123] YDIA/1952/125/4/1, General Accounting Office Memo, Athens, 23 May 1949.
[124] YDIA/1950/148/6, Foreign Ministry to Georgios Papandreou, Athens, 20 November 1950.

return or sell all these properties to Germans.[125] In any case, the Greek state did not sell these German assets to third parties; instead they were progressively returned to Germans. The road for the purchase of the confiscated public properties from the Federal Republic officially opened in March 1952.[126]

The links between businessmen and state managers, rooted both in the war-time and pre-war economic relations, were multiple and the following cases are both important and illustrative. The AETE SA was a subsidiary of Siemens-Halske AG in telecommunications, the Siemens SA of Siemens-Schuckertwerke AG in electrical installations/equipment and the AERE SA of Telefunken & AEG in radio-casting. All of them operated before the war and had been granted monopolistic privileges. During the occupation, stuffed with Greek personnel and managers and with the minority participation of Greek businessmen and the NBG, they were all working for the Nazi forces.[127] Some of these businessmen, like Ioannis Voulpiotis, were convicted collaborators. After liberation, all these subsidiaries were confiscated so the German parent companies subsequently utilized these pre-war and war-time Greek-German networks to reclaim their position in the Greek market. Evidence show that this pressure had officially started at least by 1949 and in 1950 clearly intensified.[128] The result was that until 1952 Siemens AG was very close to this aim; Greece was receiving Siemens telephones and the government had decided to expand telecommunications with a direct assignment to companies which operated the 'automatic 'Siemens'' but with a public tender for other equipment.[129] In the field of radio-casting, attempts were not successful but there was an extensive network working to this purpose.

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[125] YDIA/1955/23/7, Directorate General Accounting Office of Finance Ministry, Memo for German Properties, 13 November 1954.
[126] 'The Takeover of the confiscated German Properties', *Empros*, 7 March 1952.
[127] Konstantinos G. Karamanlis Foundation, Konstantinos G. Karamanlis Archive (hereafter KKF/KKA) 431/2/3, Siemens Greek SA, Board Minutes, 11 October 1944; Democratic Centre Union Historical Archives (hereafter EDHK/HA) 2/00222/004, EIR, Comprehensive Survey, May 1951; EDHK/HA/2/00225/007, EIR Committee Meeting No 1, 28 March 1951; EDHK/HA/2/00224/006, EIR Minutes, 31 March 1951.
[128] KKF/KKA/431/2/10, Siemens-Halske A.G. to Siemens Greek Electrotechnical SA, Erlangen, 13 September 1949; KKF/KKA/431/2/11, Siemens- Schuckertwerke A.G. to Siemens Greek Electrotechnical SA, Munich, 19 September 1949; GR/NIRSEV/SVA/226/23/107, C. Knoke to S. Venizelos, Athens, 14 March 1951; GR/NIRSEV/SVA/226/30/128, X. Tsigandes to Deputy Interior Minister, Athens, 11 May 1951; EDHK/HA/2/0022/009, AERE to G. Cartalis, Athens, 7 December 1951.
[129] KKF/KKA/431/2/14, OTE Board Decision 222, 21 October 1952.

### 1.4.1 The implementation of the plan in the secondary sector

In the remaining part of this section the implementation of the industrial part of the plan within the framework of the revived Greek-German economic relations will be analysed. Until the middle of 1951 the bulk of the CLC loans to private business had been granted and thereafter, with the noticeable exception of EPK, were given only supplementary loans.[130] Until the middle of 1954 the CLC had granted $10 million to energy, $51.1 to manufacturing and $4.3 to mining.[131] The Power group, and particularly the HEAP, had received 88% of the loans to the energy sector. With the loans to manufacturing and mining, the Bodosakis group was granted 23%, two cement companies - 11.5%, three metal producing companies - 8.7%, four metal working companies - 5.11%, two wool industries - 6%, three light chemical companies shared about 3.3%, one leather company 1% and a wine company 1%.[132] The rest had been allocated to small companies.

The US company Ebasco was employed by the Greek government to report on the enforcement of the energy part of the plan, which was ultimately the basis of industrialization. Its intermediate report in middle 1949 had faced severe criticism from the advocates of heavy industry.[133] This was because it promoted the uneconomic thermoelectric facilities at Aliveri, instead of Ptolemais which was a strip-mining company, thereby undermining the prospect of the construction of the nitrogen and soda plants. Yet, for hydroelectric power it had proposed the construction of Ladon and Bodas facilities which were of minor importance, and had adopted an ambivalent position towards the Achelous project. The implication was that the adoption of heavy industry and the construction of the corresponding energy facilities would not be simultaneous as it had been scheduled one year earlier. Rather, electrification would follow industrialization.

Hydroelectric facilities, particularly the Ladon and Bodas plants, were included in Italian reparations in 1949 and constructed by the Italian company Societa

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[130] Historical Archives of the Piraeus Bank Group Cultural Foundation (hereafter GR/PIOP) GR/PIOP/FOA3/SE6/SS1/FI1, General Recapitulation, 31 December 1958, pp. 1-73
[131] Appendix 1, table 4.
[132] GR/PIOP/FOA3/SE6/SS1/FI1, CLC-EDFO General Recapitulation, 31 December 1958, pp. 1-73.
[133] Anargiros Dimitrakopoulos, ‘The Energy Problem of Greece’, *VE,* October 1949, 17-9.

Edison of Milan.[134] The exploitation of Achelous river for the production of energy and the exclusive right to utilize the energy for the adoption of metallurgical and chemical industries, had been granted to two US companies before the war.[135] It was only in April 1951 that the government renounced the contract but the ECA refused to finance its construction.[136] The project was finally included in Italian reparations in 1952, committing Greece to construct it only with Italian companies until 1958.[137] Under these circumstances the importance of thermoelectric facilities was growing.[138] Nevertheless, the situation here was even more complex.

The ECA in Greece had announced in late 1948 that the contracts with German companies for the 'geological survey and the analytical studies for the refinery of ores and lignite' were under negotiation.[139] Certainly, this confirms the claim that by 1948 the 'strategic shift' of US policy for German's recasting was in 'full swing'.[140] This section claims that this shift was even more true for the Greeks, tracing back the continuities with the pre-1945 era. Until October 1949, the coordination ministry had collected surveys for the utilization of lignite deposits based predominately upon German studies. These studies were oriented towards the refining of lignite with methods compatible with the simultaneous production of nitrogen and metallurgic coke.[141] Showing the continuity in Greek-German economic relations, all had been based upon a German study of the inter-war period whereas AEEXPL had provided data from its own research department. Within this framework, the thermoelectric facilities at Aliveri was the first major public infrastructure project which utilized lignite and was

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[134] GR/NIRSEV/SVA/226/19/030, YSESA Summary Minutes, 29 August 1949.
[135] Hatziiosif, *The Waning*, pp. 199-200.
[136] GR/NIRSEV/SVA/226/16/085, ECA/G to Georgions Papandreou, Athens, 17 May 1951; GR/NIRSEV/SVA/226/16/113, ECA/G to Sofoklis Venizelos, 17 July 1951.
[137] EDHK/HA/21/02125/024, Ioannis Zigdis to Hellas newspaper, Athens, 26 March 1952. In particular, it was reserved the unutilized amount of $15 million.
[138] GR/NIRSEV/SVA/226/28/163, I. Karavidas to the President of the Government, Athens, 26 October 1951.
[139] ECA/G, *Four-Year Reconstruction Plan for Greece* (ECA: Athens, November 1948), p. 12.
[140] Berghahn, *American,* p. 303.
[141] Coordination Ministry, *Refinery and Utilization of Greek Lignite: various Reports* (Athens: YSESA, 1950); Coordination Ministry, *Report for the production of metallurgic coke by Dr Ing. K. Baum* (Athens: YSESA, 1950).

indeed undertaken by German industry, as it was included in the trade agreement in 1950.[142]

The road for this development had opened with the refusal of the Greek government in 1946 to receive the Vremi's thermoelectric facilities provided by German reparations. These facilities would provide the intermediate solution until the enforcement of the energy plan. The HEAP, which monopolized energy, had been publicly accused by business circles at the time that it was behind this refusal. The newly established Public Power Corporation (PPC) confirmed later that this was indeed the case.[143] Under these circumstances, the HEAP was financed beyond the initial provisions of the plan.[144] This expansion was uneconomic because its facilities were not near to lignite mines and was thus obliged to burn imported oil, undermining the basic aims of the energy programme.[145] Finally, despite the disagreement of the industrial minister, Leon Makkas, who was backed by the FGI, the ECA and the PPC subordinated HEAP's expansion to Ebasco's plan.[146] Importantly, the expansion of the group had been based on German businesses before the Greek-German agreement of October 1950.

Since 1936 the Power group was mainly equipped by Siemens AG and AEG. During the occupation it had been taken over by AEG.[147] At least from the middle of 1950 HEAP had agreed for a new AEG turbine, supported this time by the FGI.[148]

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[142] GR/NBGHA/1/2/23/1, PPC, Report for the fiscal years 1950-51 and 1951-52, Athens, 5 November 1952, pp. 43;70. AEG would provide the turbochargers for the plant and Phillip Holzmann AG, along the Greek constructor Domiki, would construct the mines.
[143] Dimitris Papadimitriou, 'Vremi's Plant', *Empros*, 2 September 1948; Dim. Vezanis, 'The abandonment of Vremi's Plant', *VE*, June 1948, p. 22; 'The Responsibilities', *VE*, September 1948, 8-9; K. Karamanlis, 'The State and Vremi's Power Plant', *VE*, October 1948, p. 17; KKF/KTA/1948/29/6/8, D.P. Griswold to St. Stefanopoulos, Athens, 22 July 1948; Ibid., St. Stefanopoulos to D.P. Griswold, Athens, 6 August 1948; YDIA/1950/141/2/2, Cryptographic Telegram 240, St. Stefanopoulos to Foreign Ministry, Paris, 12 August 1948; Ibid., Cryptographic Telegram 362, Triandafillakos to Foreign Ministry, 19 September 1948.
[144] GR/PIOP/FOA2/SE2/SS5/FI52020/SFL5, HEAP, Application and Information Bulletin, 1 August 1949; GR/NIRSEV/SVA/226/31/214, Meeting for HEAP, 22 November 1950.
[145] GR/NIRSEV/SVA/226/23/135, Government Decision, Athens, 30 October 1950.
[146] GR/PIOP/FOA2/SE2/SS5/FI52020/SFL3, ECA/G Memo, W. Seymour to K. Crawford, 23 April 1951, 56-7; GR/NIRSEV/SVA/226/28/156, PPC Memo, 29 March 1951; GR/NIRSEV/SVA/226/28/150, Leon Makkas Memo, Athens, 27 March 1951; GR/NBGHA/1/2/23/1, Al. Tsatsos speech to the 1st Council of PPC, 22 December 1952.
[147] Mogens Pelt, 'Germany and the Greek Armaments Industry: Policy Goals and Business Opportunities', in *Working for the New Order: European Business under German Domination 1939-1945,* ed. by Joachim Lund (University Press of Southern Denmark and Copenhagen School Press, Abington, 2006), p. 155.
[148] KKF/KTA/1950/45/2/12, The Issue of HEAP, unsigned memo, 10 October 1950.

During 1951, it was obvious that HEAP continued to consider the expansion of its facilities exclusively with German equipment.[149] This was also true for the branch of the group which had undertaken the construction of the electric railway connection of Piraeus and Kiffisia. This branch, controlled by Nikolaos Vlangalis and Stratis Andreadis since the middle of 1950, consumed eventually $1.6 million or 37% of the CLC loans to transportation. The new equipment delivered the next year was from Siemens-Man.[150]

The most important case, which illustrates how economic necessity was combined with coordinated business and political action to restore Greek-German economic and business relations, is the Ptolemais project. In 1939 the Greek-American citizen George Filis had signed a contract with the state for the exploitation of Ptolemais' deposits. During the occupation the contract was denounced and Siemens-Halske had been involved in the plans.[151] In June 1946, the Tsaldaris government restored Filis' rights and, thereafter, the contract was renewed for the Hellenic-American General Lignite Products Company Inc, to which Filis had assigned all the rights and obligations arising from the contract. Filis was the chairman of 'The Justice for Greece Committee' in the US, and he was in contact with Venizelos and Tsaldaris, informing them, confidentially, of his actions in the US to try and resolve Greece's economic problems, including gold transfers.[152] After the termination of the civil war, Tsaldaris recommended special attention be given for the renewal of the Filis' contract on the grounds that he was a 'special Greek'.[153] Indeed, amidst allegations that the government had tricked the ECA in Greece, undermining the whole reconstruction programme, the Filis' company continued as the Ptolemais contractor.[154]

Very soon it was proved that the company was not ready to start any work and its share capital had been deposited on the expiration day in December 1950 in

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149 GR/NIRSEV/SVA/226/28/159, HEAP Report, 23 September 1951.
150 KKF/KTA/1950/46/2/10, Stratis Andereadis and Nicolaos Vlangalis to Konstantinos Tsaldaris, Athens, 5 October 1950.
151 Hatziiosif, *The Waning*, pp. 192-4.
152 GR/NIRSEV/SVA/226/12/051, G. Filis to Sophocles Venizelos, 16 August 1946; KKF/KTA/1947/23/1/15, Unsigned Cryptographic Telegram, G. Filis to K. Tsaldaris, Buffalo, 27 January 1947.
153 KKF/KTA/1949/35/3/40, Cryptographic Telegram 7084, K. Tsaldaris to Foreign Ministry, New York, 8 November 1949.
154 'The Filis' extension was misappropriated', *To Vima*, 9 December 1949; 'The Scandalous Cession', *Eleftheria*, 11 December 1949.

Drs and not in dollars, violating the terms of the contract.[155] Until the middle of 1950 the project was considered impossible, but optimism had returned immediately after Papandreou's trip to the Federal Republic in October 1950. [156] This is an indication that Papandreou had negotiated the realization of the Ptolemais project. In any case, in March 1951 it was revealed in public that the majority shareholder had become Konstantinos Gertsos, a controversial businessman accused of collaboration by business circles.[157] He was the owner of Industriebau AG of Zurich, the commercial agent of various German industrial firms in Greece, and among his close associates was Katsabas.[158] To be sure, the president of the FGI had been also accused of collaboration but he was eventually acquitted.[159]

Upon the insistence of Papandreou, and despite severe reservations, the concessionaire was granted by the CLC in the middle of 1951 a $13.8 million loan. Particularly, in respect to Gertsos' guarantees for his contribution, the BAA had reported that 'legally neither the letters from suppliers nor the deposit with the Swiss Bank have any significance' but they were simply 'moral undertakings'.[160] It was under these circumstances, that the technical survey and the machinery, as well as the credits for the concessionaire's contribution, were now scheduled to come from West Germany with the mediation of the Industriebau AG.[161] Gertsos' company would receive $0.6 million for its services. As expected, works at Ptolemais from the concessionaire never went beyond research drilling for minerals and in the middle of 1952 the company asked for advances beyond the contract's provisions. As if this was not enough, these

[155] 'The Ptolemais Contract', *Antaios,* March 1951, pp. 131-4.
[156] GR/PIOP/FOA2/SE2/SS5/FI52020/SFL5, HEAP, Application and Information Bulletin, 1 August 1949, 3-4; GR/NIRSEV/SVA/226/31/214, Meeting for HEAP, 22 November 1950.
[157] YDIA/1946/31/2, Special Collaborators' Court Investigator to Foreign Ministry, 25 July 1945.
[158] The Gertsos' family, with stakes at Greek aniline industry which supplied textiles, had accompanied in 1947 and 1948 Katsabas to Germany, mediating the purchase of new machinery for P-P, see: Christoforos Katsabas, *Believing in the future* (Athens, 1966), pp. 268-75.
[159] Kousouris, *Trials,* p.404; 'The President of Industrialists Mr Katsabas was called to apologize for Collaboration', *Eleftheria*, 11 January 1947; 'Mr Katsabas was acquitted', *Eleftheria,* 9 March 1947.
[160] GR/PIOP/FOA2/SE2/SS7/FI73017/SFL4, BAA Report No 253, 15 June 1951, p. 32.
[161] GR/PIOP/FOA2/SE2/SS7/FI73017/SFL2, CLC Minutes, 8 May 1951, pp. 2-15; GR/PIOP/FOA2/SE2/SS7/FI73017/SFL5, Industrial Project, no date, pp. 18-28; Ibid, Calvin J. Adams to CLC, 3 May 1951, pp. 29-33; The technical survey was carried out by the Maschinenfabrik Augsburg-Nürnberg A.G. (MAN). The share capital was $0.4 and the project would cost about $19 million.

severe delays resulted in the abrogation of a new plant scheduled by the PPC.[162] However, Greek-German business relations were not restricted to the above cases alone.

It has been convincingly claimed that Bodosakis' cooperation with German big businesses after 1953 was catalytic for the revival of Greek-German economic relations.[163] The archival sources utilized here show that this cooperation had started at least by 1949. Yet there is a clear continuity between the pre-1945 and post-war periods. Indeed, before the war Bodosakis had adopted relations with German businesses primarily via the armament industry EPK.[164] During occupation, the entire Bodosakis group had worked for the occupation forces.[165] Some of its companies were accused of collaboration even by business associations.[166] In late 1946, when it had become obvious that the US would step in to provide financial aid, Bodosakis acquired the internal chemical monopoly AEEXPL. This was a vertically integrated industrial and mining complex, which produced fertilizers, glass products, refractories and pesticides. The group participated in reconstruction plans mainly with this company: the companies which belonged to the group before 1945 were not included in the ERP but they were financed by the Currency Committee. The only exception was EPK, which had been 'pillaged by the occupying forces', and the company had estimated that the value of the machinery and raw materials 'stolen' was about $50 million.[167]

In 1949 the AEEXPL's investment strategy was two-fold: firstly, it aimed to consolidate its position internally with the modernization of its mechanical equipment for the existing branches and secondly to expand its works to heavy industry.[168] In respect of the first aim, until the middle of 1951 AEEXPL had been

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[162] GR/NIRSEV/SVA/226/28/169, PPC Memo to Coordination Minister, Athens, 15 November 1951; GR/PIOP/FOA2/SE2/SS7/FI73017/SFL3, Hellenic-American General Lignite Products Co, INC, to CLC, Athens, 17 October 1952; 40-2; GR/NBGHA/1/2/23/1, PPC, Report for the fiscal years 1950-51 and 1951-52, Athens, 5 November 1952, pp. 67-8.
[163] Pelt, *Tying*, p. 73.
[164] Pelt, 'Germany'.
[165] Manousakis, 'Economy and Politics', pp. 543-609.
[166] The ACCI had included the 'Hellenic Wools SA' to economic collaborators: YDIA/1946/31/2, ACCI to Ministry of Justice, 27 July 1945.
[167] General State Archives of Greece, Currency Committee Archive (hereafter GR/GAK/CCA) 639/3/7, EPK to Currency Committee, Athens, 26 March 1949.
[168] GR/PIOP/FOA2/SE2/SS3/FI32018/SFL29, Notes of Meeting with Mr Kanellopoulos, 16 November 1949, p. 22.

granted $8.2 million for its four main departments and $1.4 for its three mines. The company was treated by both the ECA and the CLC as a special case on the grounds that Bodosakis cooperated effectively. With an ECA proposal in May 1950, the cash contribution to the projects took the form of a personal guarantee by Bodosakis, initially in a reserved deposit for a future share capital increase. The next month, the CLC made a new decision enabling Bodosakis to withdraw his money and, latterly, it was agreed that AEEXPL would capitalize profits for its contribution. It was obvious that the company had exceeded its borrowing capacity and a complementary loan in June 1951 was granted only on the condition that applications for new projects would not be accepted by the CLC.[169] The company was already indebted, and its share capital was less than 20% of total liabilities in 1951 so, very quickly, it had violated all the terms of the loans.[170]

In respect to the second aim, the production of iron, nitrogen and petrol, all from domestic iron ore and lignite deposits, using German mechanical equipment and technology, were among the company's plans before the war.[171] Certainly, during late 1930s AEEXPL was cautious for the viability of such plants in Greece but it is important that after the war it returned with similar plans. In 1946 the its research department, and Bodosakis personally, had provided UNRRA's Committee for the Utilization of Greece's Natural Resources with studies which proposed the adoption of heavy industry.[172] The core of these studies, adopted subsequently by UNRRA, were essentially still the above plans which were based upon German technology, showing the continuity with the inter-war period.[173] This continuity was substantiated by the AEEXPL, which applied for the soda and nitrogen plants having already asked the German company 'Lurgi-Warme' to contact the relevant technical and economic studies

[169] GR/PIOP/FOA2/SE2/SS3/FI32018/SFL9, CLC Board Minutes, No 118/3-5-1950;122a/18-5-1950;124/24-5-1950;134/24-6-1950;183/11-5-1951;190/6-6-1951, pp. 11-89.
[170] Appendix 1, table 15.
[171] Leonidas Kanellopoulos, 'New method for iron production', *Technical Annales,* 1 July 1937, 585-9; Leonidas Kanellopoulos, 'New methods for lignite gasification for the production of nitrogen and petrol', *Technical Annales*, 1 July 1937, 585-9;
[172] UNRRA, *Plan for the utilization of Greece's natural resources,* Annex I: Synopsis of technical and economic data (Athens: UNRRA, 1947), pp. vi-ix.
[173] UNRRA, *The Mineral Wealth of Greece* (Athens: UNRRA, 1947).

from late 1949.[174] However, as these projects were linked to the Ptolemais project, they did not materialize. This continuity was more evident in mining and metallurgy.

Business historians have shown how major German businesses, such as Alfried Krupp, were rebuilt after the second world war.[175] Alfried Krupp had been condemned in the Nuremberg trials for slave labour and plundering in occupied Europe. He was sentenced to twenty years and his property was confiscated. In January 1951 he was given amnesty and he was thereafter devoted to rebuilding his firm. As a precondition for the return of the confiscated companies belonging to his firm, in July 1952 he agreed verbally that he would not be engaged with the production of iron and steel domestically. Thus, a main part of his business strategy was to build plans mainly in underdeveloped countries which followed import substitution policies, such as Mexico, Brazil and India. As will be shown, Greece was part of this endeavour for Alfried Krupp was in contact with Bodosakis from at least late 1951, aiming to undertake projects included in the plan. This cooperation proved significant for the revival and consolidation of Greek-German economic relations.

The AEEXPL's doubts in early 1947 were representative of the fears for the economic viability of iron metallurgy in Greece. The blast furnace because of the lack of domestic metallurgic coke and the small internal market; the electric furnace, which was smaller and required less coke, because of its high energy needs.[176] All the relevant studies were coming from this company and emphasized the necessity to utilize the chrome and iron nickel ore deposits at Larymna mixed with iron pyrites, the main by-product of fertilizer production. The first step was made with the attempt to utilize nickel ores.

[174] GR/GAK/CCA/639/3/11, AEEXPL to Currency Committee, Athens, 16 February 1950; Ibid, St. Kostopoulos to Currency Committee, Athens, 27 March 1950.
[175] Harold James, *Krupp: A History of the Legendary German firm* (Princeton: Princeton University Press, 2012), chapter 7.
[176] Ar. Dreleres, 'The Iron industry in Greece, *VE*, January 1947, 21-2;28.

Before the war, the mining companies which exploited Larymna's mines were controlled by the Krupp group.[177] The entire output was exported and processed in Germany with the Krupp-Renn method for its needs in iron-nickel. Being the sole nickel ore mine in continental Europe, mining at Larymna reached a peak to cover the growing war needs during the occupation. Since nickel was a strategic mineral, in 1940-1941 the Italian company AMMI had attempted to acquire the fields and the result was that after liberation the ownership of the most important of these mining companies, which had all been confiscated by the Greek state, was blurred. Its ownership was claimed by the Italian company at least from 1947, but Bodosakis and a UK company were also interested in the mines. Italy's government, being aware that behind Bodosakis was Alfried Krupp, pressed at all levels associating AMMI's rights with all the pending economic bilateral issues. With the support of the Greek government, AEEXPL eventually acquired the right for Larymna's exploitation with a long-term contract ratified in September 1952.[178] Simultaneously, Bodosakis travelled to the Federal Republic and signed with Alfried Krupp the terms for the joint exploitation of Larymna's mines.[179] Nickel iron ores would be processed using the Krupp-Renn method which did not require metallurgic coke and was based upon a pilot study made by Alf. Krupp for Larymna in late 1951. The main product was iron nickel pebbles (Loupen), which would be exported exclusively to German for further processing by Alf. Krupp to produce iron-nickel.[180] The plans did include the production of iron domestically, but this was considered to be the second step.

This was not the only effort for the production of iron domestically. In 1946, there were three companies which operated small Siemens-Martin and electric furnaces along with rolling mills to produce steel and its main final products, namely steel bars, sheet steel and wire.[181] Long before the October 1950 Greek-

[177] Konstantinos G. Karamanlis Foundation, Konstantinos Papakonstantinou Archive (hereafter KKF/KPA) Unclassified Material, Finance ministry to Foreign, Coordination and Industrial ministries, Athens, 22 August 1951.
[178] KKF/KPA/Unclassified Material, Italian Delegation Memorandum, Athens, 23 May 1951; Ibid., Italian Embassy to E. Averoff (copy), Athens, 15 September 1952; GR/NIRSEV/SVA/226/21/118, Novas to Sofoklis Venizelos, Rome, 1 July 1952.
[179] Hatziotis, *Prodromos,* p. 282.
[180] GR/PIOP/FOA3/SE6/SS3/FI3/P102/SFL1, Contract between 'Alfr. Krupp' and 'Lipasmata', 31 October 1952, pp. 6-38; FOA3/SE6/SS7/FI72048/SFL22, AEEXPL Report for the research upon the trade of Larymna's metallurgy products, August 1953, pp. 77-84.
[181] Hatziiosif, *The Waning,* pp. 165-74; Coordination Ministry, *Iron and Steel Metallurgy: Data for the adoption of Iron Metallurgy in Greece, Ad. Deligiannis* (Athens: YSESA, 1950).

German agreement, these companies were quite interested in German machinery.[182] In 1947 and 1948 their main shareholders travelled to Germany to evaluate plants provided by reparations and by late 1947 the Greek delegation to IARA had already obtained a study by the Demag AG Duisburg for complete German metallurgic facilities. The study had claimed that even the chrome iron ores would be processed profitably on this basis. However, Greek industrialists rejected the proposal to jointly operate the German blast furnace and claimed separately steelwork installations, each one for his own company, reproducing the existed fragmented structure and setting a precedent. [183] Subsequently, iron metallurgy was incorporated in the plan in 1948 only upon the insistence of the ECA. However, until the middle of 1949 the US mission had already raised doubts about the coke blast furnace. In June 1949, Greek industrialists had moved in the opposite direction now claiming the German metallurgic facilities, but they proposed to operate the blast furnace only at half capacity. One month later, without the prior consultation of the ECA, the government asked for complete iron and steel metallurgic facilities from German reparations. The plant was indeed granted, but the ECA rejected this option on the grounds that it was uneconomic. For the Greek side, the US mission had ignored the Mackenzie Engineering Ltd study, designed precisely to guide the US mission policy for the German blast furnace which had indicated the economic viability of the project.[184] Despite the coordinated efforts of businessmen and state agencies to show the viability of the project and its significance for the domestic economy,[185] since its materialization presupposed US finance, the furnace was eventually sold as scrap. As a result, the three existing companies proceeded with the modernization and extension of their steelwork installations, using grants of about $5 million. As we will see in chapter three, their output was eventually expensive and of low quality, consumed entirely by their own plants and thus metal working companies were obliged to import their raw material from abroad.

[182] GR/PIOP/FOA2/SE2/SS3/FI32041/SFL6, Coordination Ministry, Report, no date, pp. 12-21; Ibid, Economic and Technical Report, Athens, 27 February 1949, pp. 22-37.
[183] Coordination Ministry, *Iron and Steel Metallurgy: History and various Reports* (Athens: YSESA, 1950).
[184] GR/BOGHA/A5/S1/Y7/F20/, YSESA Memo, Athens, 11 March 1950.
[185] 'The Results of the Greek Committee for the Mackenzie Report', *Imerisia,* 10 April 1950.

This diverse departure for the metal producing companies was additionally burdened by their low contribution to the projects financed by the CLC loans. Each company was obliged to contribute about 30% of the total investment, the other financed by the CLC. Indeed, their contribution reached this level, but its main part was pre-existing fixed capital: fresh capital offered from industries' own sources was, on average, no more than 6%.[186] As it clearly emerges from the CLC archives, this percentage is representative of the owners' contribution to investments financed by the counterpart funds. As a result, almost all companies financed by the CLC were already indebted, and this became a permanent feature of Greek business.

The reliance upon foreign capital and technology as well as the obstacles for their inflow, are well summarized by the case of the oil refinery. Domestic industrialists claimed that despite the initial acceptance of this investment by the ECA, it had later refused it because the interests of foreign oil companies would be affected.[187] However, they also claimed that they lacked the technological capacity and the capital to develop such a complex investment so foreign capital was necessary.[188] In addition, their proposals for the construction of the refinery asked for special treatment as the companies interested in the refinery in 1951 stated that a tax exemption on profits for the first twenty years was a precondition for foreign capital to invest in Greece.[189] As chapter three will show, this project was also materialized by German businesses.

Last but not least, during this period business relations between Greek shipowners and German big businesses were also forged. State agencies had been also involved as well, showing that they cooperated in this crucial field. Immediately after the Greek-German trade agreement in October 1950, the Greek Embassy at Bonn had instructed Papandreou to include tanker orders to Hamburg shipyards.[190] Indeed, from 1951 the orders of the prominent Greek shipowner Aristotle Onassis had 'literally revived from ashes' three major

[186] GR/PIOP/FOA2/SE2/SS3, Various files.
[187] The Hellenic Literary and Historical Archive, Ioannis Frangos Archive, Unclassified Material (hereafter GR/ELIA/IFA/UM), 'ELBYN: Report on the establishment of an oil refinery in Greece', 08 January 1951.
[188] GR/ELIA/IFA/UM, S. Restis & Co: Note on the establishing of an oil refinery in Greece, 17 May 1951.
[189] GR/ELIA/IFA/UM, ELBYN: Report, 08 January 1951.
[190] YDIA/1955/23/2, N. Kabalouris to Military Mission at Berlin, Hamburg, 2 November 1950.

German shipyards.[191] As will be shown, such cooperation had crucial implications for Greece's participation in European integration.

## 1.5 Conclusion

This chapter has shown that during this period the parameters within which Greece's political economy evolved over the next decades were defined: rapid industrialization to solve the *imbalance problem*. Business was instrumental in this outcome for the FGI supported this solution from the inter-war period, asking for an import substitution strategy. Yet the federation actively backed the gold sales policy and defended the notion of capital scarcity upon which state agencies were based in asking for US financial assistance in order to resolve the imbalance problem. Equally important, businessmen and state agencies agreed that the main danger was coming from the communists. Certainly, it was the combined efforts of businessmen and state agencies which had resulted in the US intervention.

The evidence presented has also shown that it is simplistic to advocate that domestic business was indifferent to the adoption of heavy industry, judged from the FGI's stance alone. The federation was, indeed, against the development of heavy industry but the Bodosakis group, which at the time controlled more than one fifth of Greek manufacturing, had decisively supported this option. Even more, state agencies were divided and there is evidence that there were actually two camps, one close to the FGI and the other close to Bodosakis. The US mission was decisive in supporting those in favour of the adoption of heavy industry.

The plans for energy and heavy industry did not materialize not only because the US mission stepped back very quickly and the Greek state agencies had resisted reforms. Evidence also show that under the ideological umbrella of anticommunism were legitimated policies like gold sales and major projects were granted to businessmen only because they were political friends. The fate of the Ptolemais project is the epitome of the prevailing state-business relations

[191] Gelina Harlaftis, 'The Onassis Global Shipping Business, 1920s–1950s', *Business History Review* 88-2 (2014), 258.

in this respect. Equally important, the construction of major projects was based upon German businesses and technology from the very beginning, and progressively after 1950, upon German finance. Among the main problems for their progression was that many of the Greek agencies of German companies, the confiscated companies, had a Nazi or a pro-Nazi past. The attempts to circumvent these 'obstacles', for example for the Ptolemais and Larymna projects, illustrate the peculiar circumstances within which Greece attempted to industrialize during the first substantive phase of European integration. They also illustrate how German big business revived in the post-war era and was able to re-equip Greece.

Even if the allocated counterpart funds to the secondary sector was limited, they stabilized the internal position of the main big businesses and this was especially true for the Bodosakis group, the Power group, the two cement industries, along with a handful of metal-producing and metal-using companies. As we will see in the next chapter, this came at the cost of their progressive exposure to international competition.

# Chapter 2 Encountering the customs union, the Code of Liberalization and the European Payments Union (EPU)

This chapter examines the formulation of Greece's European strategy within the framework of US intervention and the need to promote exports to German, which had entailed Greece's participation in the international and regional trade liberalization schemes. The chapter comprises of four sections. The first section explores the accumulation strategy of the FGI after 1945, showing that it was an import substitution strategy as advocated by the federation since at least the 1920s. The federation, on the basis that domestic production costs were high, asked on the one hand for the liberalization of imports for essential foodstuffs and raw materials and, on the other, for restrictions of imports of final goods produced domestically. For exports, the federation demanded direct export subsidies and the granting of the drawback right. For its realization, the FGI had formed an alliance with the ACCI and the government at least from late 1949, pressing simultaneously for uninterrupted gold sales and the utilization of private exchange. This set of policies, applied since early 1946, was subsequently questioned by the US mission which imposed import restrictions and asked for the progressive reduction of the tariff protection of industry.

The second section begins with the participation of Greece in the GATT which took place under the guidance of the US. To promote agricultural exports, the Greek state reduced tariffs for industrial products and attempted to form an alliance with Middle Eastern states, aiming to channel its industrial exports to these markets. The section then proceeds with the analysis of Greece's strategy towards the customs union and the proposals for liberalization within the European movement. Since Greek industry was uncompetitive, suffering from low productivity, Greece rejected the customs union in 1948. The next year it elaborated its European strategy with the European movement. Capital inflows and labour outflows to Europe, along with the promotion of agricultural exports, were the main preconditions for Greece's participation in European integration. Subsequently, with US encouragement, Greece adopted the Code of

Liberalization which very soon proved that the opening up of the economy was premature.

The resumption of trade relations with the Federal Republic is examined in section three. The reduction of US aid underlined the dependence of Greece upon the German market which absorbed Greece's overproduced tobacco and supplied he reconstruction goods esteemed by both businessmen and state agencies as vital to the solution of the imbalance problem. Pressing for the removal of the obstacles which the Nazi past had inherited, German businesses and the Federal Republic accepted the Greek appeal, aiming to regain not only the Greek market, but also Middle Eastern markets too. This was facilitated by the EPU multilateral offsetting mechanism, casting light upon the forces which drove integration between unequal partners.

The last section considers the policies adopted to promote exports and to preserve exchange after the reduction of US aid. It is shown that they aimed to deal with the overvalued Drs, but they were rejected by the GATT and the devaluation in early 1953 was chosen as the alternative. Subsequently, it evaluates the export performance of Greek industry financed by the counterpart funds, illustrating the pressure which the FGI exercised upon the government to devalue.

## 2.1 FGI and its fellow travellers encounter the Foreign Trade Administration

### 2.1.1 Exports and production costs

During the 1920s the FGI had noted that Greece was still an agricultural country and underlined the need to boost industrialization. To achieve this goal, the federation claimed that Greece had to emulate the industrial and commercial policies which had stimulated the industrialization of the advanced economies:

> We are most interested in the tactic prevailing at the time in today's major industrial powers because it was the system which created the industrial acme of these states and it was therefore completely successful.[1]

As Hatzikiriakos explained, this system was protectionism underling that 'free exchange' inevitably 'destroys' infant industry.[2] In particular, he claimed that protection had enabled industries, such as British, German and French, to grow undisturbed within their internal markets. Subsequently, these industries were able to reach further economies of scale assisted by dumping their surplus production abroad. This was the core of the accumulation strategy which the FGI considered to be appropriate to boost Greece's industrialization. It was a clear import substitution model and for the federation its realization presupposed three state policies.[3] Firstly, the state had to prohibit imports of manufactured goods produced domestically. Secondly, it had to abolish all the obstacles and charges for the importation of both raw materials and machinery. Thirdly, it had to facilitate exports with the drawback right.

In 1945 the accumulation strategy of the FGI had hardly changed from the inter-war period. For the federation, the industrial policy during 1945 had prevented the revival of production and this simply meant that it had also prevented the 'saturation' of domestic needs and consequently industrial export plans for the year 1946 which had 'collapsed pitifully.'[4] Conversely, a 'healthy' industrial policy would very soon enable internal consumption needs to be satisfied, opening the road for an 'export programme to neighbourhood countries'.[5] For this reason, it asked state to return tariffs and taxes of imported raw materials (drawback right) and to abolish other production costs, such as municipality taxation, when manufactured goods were exported.[6] The US intervention forced the federation to further clarify its proposed policy. Its rationale was clarified in its reply to the Porter questionnaire particularly for industrial exports in January 1947.[7] For the federation, limited exports were the result of the still low level of

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[1] Andreas Hatzikiriakos, *Industrial Policy* (Athens: FGI, 1929), p. 16.
[2] Ibid., p. 17.
[3] Ibid., pp. 13-14;23-29; Nikolaos Dedes, 'The national significance of Industry and Handicraft and the state's mission, *VE*, August 1934, pp. 9-10.
[4] FGI, *The Greek Industry during 1945* (Athens: FGI, 1946), p. 9.
[5] 'The Future of Greek Industry', *VE,* June 1946, pp. 11-4.
[6] FGI, *Memo*, p. 24.
[7] FGI, *The Greek Industry during 1948* (Athens: FGI, 1949), p. 39-40.

production, high domestic prices and high transportation costs. Import liberalization of essential goods and raw materials would, directly or indirectly, reduce labour and other production costs. This import policy, along with state export subsidies derived from a levy imposed upon non-essential imported goods, would encourage industrial exports.

Thus, the federation had not opposed the liberalization of trade, introduced alongside gold sovereign sales by Greek governments from late 1945. As it argued, the reason was that it would reduce domestic prices and costs. The list of liberalized items did include some industrial products, but in early 1946 domestic production barely exceeded 40% of the pre-war level and thus imports posed limited pressure upon domestic production. Essentially, the list was dominated by basic foodstuffs and raw materials which would be freely imported either by letters of credit or against shipping documents.[8] This import policy was also a constant demand of the ACCI.[9] From its side, the British were ambivalent, and research has shown that they had accepted this liberal trade policy mainly for political reasons.[10] Based upon the above selective liberal commercial policy, businesses represented by the FGI and the ACCI had formed an alliance with the government after March 1946. It was this policy that was rejected by the AMAG in the middle of 1947. Instead, as will be argued below, the US mission attempted to organize the introduction of the Greek economy to the international circuit of capital from above by consolidating extensive quantitative import restrictions, adopting a new subsidization system and guiding the whole commercial policy within the OEEC framework.

The first substantive measure adopted by the US mission was the systematization of the import system which, following Porter's report recommendations, was already applying extensive quantitative restrictions from early 1947. The Foreign Trade Administration (FTRAD) from October 1947 onwards adopted a tight control upon imported goods through a complex system of import licencing, aiming primarily to preserve exchange. About half of these imports were registered on the public accounts and were allocated by the state, or state-

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[8] 'The Ministerial Decision for Imports', *To Vima,* 16 February 1946.
[9] KKF/KTA/1946/11/4/1, ACCI to Th. Sofoulis, Athens, 15 January 1946.
[10] GR/BOGHATSF/3/1/2/201/10, Greek Government – BEM – UNRRA, 27 February 1946; Lykogiannis, *Britain,* pp. 144-5;180-90.

controlled agencies, aiming to control prices. The bulk of these imports were basic foodstuffs, fuel and nitrogen fertilizers.[11] Importers had a direct economic interest to contact these imports. On the grounds that 'mass imports' would reduce domestic prices, the ACCI asked for their privatization and the abolition of quantitative restrictions for 'some basic' goods and 'raw materials', utilizing private exchange for this purpose.[12] This was precisely the FGI's argument communicated to both the government and AMAG by two memos sent in March and May 1948, respectively. In particular, the federation considered that free 'mass imports' of 15-20 essential products, raw materials and spare parts, would reduce internal prices and subsequently production costs.[13] The FGI's and ACCI's demands were in turn identical to those employed by finance minister, Helmis, to AMAG. Actually, two draft memos of Helmis to AMAG's governor Griswold included entire sections of the two FGI memos verbatim notably those that concerned mass imports.[14]

These demands were rejected out of hand by the US mission, reminding authorities that the trade deficit, and particularly the dollar-gap, was huge.[15] As far as imports by private exchange were concerned, the fear was that this practice would encourage demand for foreign exchange in the free market and consequently increase exchange price, thus causing speculation and capital flight which would simultaneously increase the value of gold sovereigns and subsequently domestic prices thereby initiating a vicious inflationary cycle. For this reason, as it was clearly explained in the memos of the coordination ministry and the ASA head, Diomidis, who had also asked for the utilization of private exchange, all these claims were accompanied by demands for the intensification of gold sovereign sales as an inti-inflationary measure.[16]

The second substantial policy concerned exports. Specifically, exports in 1946 covered only 12% of imports and their state promotion was of paramount

[11] YDIA/1950/115/1, Ministry of National Economy to Foreign Ministry, Athens, 14 January 1950.
[12] 'The Issue of Exports. Chambers' Common Memo', *ACCI Bulletin,* March 1948, pp. 85-6.
[13] FGI, *The Greek Industry during 1947* (Athens: FGI, 1948), p. 52-3; FGI, *Greek Industry and the European Recovery Programme* (Athens: FGI, 1948), pp. 22-3.
[14] KKF/KTA/1946/14/6/50-51, To his Excellency Mr. Griswold, 1948; KKF/KTA/1948/29/9/4, In respect to the Economic Sector, 1948.
[15] KKF/KTA/1948/32/2/28, 3 July 1948.
[16] GR/NBGHA/1/2/22/86, Coordination Ministry Memo, 2 February 1948; KKF/KTA/1948/29/5/25, Al. Diomidis, Memo for free Exchange, 15 June 1948.

importance. Naturally, AMAG made it clear in July 1947 that any decision for export subsidies had to be postponed until the arrival of its head in Athens.[17] Indeed, the introduction of the exchange certificates was the second measure adopted by the FTRAD. It attempted to check the adverse effects of the low productivity and the overvalued Drs on the balance of trade by subsidizing exports by means derived from a tax imposed upon imports. The FGI agreed with both the necessity and the scope of the measure, but it expressed its dissatisfaction because it had not been consulted by AMAG officials.[18] However, the federation soon asked for additional measures.

For the FGI under-consumption prevented the realization of industrial production. It proposed that manufactured exports should be promoted by any means, either by free exchange or by private barter.[19] In the first case, the exporter would assign half of the exchange received plus the price of the exchange certificates to the BoG, and with the other half he would import products from the import lists.[20] As was mentioned above, an equivalent demand for private exchange from Greek businessmen was rejected by the US because it would raise domestic prices and capital flight. As far as exports through private barter were concerned, this was also a constant demand by the Panhellenic Union of Exporters and the ACCI. It was an export policy already applied by the ministry of national economy and such exports as a percentage of total exports which accounted for 33% in 1947, 31% in 1948 and 26% in 1949.[21] Because basic exportable products, mainly tobacco and minerals, were not absorbed through clearing or bilateral agreements, they were promoted by private barter. In this latter case, they were additionally subsidized by a premium which was above the exchange derived from the export at the official rate plus the exchange certificates. This meant that goods imported through private barter were more expensive than those imported through clearing or bilateral agreements by an amount theoretically equal to the premium. The result was that imports through private trade dragged domestic prices upwards for many products, accruing simultaneously excessive profits for importers through clearing or bilateral

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[17] YDIAMP, AMAG Chief Griswold to PM Maximos, 16 July 1947, p. 148.
[18] FGI, *The Greek Industry during 1947* (Athens: FGI, 1948), pp. 16-7; FGI, *The Greek Industry during 1948* (Athens: FGI, 1949), p. 35.
[19] FGI, *Greek Industry and European Recovery Programme* (Athens: FGI, 1948), pp. 56-7.
[20] FGI, *The Greek Industry during 1947* (Athens: FGI, 1948), pp. 56-7.
[21] BoG, *Annual Reports, various years*.

agreements. Naturally, the aim of the ministry of national economy was to restrict them.[22] However, because of the substantive lack of competitiveness, private barter was promoted and, when it was rescheduled in March 1949, the lists included resin products, cement and cotton textiles.[23] Despite this kind of subsidy, exports of these products was almost absent.

The third substantial policy adopted by the FTRAD was the direct guidance and supervision of the bilateral negotiations of Greece with OEEC countries for the utilization of the drawing rights allocated through the ERP for the first fiscal year.[24] The ECA aimed to boost intra-European trade in order to reduce the dollar gap on the continent and for Greece it covered the trade deficit with the OEEC participants with $66.8 million.[25] The FGI had a direct interest in the negotiations because Greek agricultural exports were largely exchanged with both consumption goods and capital goods. Again, finance minister Helmis had proposed that Greek delegations should include highly ranked FGI officials, suggesting specifically Alexandros Tsatsos, Konstantinos Nevros, Simeon Siniosoglou, and Georgios Drakos.[26] However, the three delegations, eventually charged to conduct direct negotiations, did not include industrialists. Instead, they were headed by highly ranked state managers of the ministry of national economy, all supervised by Theodoros Christidis and Konstantinos Lavdas in Paris and Granby from the FTRAD in Athens.[27]

### 2.1.2 Imports and production costs

The affinities between the pre-war and the post-war accumulation strategy of the FGI are even more clear in the field of protection. For both state agencies and businessmen, it was exactly the complex customs tariff and the extensive import quotas for manufactures, to which the inter-war rapid increase of industrial production was mainly attributable. Based precisely upon this

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[22] 'The Problem of Private Barter', *ACCI Bulletin,* August 1948, pp. 388-90; 'One Side of Private Barter', *ACCI Bulletin,* October 1948, p. 457.
[23] 'Private Barter: The new system', *ACCI Bulletin*, April 1949, pp 137-43.
[24] YDIA/1949/118/3/1, History and Status of Greek Bilateral Negotiations as of December 17 1948, 18 December 1948.
[25] YDIA/1949/118/3/1, Political Affairs Council, 9 November 1948.
[26] GL/KAV/1099/3, Finance Minister's Memo, Paris, 11 October 1948.
[27] YDIA/1949/118/3/1, Foreign Ministry to Greek Delegation to UN, Paris, 25 October 1948.

experience, they subsequently derived the necessity for protection of both existing and future industries.[28]

The pre-war customs tariff applied to specific duties.[29] During the war, it had been amended but in early 1945 its structure and logic were still untouched.[30] After the war, since it was still predominately a specific customs tariff and thus duties were not calculated as percentages of the price of each imported good but were charged specific amounts, it could not be easily adjusted to the price index which had sky-rocketed. Even if as a rule adjustment followed the rhythm of devaluations, to the extent that devaluations did not match inflation, general protection lagged behind pre-war levels. For this reason, in early 1948, the customs duties were of limited importance for fiscal purposes.[31]

The FGI had first mentioned the customs tariff as a bulwark to foreign competition in 1946 when trade was liberalized, but it had not asked for its adjustment to the price-index because this would affect prices.[32] Instead, the FGI related its adjustment to labour costs, showing that for the federation the level of tariff protection was primarily a function of domestic production costs. However, in 1948 the pressure from below for tariff protection was still limited, simply because import quotas provided definite protection for almost the entire industrial production. This is clear from the import lists published by the ministry of national economy and the FTRAD during the years 1948 and 1949. This was feasible because AMAG estimated that the government's protectionist policy, based on the need to preserve the 'capital and the labour employed' and to conserve foreign exchange, was 'clearly necessary'.[33] This reasoning was valid to the US mission even for imported goods, like textiles, which were cheaper than those produced domestically. In other words, in 1948 there was a consensus between the FGI, the Greek government and the AMAG for the necessity of

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[28] RO, *Reconstruction Programme*, pp. 39-52; FGI, *Greek Industry and European Recovery Programme* (Athens: FGI, 1948), pp. 12-3; 'The restrictions of Greece's external trade', *Bulleting of the Customs Tariff Directorate* (hereafter *BCTD)*, 1949, no 2, pp. 69-74.
[29] 'Metallic drachmas: Historical Evolution', *BCTD*, 1949, no 2, pp. 62-5; Ioannou L. Fragou, *Customs Economy* (Athens, 1959), pp. 140-3;210-6.
[30] YDIA/1946/139/3, Finance Ministry to Foreign Ministry, 13 April 1945.
[31] KKF/KTA/1948/29/1/6, Memo: For Custom Duties receipts, Finance Ministry, 12 January 1948.
[32] FGI, *Memo*, pp. 21-2.
[33] 'The American Mission and Greek Foreign Trade', *ACCI Bulletin*, March 1948, pp. 127-9.

industrial protection as the appropriate means for achieving the country's viability.

However, this reasoning was progressively challenged. In early 1948 AMAG had recruited the American specialist, David Lynch, to report on the status of the Greek customs tariff. The report challenged directly the scope of the customs tariff and indirectly the existing state-business relations which had been nourished simultaneously.[34] Firstly, the report criticized the complexity of the customs tariff, urging its simplification. Secondly, it suggested the adoption of the League of Nations' classification and its transformation from specific customs tariffs to ad valorem ones. Thirdly, despite the fact that general tariff protection was limited, some industries enjoyed unreasonably high protection. The report firmly pointed out that selective protection had resulted in the creation of private monopolies and had led subsequently to high domestic prices. For these reasons, the US official asked the state to protect only viable, existing or future industries and sectors. It concluded with a clear mandate for uneconomical and unviable industries: modernization or liquidation.

For Greek state managers liquidation of uncompetitive industries meant, at least in the short term, that the ability of the economy to absorb the surplus population was reduced and subsequently the endeavour to reduce domestic prices and production costs was endangered. This was clearly depicted in the plan submitted to OEEC in November 1948 which recognized that tariff protection should consider real costs so as to reduce prices and extraordinary profits.[35] The alternative was indeed modernization, which was pursued through the Marshall Plan, but for the FGI this prospect was handicapped by high production costs. For this reason, the federation claimed that the level of production costs was the only appropriate criterion for the adoption of the tariff policy and in general for the level of protection.[36] Thus Lynch's suggestions challenged the core objectives of the post-war industrialization endeavour as

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[34] David Lynch, 'Report for Greece's Tariff Policy, *BCTD*, 1949 no 2, pp. 3-47; 'P. Papatsonis Memo', 22 April 1948, *BCTD,* 1949, no 3, pp. 45-51.
[35] ASA, *Provisional*, p. 129.
[36] Dionysios Matzoulinos, 'The Genova Agreement for Tariff and Trade, *ACCI Bulletin*, February 1949, 42-4; Dionisios Matzoulinos, 'The Tariff Agreements of Greece at Annecy', *VE,* February 1950, p. 16; Dionisios Matzoulinos, 'The Greek industry of the Annecy Agreement', *VE,* March 1950, p. 20;

they had been conceptualized and pursued by domestic state agencies and businessmen through the utilization of the Marshall Plan.

## 2.2 Entering the international arena: too early and too weak

The US aim of fostering self-sufficiency through the ERP funds and its intention to relate it with a European customs union was a well-known fact at the coordination ministry. Certainly, the Greek Marshall Plan Committee had based its proposals upon these two dimensions stating that Greece had started to explore the potential of a Greek-Turkey customs union and it was also a founding member of the European Customs Union Study Group.[37] The sources show that Greece considered seriously only the Greek-Turkey customs union as compatible with its export business interests to the Middle east region, whereas the European customs union was rejected. On the one hand, for Greece, European markets, and especially the German one, were of paramount importance because tobacco exports were the backbone of total exports. Their importance lay not only in their significance for the maintenance of political stability in the northern provinces which produced the bulk of tobacco but, as it became obvious in the previous chapter, it constituted the balance of payments defence for economic development. On the other hand, as contemporaries argued, this market threatened its vulnerable industrial base.

### 2.2.1 Better at the top of the East than in the tail of the West

The consultations for the Greek-Turkey customs unions were intertwined with the negotiations for the enforcement of the US Open Door policy at the international level. The coordination ministry had comprehended that the draft charter of the International Trade Organization (ITO) was essentially the US's commercial policy aiming to establish 'free trade and the clause of most favoured nation'.[38] Multilateral trade challenged Greece's commercial policy which, aiming primarily to promote tobacco and raisins, was based instead upon bilateral agreements and discrimination. Pressed by the huge trade deficit, the

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[37] GR/NBGHA/1/32/1/34, Coordination Ministry, 'The Marshall Plan and the foundation a European Customs Union', 1947; Ibid, Greek Committee for European Economic Cooperation, Introduction, December 1947.
[38] YDIA/1947/143/1, Alexis Kyrou to Coordination Ministry, New York, 17 October 1947.

Greek delegation arrived at Havana with the clear 'mandate to accept everything, as far as it could guarantee the tariff free placement of tobacco'.[39] For the protection of industry, the delegation had no specific demands because the government was aware that this issue would be sufficiently covered by the demands of other countries.[40] The issue did not pass unnoticed by the FGI, which subsequently complained about the above priority. However, for the federation the real issue at stake at Havana was whether underdeveloped states could protect their industries unilaterally or whether the prior approval of the organization was necessary.[41] It seems that these demands were indeed covered, because Greece retained the right to impose import quotas and tariff restrictions and, additionally, to discriminate via bilateral agreements at least until 1952.

At the negotiations, Greece sided with middle and far east countries and in December 1947 they made a common proposal for mutual preferential tariffs. This initiative was related to Greece's effort for import penetration to the Middle East with industrial products, a prospect which was discussed periodically among business circles at the time.[42] Indeed, the Middle East had been the main market targeted by the FGI at least since the 1920s.[43] In fact, it was a pre-war market for AEEXPL, which exported fertilizers during the inter-war era and Bodosakis had targeted this region for industrial exports back in 1942.[44] It was within this framework that the Greek-Turkey customs union was pursued, but the prospects were not encouraging as both countries were agricultural and thus not complementary economies.[45]

However, it was recognized that Turkey could potentially absorb manufactured goods such as metalworking products like agricultural tools and machinery or aluminium and enamel utensils. The list also included cement, textiles, resin products, fertilizers, glass and paper and as the ACCI reported, the prospects for

[39] YDIA/1947/143/1, P. Papatsonis, For the course of the discussions at Havana's International Conference, Havana, 10 December 1947.
[40] YDIA/1947/143/1, Anagnostopoulos Report, Ministry of National Economy, Athens, 16 November 1947.
[41] Matzoulinos, 'The Genova', 42-4.
[42] 'Our Exportable Products', *ACCI Bulletin*, August 1948, pp. 359-64.
[43] GR/NIRSEV/EVA/173/170/42, FGI to the President of the Government, Athens, 12 May 1930.
[44] Pelt, *Tying*, p. 72.
[45] YDIA/1948/153/1/1, I. Fragos Report, 24 January 1948; Ibid, K. Argyros Report, 6 February 1948; Ibid, I. Komitsas Report, 2 January 1948.

the wider Middle East market were similar.[46] Despite reports which mentioned that Greek products were expensive for the Middle East, there was evident euphoria among state managers because they considered that the Havana Charter enabled Greece to dominate the Middle East region industrially. As was stressed by Ambassador Pappas, 'better at the top of the East than in the tail of the West.'[47] Thus, whereas Greece was oriented towards the Middle East as a future export market for industrial products, for its overproduced tobacco and raisins it was instead oriented towards European markets. This prospect, however, endangered domestic industry.

As the Havana Charter was facing obstacles, negotiations for international trade were running in parallel through tight bilateral negotiations based upon the clause of most favoured nation. In February 1948, the US Embassy had urged Greece to implement Lynch's recommendations to prepare the customs tariff for negotiations at Annecy, insisting upon the necessity for its simplification, its transformation to *ad valorem* tariffs and the adoption of new classifications.[48] However, two months later the customs tariff was pretty much the same. As expected, the Greek delegation at Annecy discussed the issue directly only with the US and eventually the customs tariff transformation to *ad valorem* was postponed and Greece had to adjust duties to cover fluctuations in the gold price above 20%.[49] As far as the criteria for tariff protection were concerned, the US Embassy had departed from the Lynch suggestions and instead it was closer to the FGI and Greek state managers, suggesting the criteria should be domestic prices, the exchange rate and the demographic problem. For the FGI there was no doubt that GATT, by prioritizing tariff disarmament, simply threatened to flatten the Greek economy[50] thus the federation urged the government not to adopt Lynch's criteria.[51]

The delegation departed for Annecy with the formal instructions to protect the gains at Havana and for industry to defend 'fair protection where needed',

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[46] ACCI, *The Chronicle of the Sixties 1941-1947* (Athens: ACCI, 1948), pp. 305-6.
[47] YDIA/1948/181/1/2, Political Affairs Council, 09 July 1948.
[48] YDIA/1949/151/7, Finance Ministry, Transmission of US Embassy's Report, 15 February 1949.
[49] YDIA/1949/151/8, Memorandum of conversation, 19 April 1949; Ibid, Papatsonis to Foreign Ministry, Annecy, 23 May 1949.
[50] FGI, *Federation of Greek Industries 1907-2007*, p. 330.
[51] Matzoulinos, 'The Genova', p. 42.

considering the status of existing and potential industries.[52] A close reading of the sources shows that the strategy employed was even closer to the position of both the FGI and the US embassy. At the ministerial meeting, preoccupied with the formulation of the negotiation strategy, the coordination minister, Stefanopoulos, suggested that Greece should defend the 'status quo of industrial protection until it becomes an industrialized nation.'[53] The continuation of this status quo was supported by arguments which resembled the FGI's rationale. In particular, Diomidis as a precondition for the previous reduction of production costs through the utilization of the ERP funds and by finance minister, Helmis, on the lack of any data indicating the level of protection. As the delegation's head stated, Greece accepted tariff reduction only when they did not affect 'existing and necessary' industries.[54] The negotiations at Annecy did include tariff concessions for Greek industry opposed by the FGI but this was not the sole criterion for the federation's attitude towards the GATT. [55] First, the federation was aware that Greece's participation in GATT was inevitable because the US had shown a special interest in this. Secondly, the domestic economy could not be isolated from international markets. Thirdly, the structure of Greek trade meant that it was unavoidable for Greece to open its borders to manufactured imports to promote agricultural products.

### 2.2.2 The customs union

The study group was charged with the responsibility of examining the prospect of a European customs union by reporting on the consequences of tariff reduction on national economies and to prepare the harmonization of national customs tariffs. For these reasons, it established the Economic Committee and the Experts Committee respectively. In March 1948, the study group specified the competencies and the programme of the Economic Committee and subsequently it received preparatory reports of the participating countries. The Greek finance ministry consulted with the FGI which reported on the

[52] YDIA/1949/152/5, Instruction to the Greek Delegations departing for Annecy, no date.
[53] YDIA/1949/152/1/3, Minutes of Meeting for the position of Greece at Annecy, 30 March 1949.
[54] YDIA/1949/151/6, Council of Political Leaders, 17 May 1949.
[55] Matzoulinos, 'The Genova', 42.

consequences of tariff disarmament upon these products.[56] The customs tariff division of the ministry reported subsequently to the Economic Committee that Greece, as a special case, was not able to participate in the customs union because this would severely affect its state budget, its exchange reserves, capital and the labour employed in industry. Since it was not clear whether European state monopolies would absorb tobacco and raisins, the report concluded that the consideration of the customs union would be feasible for Greece only after its appropriate industrial development, which presupposed a reconstruction plan and capital inflows.[57] Employing identical arguments, finance minister, Helmis, made it clear that the Greek economy was not ready to join the customs union at this stage.[58] In October 1948, the Economic Committee, based on the reports of the participating countries, published its general report.[59] It stated that it would consider each economic sector separately and it was clear that the customs union was essentially postponed. Both the finance and foreign ministries expressed their satisfaction, stating once more that Greece needed time for its reconstruction in order to resolve its overpopulation problem.[60]

### 2.2.3 The European Unit Movement and the elaboration of Greece's formal European strategy

This familiar argument was not really different from that advocated within the European movement. As shown in the introduction of this part, the Greek position had been derived from the government's pro-European public attitude. Certainly, there was a rhetoric from the Greek side claiming that a federalist Europe would stop 'fraternal disputes'.[61] A close reading of the sources shows, however, that there was an expectation that a united Europe could undertake, in the future, the role of the US. Indeed, there were those who claimed that a 'European Union' would 'guarantee' Greece's sovereignty and 'save' its

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[56] Dionysios Matzoulinos, 'Towards a European Customs Union', *ACCI Bulletin,* November 1948, 500-3.
[57] 'The Evolution of the Economy and the Tariff Policy of Greece', *BCTD*, 1949 no 3, 3-10.
[58] YDIA/1948/189/3, Finance Ministry to Foreign Ministry, 25 May 1948.
[59] 'Announcements: for the works of the Customs Union Study Group', *BCTD*, 1949, no 3, pp. 23-31.
[60] GR/ELIA/IFA/UM, Foreign Ministry to Finance Ministry, 16 December 1948; Finance Ministry to Foreign Ministry, 21 December 1948.
[61] YDIAMP, G. Mpakopoulos to Foreign Ministry, Athens, 28 September 1948, p. 106.

economy.[62] Beyond this, this rhetoric might have had the motive to reassure the US. In particular, the head of Greece's delegation to the OEEC, who had been asked to assist with the work of Greece's representatives to the Council of Europe, was clear enough. Being close to the OEEC's reality, he considered that the commercial interests of European states had finally conditioned their attitudes within the movement and believed that the 'European economic cooperation' was only an 'American fantasy'.[63] Yet he suggested that the government supported the initiatives backed by the US simply because Greece received American money within the OEEC.

Certainly, the expectations of Greece from a united Europe were not clear in 1948 but they were progressively shaped and in 1949 they were clarified constituting its formal European strategy. In April 1948 at the Hague, where the Congress of Europe took place formalizing the European federalist movement, Greek business summarized what its domestic economy needed from a united Europe. The ACCI's head, Apostolos Poulopoulos, initially mentioning that Greece was still at war, asked for preferential treatment for Greek agricultural products. Similarly, he claimed protection for industrial production not out of 'mere economic interest' but for the protection of 'social life and economic activity'.[64] The Greek stance was further clarified one year later at Westminster, where the Council of Europe was established. However, Greece's participation in the Council was uncertain. At the time, the majority of Greek resistant leaders were still involved in the civil war and it seems that this had weighed considerably on the leaders of the European movement. Indeed, Paul-Henri Spaak had rejected Greece's participation in the formal European movement because, as Makkas informed Tsaldaris, the civil war continued.[65] Certainly, the participation of Greece in the Westminster conference required coordinated diplomatic efforts, including the endeavour to overcome Spaak's objection.[66]

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[62] KKF/KTA/1949/37/1/52, Nik.G. Rodopoulos to Konstantinos Tsaldaris, Athens, 1 November 1949.
[63] KKF/KTA/1949/37/1/36, Telegram 2455, Verdelis to Konstantinos Tsaldaris, Paris, 22 August 1949.
[64] 'The Hague Conference', *ACCI Bulletin*, May 1948, p. 235.
[65] KKF/KTA/1949/30/7/13, Telegram 52064, Makkas to the government vice-president, Athens, 1 October 1948.
[66] YDIAMP, L. Melas, Ambassador at London, to Foreign Ministry, 20 February 1949, pp. 117-8; Ibid., T. Triantafillakos, Ambassador at Brussels, 22 March 1949, p. 118.

Under these circumstances, the Hellenic League for European Cooperation attempted to link coherently for the first time, Greece's European policy with the core objectives of Greece's developmental strategy. The League's report for the European Economic Union was prepared by a special committee headed by the economic advisor of the foreign ministry, Kouklelis, assisted by the FGI's vice president, Alexandros Tsatsos, and ACCI's head, Poulopoulos.[67] The report had two parts, each with quite different reasoning. The first part enumerated the likely results of the Economic Union for the Greek economy. First, the Union would provide export outlets for its overproduced agricultural products and minerals. Second, it would employ its fleet with European reconstruction cargos and attract more tourists. Third, Greece hoped that, within the Union, it would find the appropriate capital to fund its economic development, replacing US aid when it was terminated. Last but not least, the Union would absorb Greece's surplus population.

The second part was indeed different. From an industrial point of view, Greece was not able to participate in the Union until it took its final political shape and becomes able to accept immigrants. The development of its industry was seen as the only way to absorb the provincial semi-idle labour force and, in this way, to increase productivity and income in the agricultural sector, providing, in turn, the means to boost internal demand for industrial goods. Thus, considering its exceptional circumstances, the Greek state would not reduce its 'barriers to trade' before industrialization and reconstruction.[68] As Kouklelis clarified, the report was based upon the assumption that industrialization was the only solution to the Greek 'problem' posed by the labour inflows which, following the Asian Minor 'catastrophe', had 'disintegrated the existing balance between the population on the one hand and the land and production equipment on the other.'[69] It was clear that the imbalance problem, as it had been elaborated by Zolotas, was at the centre of Greece's formal European policy. Certainly,

[67] 'Report for the European Economic Conference, Hellenic League for European Cooperation', Hellenic League for European Cooperation, *Information Bulletin*, March 1949, pp. 1-20.
[68] Ibid, p. 9.
[69] YDIA/1951/34/3/1, Political Affairs Council, 08 March 1949.

Kouklelis was a close collaborator of Zolotas and in October 1948 they had both visited the US economics minister to discuss Greece's participation in the ERP.[70]

At Westminster in April 1949, Kouklelis delivered a speech which attempted to reconcile the two contradictory parts of the report and attract the interest of the participants.[71] The Greek delegate spelled out that the achievement of economic unification, which would undoubtedly increase incomes across the Union, was impeded by the resistance of the affected national economic and business interests. If unification was to progress, it was suggested that the Union had to adopt tax capacities to collect a piece of the anticipated increased income. The tax, through a Pan-European Insurance Fund, would be utilized to compensate directly the primarily industrial, affected interests. As Kouklelis explained to the foreign ministry, in his mind were the 'Greek tariff dependent industries'.[72] It was a manifestation of the logic of capital scarcity which, as we have seen in the previous chapter, was the outcome of close state-business interaction. Kouklelis' report, and especially his proposal for the Fund, was subsequently embraced not only by the foreign ministry but also by both the finance and foreign ministries and was defended as the formal European policy of Greece.[73]

### 2.2.4 The EPU and Code of Liberalization

The stance adopted within the EPU clarifies the substantive European policy of Greece. After the termination of GATT negotiations, the foreign minister was receiving reports which emphasized that the Council of Europe at Strasburg in August 1949 had triggered European unification.[74] For this reason the foreign ministry established an inter-ministerial Committee for Economic Cooperation (CEC), to closely watch the economic developments in Europe and to coordinate

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[70] YDIA/1949/96/8, Cryptographic Telegram, Gouras to Foreign Ministry, Washington, 8 October 1948.
[71] YDIA/1951/34/3/1, European Movement, Speech by M. Couclelis, Westminster 20 April 1949.
[72] YDIA/1949/93/7, Political Affairs Council, 27 May 1949.
[73] YDIA/1949/15/5, I.A. Tziras to B' Political Directorate, Athens, 21 July 1949; Ibid, Finance Ministry to Foreign Ministry, Athens, 19 October 1949.
[74] KKF/KTA/1949/37/1/42, Memo: For the President of the Government and the vice-President and Foreign Minister, Athens, 14 September 1949.

the Greek response.[75] However, as the ECA had renewed its effort for European unification through the OEEC, now encouraging a multilateral trade and payments mechanism, the committee very soon came across the Code of Liberalization and the EPU with which it was subsequently preoccupied.

The EPU was funded by the ERP and provided credits for the multilateral offset of bilateral imbalances between participant countries which was a strong incentive for deficit countries.[76] Instead, for surplus countries the EPU was attractive simply because it was accompanied by the elimination of trade barriers. As expected, from the middle of 1949 Greece was in favour of transferable drawing rights because this meant flexibility in the search for essential and reconstruction goods among the different participant countries.[77] Since Greece was obliged to import non-essential items, a multilateral clearing mechanism was considered to improve this ability.[78] Yet Greece was treated by the EPU as a structural deficit economy which meant that it was granted an initial credit balance above its quota. This meant that it was not subjected to the pressure for gold payments to the union, but once it had exceeded its initial credit balance it was obliged to search for other sources to finance its intra-European trade. Thus, the abolition of import restrictions was inevitably the issue at stake and, as it was matched with the enforcement of the Annecy agreements which took effect on 1 March 1950, it again posed the question of the appropriate balance between protection and liberalization.

The ministry of national economy had constructed its own committee which included the FGI's vice president and ACCI's head, to consider the trade liberalization proposals. On 1 November 1949, the committee published its results.[79] It repeated what was the common position among the majority of state managers and businessmen since 1945: the necessity for privatization and liberalization of trade for a number of essential goods in order to reduce prices and, additionally, the utilization of private exchange. The FTRAD had consulted

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[75] YDIA/1950/112/1/13, Foreign Ministry to Ministries of Finance, Coordination, National Economy and the BoG, 19 October 1949.
[76] Eichengreen, *The European Economy*, pp. 80-1.
[77] YDIA/1949/118/2, P. Vahaviolos Report, 25 June 1949.
[78] YDIA/1951/34/3/2, Foreign Affairs Council, 14 March 1950.
[79] 'Already under consideration to gradually return to free Exchanges', *To Vima*, 2 November 1949, p. 4.

this ministry but it had again followed the trodden path liberalizing trade only for non-essential foodstuffs, raw materials and manufactured goods not produced domestically at the time.[80] Yet the Greek government was praised by the FTRAD because it had accepted Greece's trade liberalization without asking for reciprocity in respect to her agricultural products; for the FTRAD this would serve 'as an example to follow' for some 'larger and more influential countries'.[81] Under these circumstances, Greece liberalized about 56% of private trade without much friction by businesses.

However, the pressure for further liberalization was growing within the OEEC and the inclusion on the list of domestically produced manufactures was imminent. This opened Pandora's box. The FGI leaders, Katsabas, Iliopoulos and Karelas, who were also in charge of the ACCI's industrial section, were alarmed. At the ACCI's meeting on 18 January 1950 they asked the chamber's governing body to consider import prohibition of manufactured goods that were produced domestically, a move which infuriated importers. Subsequently FGI officials attempted to downplay the incident but the tension between commerce and industry within the ACCI was clear.[82] The disagreement was mainly about textile imports. Following the devaluation in 1949, prices had shown an upward trend for cotton fabrics and the FTRAD had publicly supported import liberalization of cotton textiles to this upward tendency.[83] This competitive pressure triggered the formation of committees within all the relevant ministries and the BoG, usually with the participation of FGI and ACCI officials, charged to deal with the appropriate form of protection. Overlapping competencies, fragmentation and confusion were all evident.[84] Until the end of the year much of industrial BIAs' effort was consumed by pressing the government to either re-impose quantitative restrictions or to increase tariff protection.[85]

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[80] YDIA/1950/28/1/2, Terrel to Verdelis and Christidis, 14 December 1949.
[81] Ibid.
[82] 'Acute critical yesterday within the ACCI', *Nafteboriki,* 20 January 1950, pp. 1 and 3.
[83] 'The System of 'Ample Imports' returns', *Nafteboriki,* 22 March 1950, pp. 1 and 4.
[84] YDIA/1950/112/13, Al. Argyropoulos to Emm. Tsouderos, 5 May 1950; 'Tariff Protection of Domestic Industries', *Imirisia,* 26 April 1950.
[85] 'The Industrialists resisted the duty-free import of rough cotton yarns', *Nafteboriki,* 4 October 1950.

Within this turmoil, very soon CEC was preoccupied with the evaluation of the effects of trade liberalization upon domestic industry.[86] All the participants, who were in permanent and regular contact with the FGI through a number of committees, were convinced that domestic production was handicapped by high production costs and thus the appropriate response to the Code of Liberalization was analogous tariff protection.[87] Zolotas, the dominant and much respected Committee member, was also alarmed because trade liberalization would endanger the whole industrial programme. He proposed subcommittees for direct consultation with industrialists to formulate the appropriate response.[88] It was clear that the new payments union, discussed with the participation of Greece's delegates to OEEC within the CEC, was evaluated through the prism of trade liberalization. [89] The guiding principle for these subcommittees would be Zolotas' conception of the appropriate tariff policy. He was between FGI's emphasis upon production costs and Lynch's prioritization of long-term economic viability. For Zolotas, domestic production should be protected because the 'overpopulation problem was still unresolved' but the customs tariff had also to consider 'economic viability' according to the priorities of the 'industrial programme'.[90] The FGI, from its side, grounded the claim for tariff protection on the familiar, and common among state managers, argument that industrialization and reconstruction had been delayed in Greece for three years thus a transitional period beyond 1952 was necessary.

State managers had additional reasons to be anxious about Greece's prospects. As the Greek delegate at OEEC explained, the main problem was that Greece's basic export products were agricultural and thus they were registered on public accounts; trade liberalization would not really benefit Greece's limited export capacity.[91] Indeed, once the ECA announced the reduction of free aid, the coordination ministry received a report which explained the right to re-impose quantitative restrictions.[92] Two months later it was informed that in October

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[86] YDIA/1950/112/14, Proceedings of the Economic Cooperation Committee, 4 February 1950.
[87] Ibid.
[88] YDIA/1950/112/14, Proceedings of the Economic Cooperation Committee, 11 February 1950.
[89] YDIA/1950/112/14, Proceedings of the Economic Cooperation Committee, 11 March 1950.
[90] 'Customs Tariff and Import Liberalization: Discussions of the Permanent Tariff Committee and Trade Contracts, 31 March 1950', *BCTD*, 1950, no 7, pp. 29-36.
[91] YDIA/1950/113/5, Theodoros Christidis Report, 3 March 1950.
[92] YDIA/1950/113/4, Theodoros Christidis to Coordination Ministry, 30 September 1950.

1950 Greece had already consumed more than half of its initial credit balance and the OEEC Managing Board, after examination of the German problem, would consider ‘restriction’ of liberalization.[93] Finally, in January 1951 Greece re-imposed import quotas, a move which for the EPU Board was ‘wise and realistic’.[94]

The reasons for the suspension were explained in the updated programme sent to the OEEC in January 1951.[95] It emphasized that liberalization had disproportionately affected the Greek trade balance because imports from participating countries had increased by 14.7% whereas exports only by 9.3%. Greek exports were particularly handicapped because they were registered on the governments’ account. However, the deep and structural weakness which prohibited Greece’s participation in ‘European integration’ was her low productivity which was rooted not only in the unequal distribution of natural resources in Europe, but also to Greece’s ‘imbalance problem’.[96] The increase of import capacity for industrialization was thus necessary and the middle-war experience with Germany was still fresh.

## 2.3 The revival of Greek-German commercial relations

Consideration of Greek-German commercial relations clarifies even further Greece’s participation in early European integration. After occupation, re-access to the German market was among the top priorities of the Greek government.[97] Business was equally interested and from May 1948 the main commercial BIAs and the FGI formed the Committee for Trade Relations with Bi-Zone, which aimed to promote the resumption of pre-war bilateral trade relations. [98] With the assistance of the US mission, by 1949 three agreements had been signed between Greece and the responsible authorities in West Germany which regulated bilateral commercial relations. Importantly, they were limited in scope and Greece’s deficits were financed by the predecessor schemes of the

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[93] YDIA/1950/113/4, Theodoros Christidis to Coordination Ministry, 27 November 1950.
[94] OEEC, *European Payments Union: First Annual Report of the Managing Board* (Paris: OEEC, 1951), p. 25.
[95] Coordination Ministry, *Memo for the Three-years Programme*, p. 126.
[96] Ibid., p. 127.
[97] Pelt, *Tying*, 97-127.
[98] ‘For the new trade agreement’, *ACCI*, December 1948, pp. 553-5.

EPU. Under the pressure of mounting tobacco surpluses[99] and, as we have seen in the previous chapter, the need to procure mechanical equipment and technology for reconstruction, in October 1950 a trade agreement between Papandreou and Erhard was signed within the EPU framework. Despite the difficulties in enforcing it, the agreement re-established the pre-war patterns of Greek-German trade. Until 1952 Greece exported about one third of its tobacco to the Federal Republic, from which it imported one third of its mechanical equipment.[100] Until that year, Greece's exports to the German market covered about 30% of total exports.[101] This percentage was substantially above the respective percentages of the main European trade partners of the Federal Republic.[102] The circumstances under which such trade dependence became possible is an important aspect of Greece's road to Europe neglected in Greek historiography.

The revival of trade with West Germany was not the only objective of Greece, for it had also asked for the assistance of the US and the UK for the payment of the tobacco pillaged by the Nazi regime during the occupation.[103] The main perpetrator during the occupation was the German tobacco industry Reemtsma of Hamburg, which before the war absorbed nearly half of Greek tobacco exports to Germany. After the war, this company controlled about 40% of the German tobacco market. As the Greek trade representative to the Tri-Zone reported, any attempt by Greece to include Reemtsma of Hamburg in the list of war criminals faced fierce criticism and resistance from the company.[104] Certainly, the Greek delegation emphasized that it was in the interest of Greece to cooperate rather than to heckle Reemtsma, especially because, at the time, the company was already charged in Germany with 'collaboration' with the Nazi regime and was additionally threatened with 'decartelisation'.[105] Similarly, the Greek government's decision not to accept the suspension of prosecution of German war criminals in September 1949 faced an adverse reaction in Germany, and Greece's representative to the Tri-Zone warned the foreign ministry that it

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[99] Pelt, *Tying*, p. 110.
[100] Appendix 1, Tables 10;12.
[101] Appendix 1, Table 11.
[102] Milward, *The European*, p. 120.
[103] GR/NIRSEV/SVA/226/29/007, D. Bakalbasis Report, 1 October 1946.
[104] YDIA/1949/150/9/1, Christos Diamandopoulos to Foreign Ministry, Berlin, June 1949.
[105] YDIA/1949/150/9/1, I.D. Nicolareizis to Greek Military Mission, 20 June 1949

could 'undermine our economic interests during this crucial moment'.[106] In June 1950, during the preliminary discussions on the trade agreement with the Federal Republic, Erhard had made the successful outcome of the negotiations conditional on the suspension of the prosecution of economic criminals. The pressure was especially acute for the representative in Greece during the occupation, who had, meanwhile, become a highly ranked state manager in the Federal Republic.[107] The economics ministry, which conducted the negotiations, agreed to the suspension in case the persecuted were not war criminals according to the definition of the Allies.[108] The justice ministry outlined the brutal actions of the persecuted but it disassociated these actions from Reemtsma as a legal entity and the Third Reich:

> These perpetrators were living in Greece before the war. During the occupation, motivated by their selfish interests alone, they wore the outfit of the German Officer and under the threat of guns they scrounged from Greek producers tobacco, colophon and other resin products, of which the biggest proportion was sold here on the black market and the remaining quantities were sold to Germany.[109]

This disassociation opened the road to fulfil Erhard's aims and the resumption of the negotiations. One day before the arrival of Papandreou in the Federal Republic, the Greek government informed the Germans that it had suspended the prosecution of 'Hess and Wenkel', as it had been asked.[110] This kind of pressure was continuous and different sources confirm it. For example, one year later, as foreign minister Evangelos Averoff stressed that the German ambassador in Greece continued to press towards this direction:

> The most important of these issues is that he underlined that the List of War Criminals included people who have today responsible position in Germany and occasionally deal with valuable Greek interests and who had just

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[106] YDIA/1950/148/6, Cryptographic Telegram 2769/48, Dimandopoulos to Foreign Ministry, Berlin, 23 September 1949.
[107] KKF/KTA/1950/46/1/33, Kalamidas to Foreign Ministry, 3 July 1950.
[108] YDIA/1950/148/6, Economic Ministry (I. Melas) to Foreign Ministry, Athens, 15 July 1950.
[109] YDIA/1950/148/6, Ministry of Justice (Th. Tsatsos) to Foreign Ministry, Athens, 27 July 1950.
[110] YDIA/1950/148/6, D. Iraklidis confirmation of Telegram reception, Frankfurt, 10 October 1950.

> happened to serve at German Units which were in Greece in the recent past.[111]

In early 1952, the Plastiras government responded, releasing the war criminal 'Andre' and accepting that German economic criminals could be judged thereafter in the Federal Republic instead of Greece (Law 2058/1952).[112] The pressure was not restricted in this field alone, but it was also exercised about the return of trademarks to the confiscated German companies which operated in Greece during the occupation and were still active. Again, the German side warned that this would play a 'very serious' role in the 'future economic relations' between the two countries.[113] The relationship of the agreement and its background with the process of European integration, in the first instance in the form of the multilateral clearing mechanism provided by EPU, was well summarized by the Greek embassy in Bonn after the conclusion of the November 1950 agreement:

> It is written here that with the singing of the trade agreement about $15 million Greek exports and $45 German exports were accepted bilaterally and it is underlined that this was feasible only because Greece accepted to grant a considerable number of dollars from the EPU funds for the importation of capital and consumption goods. Greece is also praised because it is the only European country which accepted the return of confiscated old German trademarks, except for three. For the payments agreement, it is emphasized that it was the first between Germany and a foreign country within the EPU.[114]

During this period, Greek-German commercial and economic relations had some permanent features which, as we will see, played a role in Greece's participation to European integration.[115] Firstly, Greek exports to West Germany covered approximately one third of its imports from the same country whereas trade relations resembled the pre-war patterns, as mainly tobacco was exchanged for machinery and transportation items. Secondly, tobacco exports to

[111] GR/NIRSEV/SVA/226/24/148, Conversation with the German Ambassador, 9 November 1951.
[112] Konstandinatou, *War debts,* pp. 381-5.
[113] YDIA/1950/136/3, Selpeper to A. Tsimikalis, Frankfurt, 22 August 1949.
[114] YDIA/1950/148/6, A. Tsimikalis to G. Papandreou, 17 November 1950.
[115] YDIA/1949/150/9/1, Th. Andreadis Report for Tobacco Market in Germany, 17 February 1949; Ibid, N. Bourvakis to Economics Ministry, 2 August 1949.

Germany were inhibited because, from 1944, the US Virginia tobacco had largely replaced eastern tobacco varieties. For this reason, the US assistance to regain the German market was always considered decisive by the Greek side and it was asked repeatedly by the Greeks. In particular, they asked the US authorities to press the Germans within the EPU framework to reduce Virginia imports and, during negotiations for an association agreement in 1960, to agree for EEC's high external tariff for tobacco. Thirdly, the Federal Republic pressed for the rationalization of tobacco production and, in general, for agricultural reforms. It emphasized the significance of prices and quality or the need to replace existing production with products which had high demand in Europe, such as Virginia tobacco instead of the traditional eastern varieties. Fourthly, the tobacco trade in Germany was traditionally in private hands and the Federal state could only influence purchases directly with fiscal measures.

The objectives of the Federal Republic and German businesses, as evaluated by the Greek side, cast light upon these forces which drove European integration between unequal partners. The interpretation of the agreement by the Greek consul, and later the ambassador in Germany, is illustrative.[116] As the restrictions rooted in the occupation period were progressively lifted, German businessmen, in close cooperation with the Federal government and particularly with Erhard, were seeking to regain their 'natural' export outlets with the application of a commercial policy along the 'pre-war lines'.[117] These outlets were the pre-war traditional Balkans and Middle East markets. Of these markets, Greece was of particular importance not only because of its reconstruction needs but also because of Greece's cordial economic and political relations with the Arab world. It was under this wider objective that Greece's application for tobacco exports was evaluated by the Federal government and German industrialists. Specifically, the law for the reduction of tobacco tax would be discussed by the Bundestag in relation to these plans. The fiscal dimension of the measure, in a difficult time for the public finances of the Federal Republic, was subordinated to this objective. For these reasons, German tobacco industrialists, above all Reemtsma, were called upon to show their 'anti-communist solidarity' with Greece by importing tobacco. The conclusion that the

[116] YDIA/1950/148/6, Kabalouris to Foreign Ministry, Hamburg, 1 November 1950.
[117] Ibid.

Greek consul had reached was that the western world, and particularly the Federal Republic, protected Greece from the 'communist threat' because Greece was significant for 'German foreign trade'.[118] For the Greek side, geopolitical concerns were inseparable from business interests.

## 2.4 The road to devaluation

The Greek-German agreement, which followed the reduction of US aid, tied Greece even more to Europe and the process of integration. However, European markets were an opportunity for Greek agricultural products but not for its industrial ones. Since 1950 trade liberalization for agricultural products was virtually stagnant within the OEEC because almost all countries were protectionist. In early 1950 the French pressed for a European Agricultural Community outside the OEEC institutions aiming to find guaranteed ventures for their surplus agricultural production but no progress had been made by 1951 because no state accepted this solution.[119] The Greek government pressed France for Greece's participation in this scheme because exclusion would further deteriorate its already limited exports. As expected, it was eager to participate in this community only on the condition that its main overproduced exportable products, mainly tobacco, raisins and wine, were included.[120] From 1952 efforts, known as the *Pool Vert* initiative, were relaunched with a proposal for a common market for agricultural goods with standardized prices and an external tariff regulated by a kind of a High Authority like the ECSC. In early 1953 the French rejected this prospect because they preferred 'separate single-product marketing agreements on surplus commodities' and the issue was virtually frozen until 1955.[121] The Greek government appeared quite cautious about the common market because of Greece's limited competitiveness. Instead, it favoured the preferential treatment of its main agricultural products from its major European markets. However, since this latter option was not feasible and fearing its exclusion from a scheme which was confined at the time to the Six alone, Greece did not reject the prospect of a common market but, certainly, it

[118] Ibid.
[119] Milward, *The European*, pp. 284-300.
[120] YDIA/1951/26/2, R. Rafail to Foreign Ministry, Paris, 10 April 1951; Ibid, Agricultural Ministry Memo for PFLIMLIN, 1951; Ibid, Comments of Coordination Ministry, 2 July 1951.
[121] Milward, *The European*, p. 304.

was not the preferred solution.[122] This was all the more so because industrial exports were expected to be quite limited, so negative European integration was treated as a danger rather than as an opportunity. However, in 1951 the FTRAD continued to press for liberalization, stating that Greek industry was now mature enough to face foreign competition.[123] In contrast, the state attempted to increase tariff protection for several agricultural and industrial goods but mainly for fiscal purposes.[124] However, these attempts were criticized within the GATT and they were soon abolished.[125] Clearly, Greece was pressed to open its borders for manufactures but resisted.

As long as Greece had shut its door to the premature endeavour for European economic unification through trade liberalization, the pressure upon its balance of payments was growing because US aid was ending whereas its competitiveness was still handicapped by low productivity and an overvalued currency induced by increasing domestic prices.[126] Ioannis Enepikidis, an economist working for the US Embassy in Greece who had 'very close' relations with the FGI[127], had made a thorough analysis of the EPU in November 1950.[128] On the one hand, he had welcomed the EPU because not only did it provide the means for imports but also the much needed flexibility which the multilateral clearing mechanism provided. On the other, he had emphasized that Greek exports were expensive and since they were primarily registered on public accounts from the participant states, the prospect for the balance of trade was ominous. He observed that the early exhaustion of the initial credit balance forced Greece to 'enrich foreign exchange by increasing exports and by encouraging domestic production.'[129]

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[122] Service of Diplomatic and Historical Archives, Foreign Ministry, *Greece's Participation to the Course towards European Integration*, ed. by Fhotini Thomai-Konstandopoulou, 2 vols (Athens: YDIA, 2003-2006), I (2003), (hereafter YDIAEI), S. Cosmetatos, Press Office of the Embassy of Paris to the Ministry of Foreign Affairs, Paris, 28 March 1952, pp. 189-91; YDIA/1953/76/6/1, Thanos Kapsalis, Trade Minister, to Foreign Ministry, Athens, 10 March 1953; YDIAEI, Chr. Xanthopoulos Palamas to Permanent Representation in Geneva, Athens, 17 April 1953, pp. 203-5.
[123] 'Mr Terrell has in fact taken the view that it is time to establish a free competition regime for the Greek industry', *Imierisia,* 05 September 1951.
[124] Fragou, *Customs*, pp. 219-20.
[125] YDIA/1952/110/1/3, Papatsonis to the Ministers of Finance, National Economy and Foreign Affairs, 20 August 1952; Ibid, Papatsonis to Foreing Ministry, 9 September 1952.
[126] GR/BOGHA/A2/S3/Y4/F1/T1, Xenophon Zolotas to Currency Committee, Athens, 30 October 1951.
[127] Vetsopoulos, *The Economic,* p. 69.
[128] Ioannis Enepekides, 'The EPU and its significance for Greece', *Imerisia,* 26;27;29;31 October and 1;2; 3 November 1950.
[129] Ibid.

Simultaneously, the FGI itself proposed measures to ameliorate the balance of payments problem. The proposal took its final shape in January 1951 in a memo signed by the FGI, the Panhellenic Exporters Association, the Athens Traders Association and the Tobacco Federation.[130] The memo was an updated version of the demands made by the business community back in May 1946. Firstly, for imports it asked for the liberalization of essential goods and raw materials alongside the utilization of private exchange. The solution of private exchange, aiming to enrich foreign reserves, had also been advocated by the minister of national economy, Averoff, who subsequently resigned because the ECA in Greece refused this option.[131] Importantly, the ECA was based upon the recommendations of the IMF official, Sturk, who had reported that this would intensify capital flight and speculation.[132] Second, in respect to exports, the business memo proposed a National Export Council for coordination and low interest rates for export finance. Essentially, the memo recommended the abolition of the exchange certificates and the direct promotion of exports by subsidizing high domestic production costs and compensating for the overvalued Drs.

Indeed, exchange certificates had not worked according to the calculations of the FTRAD, and in July 1949 a new levy upon imports was introduced. As it was explained, the aim was to mop up excessive earnings accruing from private barter and to subsidy exports which were handicapped from the overvalued Drs. Following the devaluation in September 1949, however, the State Department informed Greece that the UK and France considered that the levy was an ‘extraordinary’ tax incompatible with GATT regulations and they ‘might not wish to sign on October 10 the Protocol of Accession to the GATT as it affects Greece, if the tax in question was retained in force’.[133] The levy was abolished by ministerial decision the next day and, taking advantage of the devaluation, private barter was restricted in early 1950 and subsidies were now channelled through a complex procedure which recognized agricultural and mineral products as ‘loss making products’ and were subsidized accordingly. The new

[130] ‘The perspectives of Commerce and Industry for our Exchange Problem’, *Imerisia,* 21 January 1951.
[131] GR/NIRSEV/SVA/226/31/001, Memorandum to Paul Porter from Evanghelos Averoff, no date.
[132] ‘The Sturc Report’, *Eleftheria,* 13,14,15 February 1951.
[133] YDIA/1949/152/1/3, United States Embassy to Greek Foreign Ministry, 10 October 1949.

reduction of US aid, and particularly the termination of the indirect aid in 1951, very soon forced the re-introduction of the levy establishing multiple exchange rates. Exchange certificates were abolished in the middle of 1951 and the levy extensively subsidized 'loss making products' despite complaints from affected countries.[134] In August 1952 direct aid was further reduced and Plastiras' government attempted to improve the balance of payments by extending and increasing the levy to further subsidise exports.[135] These lists, beyond agricultural products, always included mineral products which, in most cases, were subsidized by more than 50%. Manufactured goods, basically resin products, cement, textiles and agricultural machinery, were included but it seems that this policy was on an ad hoc basis. For the FGI, the pressure for subsidies particularly grew after 1950 because several sectors overproduced, and the federation continued to emphasize this dimension in each annual report.[136] It was clear that a more coherent solution was necessary.

In 1951 the trade deficit skyrocketed and in 1952 it improved only slightly.[137] However, this improvement was attributable to commercial policies which faced severe criticism from several countries within the GATT. The decisive move which, following the reduction of US aid, checked low productivity and the overvalued Drs enabling Greece to introduce its economy to the international circuit of capital was the devaluation of Drs by 50% on 9 April 1953. [138] Based upon the stabilization programme aiming to check inflation, the devaluation redefined the basic aspects of the commercial policy. Firstly, it balanced the external value of the currency eliminating one factor behind limited competitiveness. Secondly, it was followed by the abolition of almost all import quotas for private trade, a measure which was legitimized by the necessity to deal with the inflationary tendencies released by devaluation. Thirdly, the levies which were imposed upon imports were abolished and the entire subsidy system was rescheduled. Equally important was that devaluation boosted invisible

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[134] St. P. Katsoulis, *The Course of Exports and the Means of their Promotion and Development* (ACCI, June 1952).
[135] *Export Subsidies, Import Contributions and Private Barter*, ed. by Ioannis A. Venetis (Athens: Nafteboriki, 1952).
[136] 'The FGI president presents the annual report for 1950-1951', *VE,* June 1952, 13-8.
[137] Appendix 1, table 8.
[138] Fragiadis, *Greek,* pp. 175-78; Kazakos, *Between,* pp. 165-79.

earnings and facilitated capital inflows. Such exchange and FDI, progressively, replaced the US economic aid.

Devaluation was a major change indeed, which attempted to introduce Greece to the first substantive phase of European integration. Historical research has shown that the discussion on the overvalued Drs in early 1952 was between currency reform along the lines of the German reform in 1948 and the devaluation of the existing currency - Drs. Eventually, in October 1952 the US mission opted for devaluation and the final decision was taken before 23 January 1953.[139] The necessity for devaluation had brought together economists like Zolotas and Varvaressos and politicians across the political spectrum.[140] The way that domestic industry was involved in the devaluation, however, is entirely missing from Greek historiography but in what follows, it will be shown how business had increased pressure on the government to find a solution to Greece's limited competitiveness.

### 2.4.1 Business and industrial exports

As we have seen, the drawback right was the FGI's demand dating back to 1946. In February 1949 the federation had associated it with potential exports of several sectors to neighbouring countries and 'especially to the Middle East'.[141] The same year the federation had created a list of thirty exportable products to Turkey amounting to $14 million but it had asked for export subsidies which had also been rejected.[142] Eventually, in April 1951, the Tripartite Committee and the US mission granted to industry the drawback right so as to enable its participation in NATO's rearmament programme.[143] Not surprisingly, and consistent with FGI's overall strategy to emphasize high production costs, the efforts of the federation were thereafter concentrated upon the subsidising of labour and other costs by the state as a substantive precondition for industrial exports. And it was precisely this kind of subsidy which was included in draft

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139 Psalidopoulos, *Supervisors*, pp. 129-30 and 139.
140 Varvaressos, *Report*, pp. 375-406; GR/BOGHA/A2/S3/Y4/F1/T1, Considerations for Economic Policy, X. Zolotas, Athens, 28 November 1952; Stasinopoulos, *The Rhetoric*, 306-10; Rizas, *Greek Politics*, pp. 104-5.
141 FGI, *The Greek Industry during 1948* (Athens: FGI, 1949), p. 12.
142 GR/ELIA/IFA/UM, Joint Greek-Turkish Committee, Minutes No 2, 19 September 1952.
143 'Measures to promote Industry', *VE*, April 1951, 35-6; Ioannis Fragos, 'Measures of Customs and Tariff nature', *BCTD*, 1952, no 14, 3-21. The law was published in June 1951.

laws aiming to amend the drawback Law 1851/1951. However, until the end of the period discussed in this chapter, and despite the federation's pressure, these draft laws were never ratified.[144] Demands for direct subsidies were more complicated.

In April 1952, when Greek diplomats had also started negotiations for a security pact with Yugoslavia and Turkey, the Turkish government asked for a free trade zone with Greece considering it as the first step toward a customs union between the two countries.[145] For Greece the basic aim was to exchange industrial goods with agricultural Turkish products, amounting to approximately $14 million annually or about 14% of total Greek exports in 1951. Greek businesses were called to declare their potential exports to Turkey, calculated on the assumptions that the existing export incentives, mainly the level of subsidies, would be retained whereas Turkish tariffs would be abolished. For this reason, the FGI was represented on the committee, established in early September 1952, to research the field. However, the federation's representative did not come to the committee with a coherent proposal. Instead, after close cooperation with the FGI and individual industrialists, it was the ministry of industry which reported that only a handful of businesses were interested in exporting to Turkey under the above conditions.[146] The result was, that projected exports amounted approximately to $7.8 million, almost half of the initial target. Significantly, the rest of industry asked for additional internal measures and export incentives to industry.[147] These new business demands followed the expanded lists for the levies and subsidies to both agricultural and industrial products introduced in mid-1952, which were facing severe criticism within the GATT and many members were considering retaliation.[148] Yet the discussion between businessmen and state agencies was taking place in October 1952 simultaneously with the final consultations between the US mission and the

144 GR/ELIA/IFA/UM, Papatsonis Memo to Finance Minister, Athens, 15 November 1951; 'The view of Chr. Katsabas', *Imerisia,* 27 February 1952; 'The report of Mr Al. Tsatsos for the year 1952', *VE, April* 1953, 13-9.
145 GR/ELIA/IFA/UM, A. Bakalbasis to Foreign Minister, April 1952.
146 GR/ELIA/IFA/UM, Nickolaos Sideris, For the ability of industrial exports to Turkey, 24 October 1952.
147 GR/ELIA/IFA/UM, Greek Delegation to the Joint Greek-Turkish Committee, Minutes No 5, 10 October 1952.
148 YDIA/1952/110/6, Papatsonis to Foreign Ministry, 11 November 1952.

Greek government for the devaluation and the necessity for a new stable government to enforce it.[149]

Following the inauguration of the Papagos' government in November 1952, only four businesses confirmed to the ministry of industry that they were able to export to Turkey without additional subsidies.[150] The potential exports were calculated to reach only $6.6 million. This outcome was overshadowed by Varvaressos, the BoG's governor in early 1945 who had collided with the FGI, whose report of January 1952 had claimed that high domestic prices were attributable to high industrial profits enjoyed by domestic private monopolies and not to high production costs.[151] The ensuing debate within the Greek committee for the free trade area did touch upon these issues and the roots of the apparent inefficiency of Greek businesses. The committee's head, Bakalbasis, emphasized that businesses had not taken advantage of the counterpart funds, and the performance of Greek industry was disappointing.[152] In agreement with Varvaressos' argument, he pointed out that since the inter-war period the prices of manufactures had grown much faster than those of the agricultural sector. From its side, the FGI delivered to the committee a memo explaining that manufactured exports were fundamental to the development of industry stating that it was embracing the report of the ministry of industry and that it was eager to participate in the proposed free trade area. Simultaneously, it explained that high production costs, such as high interest rate and third-party taxes, all attributed to the inconsistent industrial policy, inhibiting industrial exports. The next month, the committee sent to the coordination ministry two interim reports stating that the main problem for the free trade zone with Turkey was that industrial exports were handicapped by high production costs and the overvalued Drs.[153] A few days later, the devaluation was announced.

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149 Psalidopoulos, *Supervisors*, pp. 129-32.
150 GR/ELIA/IFA/UM, Nickolaos Sideris, For the ability of industrial exports to Turkey, 2 February 1953. The cement industries Aget SA and Titan SA would export $4.2 million, the chemical conglomerate AEEXPL $1.8 and the enamel utensils company Pitsos $0.6. These companies were already experienced to the Turkish market.
151 Varvaressos, *Report*, pp. 165-91.
152 GR/ELIA/IFA/UM, Greek Delegation to the Joint Greek-Turkish Committee, Minutes No 13, 3 February 1953.
153 GR/ELIA/IFA/UM, Greek Delegation to the Joint Greek-Turkish Committee, Minutes No 18, Athens, 10 March 1953.

## 2.5 Conclusion

Until 1952, US intervention had saved Greek capitalism by providing the economic means for the financing of reconstruction, balancing the external accounts and for the conduct of the civil war. Moreover, the US intervention had challenged the existing state-business relationship which reproduced a speculative pattern within the domestic economy. However, it had not resolved the so-called *imbalance problem*, for industrialization had not proceeded as scheduled: the energy programme and the plans for heavy industry had not materialized whereas unemployment along with the balance of trade deficit were still there.

For the achievement of these objectives state agencies cooperated with big businesses, many of which were firmly dependent upon German technology and finance, aiming to promote the revival of the pre-war Greek-German patterns of economic and commercial relationships. Such efforts intensified officially from 1949 and their results were embodied in the 1950 Greek-German economic agreement, tying Greece economically and commercially with the locomotive of European integration earlier than other European countries. How this became possible is a complicated story and here it has been argued that the continuities in cooperation of businessmen and state agencies of the two countries before and after the war were decisive to this outcome.

This period was also important for the formulation of Greece's formal strategy towards European integration. It has been shown that one should be careful to derive Greece's stance from the government's public declarations alone. Greece had refused to participate in all the proposed liberalization schemes, except for the Code of Liberalization, in which it had participated only because it was attached to the EPU and certainly after US pressure. In any case, it withdrew very soon. In addition, Greece's formal strategy toward European integration had been informed by the imbalance problem, as specified through business-state interactions examined in the previous chapter. In this respect, the implication of Greece's strategy was that, unless trade liberalization was accompanied with the simultaneous movement of capital and labour, integration was unsustainable for the less developed countries on the periphery.

Given Greece's low productivity, the real difficulty for both Greek state agencies and businesses was the way that Greece would promote its agricultural exports in Europe without endangering industrialization. Even with difficulties caused by the fact that agricultural trade was not liberalized, European markets absorbed the semi-luxury agricultural exports, but they were a danger for industry. Also, Greek industrial exports were still almost absent from Europe, showing that from the very beginning Greece was not able to participate on equal terms in the process which underpinned the road to the Treaty of Rome. In any case, Greece had not adopted basic industries and the formation of the ECSC was hardly mentioned. The alternative was industrial exports to the Middle Eastern and Turkish markets, in which the FGI had been interested since the inter-war period. The endeavour to penetrate these markets, quite visible from this period, forged the common ground between domestic industry and German business in relation to European integration.

# PART II THE DECISION (1953-1958)

During the period 1953-1958 Greek capitalism was tentatively stabilized and was able to participate, albeit still in an exceptional manner, in the process of European integration which, since 1955, had entered its second substantive phase. From 1953 until 1957 GDP was growing irregularly but on average by 6% annually, a rate which was lower than the previous period, though it was satisfactory compared to other European economies.[1] Similarly, the annual rate of growth of industrial production was on average 10% which was below the previous period, however, it was still above the trend in western Europe. Importantly, the right-wing political forces were able to form a single party and, more or less, stable governments which enforced significant liberal economic measures which had long term effects.

Once the Marshall Plan was terminated in 1952 and US financial aid was substantially reduced, the devaluation of Drs by 50% followed in April 1953 which aimed to facilitate capital inflows and to balance the huge trade deficit. This substantive measure was accompanied by two core state policies. The first was the adoption of a law that targeted Foreign Direct Investment (FDI), granting them considerable tax incentives and favourable terms for capital repatriation. The second was import liberalization, particularly the abolition of import restrictions and the relaxation of exchange controls aiming not only to contain inflation but also to open the economy to foreign competition. This set of policies, which underlined the power of the state vis-à-vis individual businessmen, created a new environment for the interaction of businessmen and state agencies for it altered the exchange terms with the international economy, intensifying competition. An equally important economic development in this period was that in 1955 inflation was eventually tamed and from the next year savings returned to commercial banks.[2] The internal finance mechanism had been restored, credit policy relaxed, and investment capitals was progressively available to businesses through commercial banks.

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[1] United Nations, *Economic Survey of Europe in 1957* (Geneva: United Nations, 1958), ch. II, p. 3; Appendix 1, table 5.
[2] Xenophon Zolotas, *Monetary Equilibrium and Economic Development* (Princeton: Princeton University Press, 1965), pp. 45-94.

However, the structure of the economy had hardly changed.[3] Despite improvement, the interest rate was still high and the level of total investment still below European standards.[4] In relation to the previous period, public investment as a percentage of GDP fell considerably in all sectors except for energy, and total private investment increased only slightly.[5] However, the composition of investments became even more problematic. Private investment in manufacturing dropped from the high levels of previous years. Even if the state did invest in manufacturing, investments in the secondary sector were exceptionally low as private savings were channelled predominately in to housing. For contemporaries, this investment trend undermined industrialization and the prospect of resolving the imbalance problem.[6] As the BoG underlined, whereas western economies had achieved full employment, in Greece, unemployment and underemployment were estimated to be at the dangerously high levels of the previous period while the trade deficit was still huge.[7] These developments had undermined the legitimation of the state apparatus and progressively questioned the capitalist character of the state and the accumulation process.

Following the inauguration of the Papagos government in November 1952, the centre split again and thereafter it remained fragmented, facilitating the right political forces to govern for more than ten years without interruption.[8] The main features of these governments were their anticommunist character and their emphasis on economic development. But the right did not rule undisturbed. Papagos' government was destabilised in late 1954 when Markezinis initially resigned as coordination minister and then withdrew from the government. Meanwhile, the communist oriented United Democratic Left (EDA) sought progressively, after Stalin's death in 1953, for political alliance with the centre-left aiming for a democratic regime that would enable Greece to approach the USSR on both economic and political grounds. The local election in

[3] Kostis Vaitsos and Tasos Yannitsis, *Technological Transformation and Economic Development* (Athens: Gutenberg, 2001), pp. 46-8;86-7.
[4] United Nations, *Some Factors in Economic Growth in Europe during the 1950s* (Geneva: UN, 1964), ch. IV, table 4.
[5] Appendix 1, Table 3.
[6] An indication for these reasons can provide the ratio of investments to output, as it was measured at the time, see Appendix 1 Table 2.
[7] BOG, *Bank of Greece Governor's Annual Report for 1956* (Athens: BoG, 1957), p. 13.
[8] Rizas, *Greek Politics*, pp. 131-170;175-6;183.

November 1954, where EDA's candidates gained a majority vote in Greece's three main urban regions, offered a reminder to state agencies and businessmen alike, of the dangers of continuing unemployment and poverty for capitalism in Greece.

This reminder was repeated in the elections of February 1956 and especially of May 1958. Following the death of Papagos in late 1955, Karamanlis rallied the main segments of the right with a part of the Liberal Party within the newly created party National Radical Union (ERE) and ruled the country until 1963. This part of the Liberal Party, mainly Evangelos Averoff and Konstantinos Tsatsos, was to play a crucial role in Greece's participation in European integration. However, in early 1956 Karamanlis was able to form a government only because the electoral system had been designed to reduce substantially the parliamentary representation of the Democratic Union, a coalition which had eventually gained the majority of the citizens' vote and included almost all centre parties along with the EDA.[9] In February 1958 the coordination minister, Papaligouras, along with fourteen parliament members of ERE, withdrew from the government and overthrew Karamanlis. This move of Papaligouras, who carried out the negotiations with the Federal Republic at the highest level after Markezinis' resignation, was encouraged by Bodosakis but the reasons behind this support are not known.[10]

In the following elections in May 1958 Karamanlis, backed by the US, regained a majority, but the EDA become the main opposition, gaining support particularly in the two main urban regions, Athens and Salonica.[11] The EDA had rejected the FTA prospect vigorously and defended instead the eastern orientation of external trade as a solution to the trade deficit, insisting on the necessity for the connection of imports with exports.[12] The proposals of the main opposition were neither politically coincidental nor economically without basis. The still unresolved Cyprus issue was a fertile ground for the nourishment of anti-NATO and anti-American sentiments, especially because of the 'rumoured'

[9] Nicolakopoulos, *The Cachectic*, pp. 196-214.
[10] Rizas, *Greek Politics*, pp. 192-200.
[11] Nicolakopoulos, *The Cachectic*, pp. 224-51.
[12] Higher School of Industrial Studies, *The European Economic Community: Ten days of Reports and Discussion* (Athens, 1957), pp. 258-64.

establishment of intermediate ballistic missiles in Greece and the Balkans.[13] Economically, the huge military expenses, associated by the EDA with the US military demands and not with Greece's defence needs, drained considerable amounts from the budget and the state made little effort to improve the living and educational standards. Yet exports to OEEC countries and the EEC were continuously decreasing from 1956 whereas bilateral accounts with Eastern countries had unspent balances. It was for these reasons that economic development and industrialization were prioritized by the Karamanlis government from early 1956.

However, the attempt to increase production and employment faced the balance of payments constraint.[14] The problem was that imports as a percentage of GDP were growing faster than exports. This adverse trend is attributable mainly to three factors. Firstly, it was the increasing reliance upon imported machinery, manufactured goods and chemicals; increased production necessitated the importation of capital goods and intermediate inputs, whereas increasing incomes were channelled predominately to consumer durables. As a rule, domestic industry was unresponsive to the increasing demand for these goods. Secondly, the composition of exports was roughly the same as 1952, showing that devaluation had made little difference in diversifying foreign trade. Indeed, the value of chemicals, manufacture and machinery (SITCS 5-6-7) imports increased from 44% of total imports in 1952 to 57% in 1958.[15] After 1955 exports were essentially stagnant and the country entered a severe and prolonged export crisis.[16] The main reason for this development was that Greece still exchanged predominately agricultural luxury products and minerals for machinery and consumer durables, very much resembling the inter-war trade patterns. Thirdly, and related to this, both agriculture and industry were still uncompetitive thus the trade deficit was growing both in absolute terms and as a percentage of GDP.

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[13] Nicolakopoulos, *The Cachectic*, pp. 196-214.
[14] Halikias, *The Economic*.
[15] Appendix 1, Table 9.
[16] Appendix 1, Table 8.

The geographical patterns of foreign trade changed during this period only in respect to exports.[17] Whereas imports from OEEC countries accounted for 60% of total imports in 1952 and 1956, the respective percentages for exports were 76% and 60%. The difference, for which the trade balance with the Federal Republic and the UK was largely responsible, was covered primarily by Eastern markets. As the export crisis continued apace, the Eastern bloc had absorbed about 22% of total exports in 1959 and its share was growing constantly.[18] Greece was among the most dependent Western European states in this respect.[19] This development was behind the deterioration of the trade balance particularly within the EPU. Still, trade with the Federal Republic was at the heart of Greece's foreign trade and the former had considerably strengthened its position as a supplier of machinery whereas it absorbed about one third of Greek tobacco.

The problem was progressively becoming more and more complex because the trend of Greece's main trade partners, the OEEC members, was towards the lowering of tariffs for industrial products and the maintenance of non-tariff barriers for agricultural products. These trends were at the heart of European integration. Until 1950 all European economies had revived and were entering their golden age, led primarily by the Federal Republic and its capital-intensive big businesses.[20] The Netherlands was another typical example of the economies which had embarked upon export-led growth. For these European countries this growth trend presupposed, beyond the reduction of quotas, the lowering of tariffs. Indeed, since 1952 the Low Tariff Club pressed within the GATT and the Council of Europe for the lowering of the tariff barriers. Once the European Defence Community (EDC), which aimed to integrate German troops into a European army, was rejected by France, the Club returned in October 1954 within the OEEC with a similar plan for a European free trade zone.[21] In an analogous but more coherent move, the Netherlands' foreign minister, Beyen, proposed to the Six in December 1952 that the EDC should be tied to a customs union, which would contain an 'automatic and irrevocable procedure for its

[17] Appendix 1, Tables 10;11;12;13.
[18] Appendix, table 11.
[19] Walden, *Greece,* II, pp. 71-85.
[20] Robert Brenner, *The Economics of Global Turbulence* (London: Verso, 2006), pp.43-51;67-78; Eichengreen, *The European Economy,* pp. 80-1.
[21] Milward, *The European,* pp. 185-96.

completion.'[22] In February 1955, he returned with a similar plan. These two efforts, along with the proposals for the extension of the ECSC's High Authority to 'further sectors'[23], like transportation and energy, made by Belgium and France respectively, culminated in the Messina conference in June 1955. One year later, based upon the Spaak report, the Six decided at Venice to go ahead with the customs union and a market for nuclear power. By March 1957 the Treaties establishing the EEC and Euratom had been signed by the Six.

Meanwhile, being anxious about the effect of the EEC's external tariff upon the Commonwealth's trade and preferential system, the British government, supported by British business on the condition of a long transition period and safeguards, proposed in the mid-1956 a wider, and exclusively industrial, Free Trade Area (FTA).[24] This scheme, by associating the customs union with all OEEC members, was compatible with British economic interests because it maintained the trade preferences within the Commonwealth without endangering access to the large European market under construction. This effort was backed by German businessmen and Erhard because the majority of German businesses were competitive enough to prefer a wider free market rather than a closed trade bloc, as was considered to be the case with a customs union.[25] However, French big businesses were more protectionist about such a wide market and supported the customs union cautiously, asking for extensive safeguards.[26]

During these years the issue of agricultural trade was 'only of secondary importance' because industrialization was the absolute priority.[27] Within the OEEC liberalization of agricultural trade was in standstill for European countries were still vehemently protectionist and in 1955 one-third of this trade was still subject to quotas.[28] The provisions of the EEC treaty were vague in this respect, but it was visible that a more or less protected market capable of absorbing preferentially the surpluses generated from the major agricultural producers, such as the French, would finally be established.

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[22] Ibid, p. 189.
[23] Ibid.
[24] Rollings, *British*, pp. 94-119.
[25] Buhrer, 'German Industry', pp. 106-7.
[26] Moravcsik, *The Choice*, p. 109.
[27] Ibid, p. 224.
[28] Ibid, pp. 308-10.

This integration process enabled big businesses to expand and to take advantage of scale and scope, circumventing the overproduction tendencies which after the First World War had boosted cartelization in Europe whereas after the Second World War there were fears that this tendency could resurface.[29] Seen from this perspective, European integration was a process which prevented an overaccumulation crisis within national borders. As might be expected, the trend among big businesses suitable for economies of scale and mass production was to support the reduction of the barriers to trade. However, this support could take different forms. For example, automobile companies in Italy and France backed the customs union only as a neo-protectionist market. Instead, chemical and electrical big business in West Germany supported a wider trade bloc.[30] In contrast, the trend among businesses with limited capacity for economies of scale, such as textiles in the UK, West Germany and France, was more cautious for the customs union and asked for extensive safeguards.[31]

The endeavour of state agencies and Greek businessmen to guide economic development within this changing environment and their response to the progress of European integration, are the main themes of this part. In this respect, Greek literature has addressed the action of state agencies and businessmen separately. For the former, the emphasis has been given to their initiatives to steer economic development without consulting big business[32] and has been underlined that the decision for an FTA was taken from above and was essentially of a geopolitical nature.[33] As chapter three will argue, however, as part of Greece's response to European integration, state agencies and businessmen interacted to adapt the industrial policy, now attempting to boost investment under the pressure of growing foreign competition. Simultaneously, the state and a crucial part of domestic business identified industrialization with the consolidation of the Greek-German economic relationships. Indeed, the geopolitical dimension alone is not adequate for an overall evaluation of

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[29] Edward E. Masson, *Controlling World Trade: Cartels and Commodity Agreements* (New York: McGraw-Hill, 1946).
[30] Pérez, 'The European', pp. 61-84; Moravcsik, *The Choice,* p. 108.
[31] Rollings, *British,* p. 110; Moravcsik, *The Choice,* pp. 96;109.
[32] Kazakos, *Between,* pp. 163-85.
[33] Konstantina E. Botsiou, 'The US and the participation of Greece to European integration', in *Greece, the West and the Mediterranean 1945-1962: New Research Approaches*, ed. by Konstantina E. Botsiou and Yannis Sakkas (Thessaloniki: University of Macedonia, 2015), pp. 109-24.

Greece's path to Europe. As will be claimed in chapter four, the progress of European integration had posed a fundamental economic dilemma to Greece. On the one hand, participation would either stimulate economic development internally by accessing new foreign markets and taking advantage of capital inflows or, instead, it would induce import penetration, clearing uncompetitive units and exacerbating both unemployment and the balance of payments difficulties. This latter possibility would necessitate restrictive internal measures which meant internal devaluation, incompatible with the objective of rapid industrialization and thus dangerous for Greek capitalism. On the other hand, exclusion meant that, firstly, Greece's exports to its traditional European markets, mainly to the Federal Republic, would be disturbed. Secondly, since it was judged that the common market would accrue economies of scale to its participants only, the productivity gap between Greek and European business would grow even more, affecting the already low competitiveness of the domestic economy. Obviously, Greece's developmental path was at a crossroad, but the outcome was not specified unilaterally by the government.

For the reaction of businessmen, the main argument was that the FGI supported the FTA option only because its members were predominately efficient big businesses.[34] Certainly, in Greece small scale and labour-intensive businesses prevailed, except for a few big businesses financed by the counterpart funds which were large by Greek standards and were conducive to economies of scale. However, as will be shown in the following two chapters, they were not so efficient as it has been claimed. Even if some of them could indeed withstand European competition, the key to understanding their response is their increasing need for imported capital and technology, the ties which many of them had adopted with German businesses as well as the political concerns of both the FGI and the leadership of the emerging liberal business faction.

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[34] Moussis, *Greek*, pp. 95-107;128-32.

# Chapter 3 Continuing efforts for external finance and the consolidation of Greek-German economic relations

This chapter explores the endeavour to adjust industrial policy as a response to increasing European competition, the evolution of Greek-German economic relations as an attempt to resolve Greece's imbalance problem and the evolution of selected big businesses financed by the counterpart funds within this framework. It is divided into three sections. The first section traces back the interaction of organised business with state agencies for the adaptation of the industrial policy and the formulation of an industrial programme as part of Greece's substantive strategy towards early European integration. It shows that the liberal business bloc welcomed the law for FDI whereas the peak-level BIAs asked for analogous incentives for domestic industrial investments. Under the pressure by the plans for an FTA, these efforts culminated in the formulation of the ROCEP. This was a business-state organization charged with the above competencies and resembled the demands of the FGI dating back to 1945.

The second section illustrates the circumstances under which the consolidation of Greek-German economic relationship took place. On the one hand, the German side pressed for the rehabilitation of the pre-war and war position of German businesses and the return of confiscated properties and companies. On the other, Greece was dependent on solving the imbalance problem through the development of these relationships. It is clear that both businessmen and state agencies considered that German capital and technology inflows were indispensable for the adoption and modernization of key industries, and thus for the realization of core of the developmental plan. In addition, a first round of bilateral negotiations for labour outflows to the Federal Republic had taken place.

The last section examines the evolution of the most important big businesses which were representative of the main manufacturing sectors. The aim is not only to show their response to import liberalization but also to explore their developmental strategies as a basis for the consideration of their attitudes towards European integration in the next chapter. These companies were all internal monopolies, except for the company P-P which had a dominant position in textiles. Moreover, they were all recipients of counterpart funds, consuming about 46% of the funds to manufacturing and mining up to 1954 and about 55% to 1958.[1] Their main shareholders were among the leadership of the FGI and other meso-level BIAs. Finally, this section examines the emergence of the first foreign direct investments related to shipping capital, which were to play their role in the formulation and implementation of Greece's European strategy.

## 3.1 Industrialization plans, industrial policy and capital scarcity

### 3.1.1 The search for external finance, the business reaction and the updated industrial policy

Following the official termination of the ERP in the middle of 1952, Zolotas reported that the continuation of the investment programme required to solve Greece's viability problem presupposed the continuation of external finance.[2] He insisted particularly on the necessity of FDI and the continuation of US military aid, aiming to finance economic development along the lines established by the 1948 plan. Indeed, in May 1953 the coordination minister, Spyros Markezinis, was in Washington hurriedly seeking $100 million to finance the new developmental plan. As was the case with all the plans published during this period, it pursued the realization of the projects proposed in the initial plan.[3] However, the response was not so encouraging. The US government would provide only $20 million in free aid and assist Greece to find additional funds from institutions like the IBRD. However, the public debt issue had not been settled and Greece could not access international funding institutions.[4] The US also assured that it would assist the Greek government in attracting the interest

[1] GR/PIOP/FOA3/SE6/SS1/FI1, CLC-EDFO General Recapitulation, 31 December 1958, pp. 1-73.
[2] GR/BOGHA/A2/S3/Y4/F1/T1, Considerations for Economic Policy, Xenophon Zolotas, Athens, 28 November 1952.
[3] KKF/KKA/7A, Reconstruction Programme: Years 1946-1958, pp. 1536-63.
[4] The BoG had rejected the IBRD loan suggesting that the country would receive funds only in the form of foreign free aid because state budget was overburdened with both development and military expenses, see BoG, *Bank of Greece Governor's Annual Report for 1954* (Athens: BoG, 1955), p. 34.

of American capital to invest in Greece.[5] Indeed, during this trip by Marekezinins, the US and the Greek governments agreed for the favourable treatment of FDI in Greece, culminating eventually in law 2687/1953.[6] This law 'privileged' foreign capital offering extremely favourable conditions for manufacturing, mining, building and shipping investments.[7] Pending since late 1949, the law updated the measures proposed by the reconstruction plan which targeted FDI and capital assets owned by Greek citizens and businessmen living abroad to cover the balance of payments deficit and to finance the developmental effort. Significantly, the law was incorporated into the constitution of Greece and could not be amended or abolished by a single government.

The liberal business bloc welcomed the prospect of US investment capital and, in general, FDI. At the conference of the Greek chambers of commerce in May 1954, the prospects for the long-term financing of the economy were extensively discussed. Three proposals were made by the general secretary of the ACCI, Christos Panagos, who was himself an industrialist with interests in commerce. Firstly, he asked for the restoration of the internal finance mechanism and stated that the issue had been analysed repeatedly by the FGI. Secondly, he insisted on the necessity of untaxed reserves for the re-investment of profits. The third proposal was external finance, which was discussed in more detail although Panagos was pessimistic that US private capital would offer a solution to the 'scarcity of Greek capital'.[8] He argued that Greece was not conducive for such investment and investors would prefer the stability of the US economy. Despite this negative prospect, Panagos insisted that the necessity for FDI in Greece was highlighted by the still high interest rate. For Panagos, foreign capital would absorb the idle work force and produce spill-over effects across the whole economy with the creation of new sectors and export-oriented companies.

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[5] FRUS/1952-54, Vol. VII, Memorandum of Conversation, by the Deputy Assistant Secretary of State for Near Eastern, South Asian, and African Affairs (Jernigan), 7 May 1953; pp. 822-4; Ibid., The Mutual Security Administration to the Greek Minister of Coordination (Markezinis), Washington, 15 May 1953, pp. 831-2.
[6] 'The draft law for the attraction of foreign capitals', *VE,* June 1953, p. 11.
[7] Howard, *Industrial Capital*, p. 276.
[8] 'The Report of ACCI's Secretary-General', Chr. Panagos, in ACCI, *First Conference of the Greek Chambers of Commerce and Industry* (Athens: OCCC, 1955), pp. 243-8.

This rationale had also been embraced by the FGI at that time. The federation's president from May 1952 was Alexandros Tsatsos, the owner of the cement industry AGET SA and a liberal industrialist who, as will be shown, had adopted relationships with companies concentrated around the Power group and shipping capital. At the conference, he was more optimistic about the prospects of US private investment than Panagos.[9] He stated that exported American capital was insignificant given the size of the US economy but was essential for the needs of Greece. As a member of the committee responsible for the FDI at the coordination ministry, Alexandros Tsatsos confirmed that there were signs that US capitalists were interested in investing in Greece suggesting that 'everyone should contribute' in this direction.[10] The FGI president linked the prospects for FDI with an industrial climate conducive to domestic investment too and this attitude was also dominant within the textiles representative body. However, the PUTI had made clear to the coordination minister that it would not accept FDI within its sectors under the privileges of the 2687/1953 law.[11]

Demands for incentives to domestic investors were stated again in an FGI memo to the coordination minister, Papaligouras, the following year where the solution of the financial problem was also prioritized. It was emphasized that foreign businesses asked for legislative stability, tax concessions and high depreciation rates which were also preconditions for the investment of the idle domestic capital. Beyond the claims for working capital the federation emphasized the inadequacy of the Economic Development Financial Organization (EDFO), which since August 1954 had replaced CLC for the provision of long-term finance derived from the counterpart funds. It asked for low interest rates and criticized the new terms introduced by EDFO, according to which, each company had to contribute 50% of the investment financed. In addition, the FGI emphatically returned to its proposals for a stable and conducive environment to investment as part of its industrial policy based upon solid data for manufacturing.[12] For the federation, the underlying reason for the need to intensify the investment effort was imported competition:

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[9] 'The speech of FGI's President Alex. Tsatsos', in ACCI, *First Conference,* pp. 273-6.
[10] Ibid., p. 274.
[11] 'PUTI Memo', *Imerisia,* 25 October 1953.
[12] FGI, *The Greek Industry during the years 1954 and 1955* (Athens: FGI, 1956), p. 1-15.

> Greek Industry has to fight with competition from foreign industries. The major pending problem is exactly the 'scarcity of capital', which poses difficulties to the normal course of companies.[13]

If until 1956 the measures to boost industrial investments had been informed by the opening to international competition from import liberalization within the OEEC, from 1957 they were largely a response to the concrete steps for tariff disarmament taken in Europe, particularly the FTA and the customs union of the Six. From this point of view, the domestic industrial policy applied since 1953 was part of Greece's substantive strategy towards European integration.

In 1955 the provision of long-term finance was still problematic, and the government had accepted that it was fragmented and not systematic.[14] Yet the EDFO could not collect the growing unpaid loans and even if it was endowed with more than $10 million from the unutilized counterpart funds, its long-term finance was quite limited.[15] Until the end of 1958 it had provided only $11.9 million worth of loans to manufacture, as will be shown in section three of this chapter, $13.8 for the Ptolemais facilities.[16] Obviously, the level of the funds was significantly lower than the Marshall Plan period. Indeed, investments were financed predominately by long-term credits from abroad, self-finance and growing short-term finance.[17] Since FDI was still limited, the result was that manufacturing investment as a percentage of the total investment was continuously falling from 1953. In 1956 this percentage had reached a low point which was half of that in 1952 and industrial production in 1956 was stagnant.[18] The FGI attributed this investment inertia, and the subsequent production stagnation, to the scarcity of investment capital, the inadequate protection and stagnant agricultural income.[19] Moreover, it put the blame on the state for inaction and an incoherent industrial policy.

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[13] 'Sofoklis Venizelos declares', *VE,* July 1955, 19-22 (20).
[14] 'The meeting at the FGI', *VE,* June 1955, 15-9.
[15] GR/PIOP/FOA3/SE1/SS4/FI1, Report of the General Manager to Board of EDFO, 26 May 1955, pp. 19-37.
[16] Appendix 1, table 4.
[17] *The Greek Economy during the year 1957* (Athens: BoG, 1958), pp. 122-3.
[18] The industrial index which the FGI published the production level was 125 in 1953, 155 in 1954, 160 in 1955 and 162 in 1956 (1939=100).
[19] Christoforos Stratos, 'The stagnation of industrial production is alarming', *OT*, 06 December 1956.

It was true that the Karamanlis government had, since early 1956, intensified efforts for industrialization.[20] Significantly, the inauguration of the Karamanlis government coincided with the permanent taming of inflation. Under the guidance of the BoG, efforts had been concentrated upon the restoration of the internal finance mechanism since 1954, promoting the attraction of public and private savings from commercial banks and their appropriate channelling to industrial investment.[21] Once this had been achieved, in 1957 commercial banks were obliged to channel 30% of their annual increases in deposits to long-term finance for productive investment.[22]

Equally, Papagos' government had already introduced measures which resembled the demands of the business community. With the Law 2901/1954, retained earnings, up to 10% of corporate annual revenue, were not taxed if invested whereas depreciation rates increased.[23] In early 1955 the Law 3213/1955 was introduced for provincial industry, which concerned industrial investment exclusively beyond the Athens-Piraeus industrial region.[24] This law was of decisive importance because it introduced incentives that later were granted to the whole of industry. It abolished all taxes and duties for imported machinery, increased depreciation rates and reduced the interest rate along with other parafiscal charges.[25]

From early 1957 the PUTI had highlighted that incentives to industry, aiming to modernize mechanical equipment and to reduce high production costs, was a precondition for Greece's entrance to the FTA.[26] Very soon, as will be shown in the next chapter, this became the common denominator of all industrial BIAs and the business community. Once the decision to join the FTA had been taken, the FGI and the PUTI intensified their pressure for new measures to assist industrial investment. They essentially proposed the extension of the incentives given to provincial industry to the whole of industry. The provincial FMTI and FPI

[20] Konstantinos G. Karamanlis Foundation, *Konstantinos Karamanlis Archive: Facts and Texts,* 12 vols (Athens: Ekdotiki Athinon, 1992-1997), (Hereafter KKAFT), II, pp. 54-5.
[21] Ibid., pp. 74-80.
[22] BOG, *Bank of Greece Governor's Annual Report for the year 1957* (Athens: BoG, 1958), p. 73.
[23] *The Greek Economy during the year 1958* (Athens: BoG, 1959), pp. 55-8.
[24] The Athens-Piraeus region accounted for more than two third of industrial production in 1956.
[25] The term parafiscal charges refers mainly to third party taxes, which were charges on agricultural and industrial products accruing to a number of public entities.
[26] Georgios Gavril, 'The Textiles of the Countries of Europe and the EFTA', *VE,* March 1957, 19-27.

indicated that the measures included in the law were not enough.[27] From its perspective, the ACCI highlighted the necessity of incentives for mergers and, in general, for concentration in industry and commerce as the appropriate response to the competitive challenge posed by the FTA.[28] The first measures which extended the above incentives for provincial investment to the whole industry and advanced those already granted, aiming simultaneously to facilitate mergers with additional tax incentives, were adopted in 1957 as Laws 3765/1957 and 3746/1957.[29] The next year corporate taxation was simplified.[30] The fact that the measures for provincial industry were expanded to all industries nationally once the decision for participation in the FTA had been taken, is a clear indication that incentives to industry were not 'inherently susceptible to particularism' as Pagoulatos has argued.[31] Instead they were the outcome of state-business interaction which aimed to promote industrialization as a means to strength Greek capitalism in the face of growing foreign competition, constituting thus a crucial part of Greece's substantive European strategy.

### 3.1.2 Planning and the adaption of state-business relations

It has been argued that in the second half of the 1950s it was the government alone which had understood the 'necessity for the coordination of the developmental effort'.[32] This is certainly another expression of the widespread belief that the state had acted autonomously or had just followed clientelist policies. However, there is no doubt that the FGI, as the representative body of Greece's industrial class, had repeatedly highlighted the necessity for an industrial programme, claiming its participation to its formulation and implementation at the highest level.[33] In February 1956 it offered a reminder that there was a severe vacuum in respect to comprehensive data for industry, linking it directly to the absence of any coherent industrial policy and

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[27] 'Industrial Problems', in ACCI, *Second Conference of the Greek Chambers of Commerce and Industry* (Athens: OCCC, 1958), pp. 135-69.
[28] 'For the merge of similar businesses', *ACCI Bulletin,* July 1957, 5-7.
[29] Psalidopoulos, *History*, pp. 220-1.
[30] For the institutional deficiencies of the Greek tax system which discouraged industrial investments see: Zoi Pittaki, 'Walking a Tightrope: Business, the Tax System and Tax Conscience in Greece, 1955-1989' (unpublished doctoral thesis, University of Glasgow, 2016).
[31] Pagoulatos, *Greece's,* p. 41.
[32] Kazakos, *Between*, p. 82.
[33] FGI, *The Greek Industry during the years 1954 and 1955* (Athens: FGI, 1956), pp. 8-11.

programme.[34] The next month, once the Karamanlis government had been inaugurated, the federation reiterated this argument to the new coordination minister Helmis, who agreed that a survey for the status of industry was a precondition for the enactment of developmental and commercial policies.[35] Indeed, in April 1956 the government formed the Programme Council, charged with the formulation of an economic programme. As its membership indicates, this council was an effort to revive the patterns of formal state-business relations prevailing in Greece before the US intervention in 1947. Particularly, it was headed by Zolotas and its main participants were the NBG's vice president and the FGI's president.[36] However, for unknown reasons, this council did not proceed as scheduled. Thus, on 9 July 1956, the federation returned once more with its old demand, asking again the coordination minister for the cooperation of the private and public sectors for the formulation of a 'healthy' industrial policy and an economic programme.[37] For the FGI this endeavour presupposed a study of the economy, particularly the 'collection of data and their systematic processing' for the whole economy, above all, for manufacturing.[38] Indeed, such a state-business committee, which included the FGI's president and board members, took place at the BoG at the end of August 1956.[39] Subsequently, the 'committee for the survey of industrial problems' as it was named, met Helmis regularly and was preoccupied primarily with the finance terms and the protection of big business.[40] Yet, by the end of the year, the Greek Statistical Service had collected the first data regarding industrial establishments.[41]

There are no available sources to extract the subsequent development of this effort and evaluate its significance, but the whole endeavour undoubtedly gathered momentum a few months later when the issue of the FTA had already become the main concern of businessmen and state agencies. At the annual meeting of the BoG in April 1957, the FGI's vice president asked for a consultative economic committee with clear objectives and means:

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[34] Ibid., p. 26.
[35] 'It will be conducted a survey', *Imerisia,* 8 March 1956.
[36] KKAFT, II, p. 52.
[37] 'Greek Industry is Admirable', *VE,* August 1956, pp. 31-5.
[38] Ibid., 32.
[39] 'Foreign Experts will assist the Committee', *To Vima*, 29 August 1956, p. 6.
[40] 'Legislation for public procurement will be improved', *Imerisia*, 16 September 1956; 'Improved Finance', *Imerisia*, 19 September 1956.
[41] ESYE, *Statistics in Greece* (Athens: National Printing Office, 1961), p. 25.

> A Permanent Economic Council aiming to specify the general framework of our economic policy should be created. The determination of this framework presupposes the study of contemporary economic data of the country, as well as the investigation of its future prospects, in order for the country to develop and to cast off the title of an underdeveloped economy.[42]

He pointed out that this new form of state-business organization should be assisted by all the relevant state services and should include BoG officials, members of the commercial banks, representatives of the 'productive forces' and other 'personalities' and experts.[43] He mentioned that the committee should take place within the BoG, because the central bank had the 'expertise', the 'means', the 'authority' and the initial data, all appropriate for any coherent economic policy and programme.[44] Just a few days later, the FGI explicitly related the study of the economy to the terms under which Greek industry would participate in the ongoing process of European integration.[45] Indeed, the government in March 1957 had formed a 'central committee', with the participation of the FGI and prominent state managers, to report on the FTA. Three months later, from this committee another one had emerged, the Research and Organization Committee for Economic Planning (ROCEP) which shared considerable similarities with the FGI's proposals. At the very first meeting of the ROCEP in September 1957, the coordination minister, Helmis, who was its chairman and simultaneously supervising the negotiations for the FTA within the OEEC at the time, outlined its main purpose:

> At the moment, I would not ask for any programme. This will become feasible with the systematic exploration of the sectoral data and the problems of the economy. Then, based on the detailed and comprehensive research of the data and their problems, the programme will constitute the basis of our economic policy.[46]

The general secretary of the committee, the highly ranked BoG official, Spentzas, was charged with the coordination of the everyday functions of the

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[42] Christoforos Stratos, 'The foundation of Permanent Economic Council', *OT*, 25 April 1957, p. 1.
[43] Ibid.
[44] Ibid.
[45] 'The Industrial Committee', *OT*, 23 May 1957, p. 14.
[46] KKF/Georgios Spentzas Archive (hereafter GSA), 28/4, Minutes No 1, 12 September 1957.

institution and was the official link to the government and the BoG. The new institution was composed of six main committees and various subcommittees.[47] The participants came from four main categories: a) state managers, usually at the level of general secretary of the ministries or above b) bank executives, usually the vice presidents c) business representatives, mainly from the governing bodies of the FGI and the ACCI and d) academics. Essentially, this new organization was an updated version of the RO and ASA, very close to the federation's demands from 1945 in respect of its organization and competences.

The substantive difference from the previous organizations was that it was not supervised by the US mission. Rather, the ROCEP worked within the framework of the rapidly improving Greek-German economic relations. The structural prerequisites for this development were already there. Indeed, as the trade ministry was informed, from late 1952 the Federal Republic accumulated surpluses to its external accounts. [48]

## 3.2 The consolidation of Greek-German economic relations and the road to salvation

The rehabilitation of Greek-German economic relations and the settlement of the issues of German occupation have both been treated in a systematic way but separately.[49] As was shown in chapter one, however, there is a need to address these two dimensions together. This is because in this way the circumstances under which Greece pursued its industrialization and finally participated in European integration can be illustrated.

In November 1954, Markezinis, the chief negotiator of the Greek-German economic agreement signed one year earlier at Bonn, made a peculiar statement in parliament. He advocated that the Greek delegation to the Federal Republic

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[47] The six main committees were a) Central Committee, responsible for the guidance of the work of the other committees and the elaboration of their results b) Committee for Primary Production c) Committee for Secondary Production d) Committee for Public Works, Transportation and Commerce e) Committee for Fiscal and Credit Issues and f) Committee for the Methodology of the Programme.
[48] YDIA/1953/92/1/2, Tsimikalis to Trade Ministry, Bonn, 11 April 1953 and 14 April 1953.
[49] Pelt, *Tying,* 68-89; Despina-Georgia Konstandinatou, *War debts and war criminals in Greece: In search for moral and material justice after the B' World War* (Athens: Alexandreia, 2015), 69-117;371-405.

had ‘reversed’ the usual programme of such official visits.[50] As he explained, the delegation had initially visited the provincial industrial regions and only in the end did it arrive in Bonn to sign the agreement. Indeed, all the available sources suggest that Markezinis arrived in Bonn in order to confirm and guarantee with the Federal Republic, commitments and credits for public and private projects agreed mainly between the Greek businessmen Voulpiotis and Bodosakis on the one hand, and the German companies Siemens AG, Telefunken-AEG and Alf. Krupp on the other.

The pressure which had been exercised by German businesses, the Federal Republic and their agents in Greece is well summarized by an anonymous letter without recipient and date. According to this letter, the return of the confiscated properties to the Federal Republic and to German individuals, the recognition of the property rights of various confiscated companies and the restoration of the pre-war position of Siemens AG and Telefunken-AEG, would ‘contribute decisively to a favourable outcome for the Greek-German trade and economic-political relations’.[51] Indeed, the letter included the salient features of the agreement which had three main parts.[52] The first was a protocol for the guarantee of the finance of the main developmental projects with DM 200 thousand, half of which was for Ptolemais and Larymna. The second, which included only secret letters which were not made public and remained for some months hidden, envisaged the restoration of Siemens AG and Telefunken-AEG’s pre-war and war position and the third, consisting also of secret letters, promised the return of German public and private confiscated properties on favourable terms. As we have seen in chapter one, these developments had been underway at least since 1949.

In respect to property, until the middle of 1954 these letters had had been translated into Law 2912/1954 which returned a number of public properties to the Federal Republic. At the time, the General Accounting Office had reacted to this concession, not only because it contradicted IARA regulations but also

50 EDHK/HA/32/03294/003, Parliamentary Minutes, 24 November 1954, p. 5.
51 KKF/KKA/431/2/19, Unsigned document, no date; KKF/KKA/431/2/15, Siemens-Halske A.G. and Siemens- Schuckertwerke A.G. to Siemens Greek Electrotechnical SA, Munich, 29 May 1953.
52 KKF/KKA/3A, Agreement, Bonn, 11 November 1953, pp. 1010-12; Ibid, Protocol, Bonn, 11 November 1953, 1013-14; Ibid, Letters between Spyros Markezinis to Ludwig Erhard, 11 November 1953, pp. 1015-22.

because it had cost Greece about $1 million. This result added to the quite unfavourable accounts in respect of total reparations, for it had been calculated by the General Accounting Office that German reparations from all sources did not exceed $20 million while those from Italy were more than $110.[53]

By March 1953 it had been agreed that 75% of the expansion plan for telecommunications would be covered by Siemens and Halske AG and in October 1953 the agreement had been signed. One month later, the new agreement included an offer by Siemens AG for an expansion plan triple the first. Yet Siemens AG had proposed considerably higher prices in relation to the previous agreement and Voulpiotis had asked for an exceptionally high commission for his work.[54] For radio broadcasting, the agreement now incorporated the proposals of Telefunken which had been rejected the previous year. Despite Markezinis claims to the opposite, both developments had been prepared behind the scenes by Voulpiotis who had cooperated with the Greek government during the whole agreement.[55] By April 1954, Markezinis had resigned and in November he withdrew from the Papagos government and the ruling party, accompanied by twenty-seven associates and parliamentary members. As a German delegation, headed by Erhard, was to arrive to discuss the implementation of the agreement, the content of the secret letters concerning the German companies were revealed forcing Markezinis' team to make this move. However, Markezinis still claimed that these were not binding according to international law, but Erhard had a different opinion.

The issue was re-examined by Papaligouras and Erhard during the negotiations in Athens a few days later. During the first day of the negotiations the developmental plan and particularly all the main projects of Greece at the time, namely the Ptolemais, Larymna and the Oil refinery, were discussed. At the meeting, Papaligouras asked for a time extension to the agreement for Ptolemais and the refinery. Erhard agreed, but he simultaneously pressed for

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[53] YDIA/1958/7/3, Protocol for Economic Cooperation, 11 November 1953; Ibid, Ludwig Erhard to Spyros Markezinis, 11 November 1953; YDIA/1955/23/7, Directorate General Accounting Office of Finance Ministry, Memo for German Properties, 13 November 1954.
[54] KKF/KPA/1955/15/1, Siemens and Halske to Spyros Markezinis, München, 7 November 1953, pp. 76-83; Ibid, General Comments for the proposals, 15 September 1954, pp. 108-14.
[55] KKF/KPA/1955/12/1, Parliamentary Inquiry Committee, Meeting No 9, 16 March 1955, pp. 23-68.

direct assignment to German companies and not for international tenders. The same day, Papaligouras accepted the binding character of the secret letters and agreed to enforce the agreement with Siemens AG but he repeatedly asked Erhard to cancel the obligations attached to the letter for Telefunken-AEG because radio broadcasting was exclusively controlled by the US mission.[56] The next day, the German side accepted this demand and in exchange it received, free or on favourable terms, the remaining confiscated public properties.[57]

During 1955, Voulpiotis still mediated the interests of the German companies and the Greek state.[58] The Siemens AG board member, Mattei, felt comfortable to submit a new offer to Papaligouras on the basis that the Greek market belonged ‘exclusively to Siemens’.[59] However, the new offer was still considerably above international prices. Even more, Voulpiotis, who updated the proposals of Siemens AG asking for a high commission, and supported in his effort by OTE officials, pressed the government by all means available, accusing the vice minister of transportation of bribery because the ministry had rejected his proposals.[60] Indeed, the transportation minister, Konstantinos Karamanlis, in July 1955, supporting his deputy minister, rejected the offer at the last minute. Having distanced himself from the negotiations and Siemens’ practices, he was very soon appointed as Greece’s prime minister succeeding Papagos. However, he refused later on to acknowledge any relationship between these two developments.[61] Evidently, the developments with Siemens AG and its representatives in Greece had produced a political earthquake, for Markezinis was considered as Papagos’ successor and Bodosakis had worked towards this possibility behind the scenes.[62] However, subsequent developments show that Greek-German economic and bilateral relations continued undisturbed.

Indeed, in September 1955 the new economic agreement between the two countries aimed to expand economic cooperation, including provisions for the

[56] YDIA/1955/23/7, Greek-German Negotiations on 17th November, Minutes, Athens, 18 November 1954.
[57] YDIA/1955/23/7, Greek-German Negotiations on 18th November, Minutes, Athens, 19 November 1954.
[58] KKF/KPA/1955/15/1, I. Voulpiotis to P. Papaligouras, Athens, 12 April 1955, pp. 134-5.
[59] Ibid, Minutes between Panagis Papaligouras, M. Armack and Siemens representatives, Bonn, 29 April 1955, 136-7.
[60] KKF/KPA/1955/13/1, I. Voulpiotis to Al. Papagos, Athens, 4 August 1955.
[61] KKAFT, I, pp. 251-3.
[62] Rizas, *Greek Politics*, p. 146.

guarantee of credits beyond that of November 1953. The aim was to include not only big projects but also the modernization of small-scale industry, predominately textiles, which German businesses refused to provide credit for because they were considered insolvent.[63] In any case, German businesses participated in the expansion of the OTE network and facilities by 60% and Siemens SA alone had signed a contract for 42% of the plan.[64] Furthermore, by 4 November 1955, the Greek government had informed the Federal government that it had joined IARA's procedure for German properties.[65] The next month, it incorporated into domestic law the London Debt Agreement on German external debts, signed in February 1953.[66]

Representative of the shift towards German businesses and the continuity of the relations between the two countries was the decision to construct an oil refinery, the first built in Greece. On the basis of an international tender, published in August 1953, the construction and exploitation of the refinery, as a private company, had been granted to Elbyn SA which was the agent of Shell SA. However, with the mediation of Lavdas and Andreakos, who was director general of Gertsos' Industriebau A.G. of Zurich and had travelled to the Federal Republic during the negotiations in November 1953, the initial decision was cancelled by Markezinis. By January 1955, the construction of the refinery had been granted to the German company Hydrocarbon GMBH.[67] It was clear that German business interests had been consolidated. Indeed, by March 1956 German companies had provided credits within the framework of the November 1953 agreement for all the main projects which had been constructed or were under construction.[68]

At the same time, the two governments had initiated preliminary discussions for a migration agreement. Until 1956 there was a migration agreement with Australia, which along with the US absorbed annually more than half of Greek migrants.[69] The BoG had calculated that the idle labour force in 1955 was about

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63 YDIA/1955/23/2, Greek-German Negotiations on 19 September, Minutes, Bonn, 23 September 1955.
64 KKF/KPA/1955/16/2, Rapport Law, 9 July 1957, pp. 52-80.
65 Announcement published in Official Gazette of the Greek Government, Volume 1, No 80, 6 March 1956.
66 Konstandinatou, *War debts*, p. 74. For this agreement see section four in chapter one.
67 EDHK/HA/8/00893/007, History of Refinery, various documents.
68 Appendix 1, table 7.
69 Fragiadis, *Greek*, p. 167.

30% of the total labour available and both demographic and employment trends indicated that the problem would deteriorate.[70] According to the central bank, total annual migration covered only a portion of the annual increase of the labour force whereas manufacturing was not able to absorb more labour.

Following the migration agreement signed with Italy in 1955, the Federal Republic had approached Greece which was always interested in resolving its 'imbalance' problem in this way.[71] In October 1956 the foreign ministry, on the grounds that bilateral economic relations had been 'completely restored' encouraged this prospect.[72] However, objections had been raised by the labour ministry because the German side had asked for the preferential treatment of German citizens in Greece. Moreover, Greece's conventional migration agreements with OEEC countries were based upon the most favoured nation clause and this posed additional problems.[73] The issue did not proceed, but by the middle of 1957 an unspecified number of Greek miners from Belgium and unskilled laborers directly from Greece had flocked to the Federal Republic. They had arrived following the 'myth' of an easy access to employment but they had been eventually absorbed into the black market, putting additional pressure for a migration agreement upon the Greek government.[74]

When in the middle of 1957 bilateral negotiations with the Federal Republic resumed at ministerial level to discuss Greece's participation in the second phase of European integration, it was agreed that the imbalance problem would be resolved with German capital inflows.[75] These were divided into two categories. The first would finance infrastructural facilities and basic industries. It targeted projects of the second energy programme, mainly the Achelous facilities and the newly scheduled Ptolemais power plants. An extension of the facilities at Larymna for nickel pebbles and the production of iron from chrome iron ores were also discussed. Papaligouras had also shown a special interest in the nitrogen and the aluminium plants. For the former, an international tender

[70] BoG, *The Greek Economy during the years 1955-1956* (Athens: BoG, 1957), pp. 211-29.
[71] YDIA/1956/10/3/2, S. Kapetanidis to Foreign Ministry, 12 October 1956.
[72] YDIA/1956/10/3/2, Foreign Ministry internal document, 3 October 1956.
[73] Ibid., Labour Ministry to Foreign Ministry, Athens, 22 November 1956.
[74] YDIA/1957/72/4, S. Kapetanidis to Foreign Ministry, Bonn, 26 July 1957.
[75] KKF/KKA/3A, Negotiation Minutes at Federal Ministry of Economic Co-operation, 7 July 1957, pp. 961-974.

had already been published and its construction was claimed by German and Italian companies.

The second category included mixed Greek-German companies targeting primarily the Middle East markets. The interest of Izola SA for such joint ventures was mentioned as the prime example. At the time, Erhard was eager to utilise funds from the Marshall Plan to offer tax incentives to German companies for this purpose. From his side, Papaligouras proposed that Greece would provide incentives beyond the law for FDI. In the end, it was agreed that both sides preferred a bilateral establishment agreement to facilitate German FDI, rather than to wait for a solution within the OEEC.

Unsurprisingly, during the negotiations the German side had explicitly conditioned the progress of the bilateral relations upon the solution of the remaining issues of the Nazi past.[76] These issues have been examined analytically in the previous two chapters, namely the return of confiscated properties to Germans, compensation for pillage during the Nazi occupation and, related to this, the treatment of German war criminals. In particular, the Federal Republic pressed Greece to return a trademark of the confiscated German company Osram SA, to deal with the compensation demands from the war perpetrator Reemtsma of Hamburg and to resolve the issue with the war criminal Max Merten, arrested in Greece three months earlier.

## 3.3 The response of industry to competition

In contrast to the Federal Republic, which after 1952 accumulated surpluses on its external account, Greece generated persistent deficits and one reason for this was that domestic big businesses underutilized their productive capacity. It is important here to emphasize that at the time this was the analysis of both the central bank (BoG) and the FGI.[77] Yet in 1963 it had been suggested that the low capacity utilization in Greek industry during the 1950s was behind the low productivity of big businesses, showing that this was indeed a widespread belief

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[76] KKF/KKA/3A, Negotiation Minutes at Federal Ministry of Economic Co-operation, 7 July 1957, pp. 973-4.
[77] BoG, *The Greek Economy during the years 1955-1956* (Athens: BoG, 1957), pp. 135-53; ‘The FGI Memo’, *VE*, June 1955, 38.

among state managers and businessmen.[78] However, the issue has not been re-examined. With a few but noticeable exceptions, Greek historiography has not considered Greek business and its relations with the state apparatus after 1952.[79] However, the analysis of corporate strategies of the big businesses financed by the ERP is a precondition to understand their attitudes in relation to European integration. Since their leaders were also the leaders of the FGI, this analysis allows the study to approach the origins of the federation's European strategy. From the sources consulted here, it appears that underutilization was acute for a category of companies or sectors which had not renewed their mechanical equipment, like textiles and foodstuffs, although it was not restricted to them. Significantly, there was also a second category which included several big businesses which had renewed their mechanical equipment with the counterpart funds and could not reach the optimum level of production.

### 3.3.1 Foodstuffs and textiles: outdated machinery, small size and the financial risk of new investments

For the first category, the ROCEP had estimated that in foodstuffs, utilization in the canning industry in 1957 was about 35% and in the juice industry at about 50%.[80] The general picture here was that small-scale units employed outdated machinery and produced predominately expensive and low-quality products. Only additional investment and merges for the creation of large-scale units was considered could improve the situation. Overall, this was also the case with textiles[81], which had suffered the most from import liberalization and this was true for both cotton and woollen subsectors. In early 1955, PUTI had calculated that the cotton industry employed about 68% of existing spindles and 75% of the weaving mills, calculations that had been accepted by the NBG.[82] Taking as a basis the two eight-hour shifts, capacity utilization was 54% and 40%

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[78] Coutsoumaris, *The Morphology,* pp. 302-8.
[79] Shipping industry has been considered in: Harlaftis, *Greek,* the Bodosakis group in: Pelt, *Tying,* and the Greek subsidiary of the French aluminium conglomerate Pechiney SA in: Kostas Kostis, *State and Businesses in Greece: The History of 'Aluminium of Greece'* (Athens: Polis, 2013).
[80] ROCEP, *Basic Committee for Primary Production: Agricultural Industry,* 5 vols (Athens, 1959), II, Issue 21, pp. 11-6.
[81] Appendix 1, Table 19.
[82] 'The Issues of textile industrialists are presented', *Imerisia,* 20 October 1955; NBG, *Developments and Problems of Greek Industry: A' Cotton Industry* (NBG, June 1957), p.44.

respectively. The situation was even more severe in the woollen industry, where even big businesses with new equipment had ceased their operations.[83] This severe underutilization had analogous consequences upon unemployment and textile BIAs emphasized the issue repeatedly to legitimate demands for tariff protection and financial support.[84] This adverse trend was substantially reversed with the tariff and credit measures adopted in the middle of 1956 and late 1956 respectively. In 1957, domestic production did claim 98% of the market increase and in 1958 about 81%.

The underlying problem was that the textiles industry was largely uncompetitive. Certainly, old equipment and firm size were two factors which had contributed substantially to this outcome in cotton textiles.[85] In cotton yarns, where import penetration was negligible, 25 spinning units had reached the optimal size and utilized 73% of the spindles. At the weaving subsector, where import penetration had jumped from 7% in 1952 to almost 30% in 1956, only six weaving units had the optimal size and utilized only 20% of the weaving mills. The rest was spread out in an unknown number of small family, and apparently uncompetitive, units which employed old and non-automatic mills.

Yet, as the P-P paradigm illustrates, even for big textile businesses overcapacity was a difficult issue to deal with. P-P, the largest cotton company, did respond to foreign competition and in 1954 embarked on an aggressive, mainly import substitution, investment programme. Its primary aim was to reduce general and direct costs by modernizing and concentrating its production lines, expanding its output by 50%.[86] The results of the investment programme were that in 1958 yarn output was already 13% above the level of 1954 whereas fabrics increased by almost 80%. The company was able to fully utilize its engineering capacity but, being labour intensive and having over expanded and overdiversified, it

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[83] GR/PIOP/FOA3/SE5/SS5/FI109, A Study for Greek Woollen Industry, 10 Ιουνίου 1959; NBG, *Developments and Problems of Greek Industry: B' Woollen Industry* (NBG, July 1960).
[84] 'The view of Textiles for import liberalization', *Imerisia,* 23 January 1955; 'PUTI: Measures for the protection of Industry', *Imerisia,* 15 March 1956. From liberalization until early 1955, 17,000 workers had lost their job whereas in early 1956 textiles main federation calculated that from 89,000 workers registered in 1943, it employed at the time only about 43,300.
[85] GR/PIOP/FOA3/SE5/SS5/FI137, Considerations about Cotton Industry in Greece, 10 August 1959, pp. 1-30; GR/PIOP/FOA3/SE5/SS5/FI547, EDFO, Study: Cotton Industry – Market conditions, 12 March 1962, pp. 31-42. Except otherwise mentioned, import penetration is calculated by the author as the ratio of imports to total supply M/(P+M).
[86] GR/PIOP/FOA3/SE6/SS3/FI93237/SFL3, Economic and Technical Report, no date, pp. 102-8.

could not gain economies of scale. General costs remained at the level of the previous years, whereas interest payments had skyrocketed, reflecting increasing indebtedness and the need for credit sales. Thus, equity capital was 40% of total liabilities in 1954, and in 1958 it was only 22%.[87] Competition was a challenge even for price setter companies. At the cost of increasing indebtedness, on the eve of the decision of the FTA the P-P was regarded by Katsabas as 'an industrial complex absolutely synchronized' and able to compete internationally.[88]

### 3.3.2 Consumer durables, machines and metal producing: the inability to emulate the first movers.

To the second category belonged sectors which were more or less conducive to economies of scale, such as consumer durables, machines and metal producing. These sectors belonged to what has been called the Second Industrial Revolution and was not coincidental that they were monopolized from big businesses. The reasons for underutilization varied from sector to sector but responses shared affinities.

For Izola SA, which produced electrical appliances, the underlying problem was that the low added value assembling line was almost entirely dependent upon imported raw materials which were all the main parts of the electrical appliances. In 1956 they accounted, on average, for 65% of the final price.[89] This consumed exceptionally high amounts of working capital, translated to severe shortages of raw materials. The result was that capacity utilization for this department in the middle of 1956 was still 40% when EDFO had calculated that the optimum level was above 80%. For the EDFO, this had severe consequences because it prevented mass and continued production, increasing disproportionately general production costs. Upon these calculations, was legitimated tariff protection which totalled 62% for fridges and 100% for stoves. The result was that from 1955 until 1958 stove sales had increased by 286% and

[87] Appendix, tables 15;16.
[88] P-P, *Annual Report 1956*, 29 June 1957, p. 43.
[89] GR/PIOP/FOA3/SE6/SS3/FI32001/SFL12, Sarandopoulos Report, 28 July 1956, pp. 186-212.

for fridges the respective increase had reached an astonishing 511%.[90] Whereas total sales for the period 1954-1958 had doubled and direct costs followed by 73%, general costs increased by 278%, interest payments by 224% and depreciation by 266%. It was evident that general costs represented increasing expenditures for the reorganized distribution function whereas increased interest payments revealed the adverse capital structure of the company on the one hand, and its endeavour to expand credit sales on the other.[91] An important development here is that, whereas until early 1956, Izola SA had stuck to its decision to not expand due to its adverse financial position, in 1957 it initiated intense discussions with foreign firms, among which was Siemens AG as we have seen, aiming to modernize its facilities in order to respond to the FTA challenge.

This trend was not restricted to consumer durables, but was also evident in machines. Technica Malkotsis SA was an infant company, financed by the ERP for the mass production of oil engines aiming to cover entirely domestic and agricultural irrigation needs. The BAA had repeatedly emphasized the need to increase utilization for the reduction of unit costs, but in 1954 utilization was about one third and this had severe financial consequences as the company did not repay its debts to EDFO.[92] The initial problem here was that the type of engine produced was not of the appropriate size and quality and the ABG, the state-owned agricultural bank which absorbed and distributed almost the entire engine production, had resorted to imports. The company, encouraged by the CLC, improved the engine and its main shareholder repeatedly emphasized the need for continuous production, pressing the ABG to increase and regularize purchases.[93] As these purchases were indeed below the optimum level of production, the company responded again. First, it created its own sales department aiming to cover the difference between the projected optimum production level and ABG orders. Second, in 1955 it diversified and in cooperation with Siemens AG, embarked upon the production of electrical

[90] GR/PIOP/FOA3/SE6/SS3/FI32001/SFL12, Report for Izola SA market, 13 November 1961, pp. 264-271.
[91] GR/PIOP/FOA3/SE6/SS3/FI32001/SFL15, Various documents; Appendix 1, tables 15;16.
[92] GR/PIOP/FOA2/SE2/SS3/FI32013/SFL12, BAA Report No. 378, Athens, 3 December 1953, pp. 71-84; GR/PIOP/FOA2/SE2/SS3/FI32013/SFL7, National Mortgage Bank of Greece SA - Introductory Report, 30 April 1954, pp. 176-7.
[93] GR/PIOP/FOA2/SE2/SS3/FI32013/SFL2, CLC to Coordination Ministry, 4 January 1954, pp. 169-71; Ibid., Technica Malkotsis SA to EDFO, 24 September 1954, pp. 181-7.

engines to cover anticipated demand due to the expansion of electrification which the Ptolemais project entailed. Siemens SA was thereafter the sole buyer and distributor of this new electric engine. Until late 1957, production had increased enough to reduce unit costs, but there was still ample room for further reduction as capacity utilization was still estimated by EDFO to be only 50%.[94] For this reason, Malkotsis' plans were to utilize this capacity by dumping on Middle east markets.[95]

Even more severe were the problems at heavy industry. The Steel and Tinplate SA (SST SA), the unique sheet steel producer in Greece, resembled almost all the reasons for which heavy industry was uncompetitive. To begin with, its mechanical equipment was imported and had been designed for bigger markets.[96] Yet, due to financial difficulties, the firm sourced various pig iron qualities from different producers, adding new problems to the already problematic production lines. Even more, there was an obvious lack of expertise for such complex processes and financial difficulties to pay for foreign and experienced line managers. Instead, sales managers were proliferated, resulting to poor management and high general costs. Yet there were factors which increased production costs. At first place, the ECSC competitors had access to cheap pig iron, which accounted for more than half of total inputs.[97] Equally important, Belgium producers were dumping the Greek market.[98] The result was that capacity utilization was low, the output was expensive and of low quality and the company was accumulating debts. Indeed, equity capital from about 27% of total liabilities in 1952, fell to about 10% in 1957.[99] Yet the EDFO recommended that 'the production process is irrational and expensive because of the small output but in principle the process is the same as elsewhere in Europe'.[100] Under these circumstances, in early 1957, the company was

[94] GR/PIOP/FOA2/SE2/SS3/FI32013/SFL27, EDFO Report, 25 May 1958, pp. 24-45.
[95] KKF/KKA/6A, Agricultural Ministry, Memo, 28 August 1958, pp. 635-8.
[96] GR/PIOP/FOA2/SE2/SS3/FI32041/SFL7, BAA Report No. 443, 18 January 1955, pp. 180-92.
[97] SST, *Report of the Steel and Tinplate SA for the 1953*, Piraeus, 27 June 1954; GR/PIOP/FOA2/SE2/SS3/FI32041/SFL7, EDFO – Conclusions, 30 June 1957.
[98] GR/PIOP/FOA2/SE2/SS3/FI32041/SFL27, EDFO Report, 24 June 1958.
[99] GR/PIOP/FOA2/SE2/SS3/FI32041/SFL34, Balance Sheet 1952, p. 55; GR/PIOP/FOA2/SE2/SS3/FI32041/SFL8, EDFO Memo, 12 December 1958, pp. 126-7.
[100] GR/PIOP/FOA2/SE2/SS3/FI32041/SFL7, A. Koutsokostas and T. Schier to EDFO, 10 January 1957, pp. 2-47.

encouraged by its German supplier Klockner to export to the Middle Eastern and Turkish markets in order to reach the optimum size.[101]

Import liberalization had initially threatened the financial viability of the metal producing companies, which survived only because they were granted considerable tariff protection. The general trend here was that the Siemens-Martin and electric arc furnaces of Halivurgiki SA and the Hellenic Steelworks SA could not adequately respond to the increasing needs for raw steel, whereas the rolling mills were underutilized. From 1955 until 1958, imported ingot inputs had doubled but, since available stocks were limited, scrap consumption was almost steady covering less than one fourth of total steel consumption with downturn tendencies.[102] This development underlined that the structure of the steel industry was approaching its limits. Yet capacity utilization was about 50% for three eight-hour shifts but in 1958 the situation had improved significantly and there were already plans for new investments.[103] This advanced utilization had positive results upon production costs. As data for the Halivourgiki SA indicate, average costs increased after 1953, reflecting the adverse effects of devaluation upon raw material prices.[104] It was in 1958 that the company eventually reaped the benefits of advanced utilization when the output increased by 40% whereas average costs had declined by 23%. In any case, the downturn tendency of the general costs since 1953 is obvious.[105] For the main steel products, the situation was different. Import penetration for reinforcing bars and wires was about one third and for sheet steel it was two thirds.[106] In all cases import penetration was reduced mainly because tariff protection increased.[107]

Protection had not always the same results for, in some cases, it discouraged the required modernization. Indeed, capacity utilization at manufacturing branches which had not renewed their mechanical equipment, such as that of screw

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[101] GR/PIOP/FOA2/SE2/SS3/FI32041/SFL7, Report of the technical expert Mr. Schypula, no date, pp. 48-50.
[102] Appendix 1, table 17.
[103] GR/PIOP/FOA3/SE5/SS5/FI420, Ilias Rabaounis Report for Hellenic Steelworks SA, 21 April 1961, pp. 8-9.
[104] GR/PIOP/FOA2/SE2/SS3/FI33057/SFL7, Halivurgiki SA to CLC, Athens, 14 April 1954, pp. 190-204.
[105] Appendix, table 16.
[106] Appendix, table 17.
[107] GR/PIOP/FOA2/SE2/SS3/FI33057/SFL8, EDFO Report No. 4, Athens, 30 July 1955, pp. 89-102.

products, was disappointing.[108] Here, external dis-economies were quite evident, for the raw material provided by internal producers was completely unsuitable. However, tariff protection enabled screw producers to increase market share. It seems that such protection did not encourage investment in the sector, for the EDFO had shown that their main shareholders were reluctant to invest and to modernize equipment which was obsolete.[109] Thus, general costs and administrative expenses were constantly disproportionately high, underlying both the family character of the average Greek company and inadequate management.

### 3.3.3 Bodosakis group: the reliance upon German technology and finance

The agreement between Bodosakis and Alfried Krupp in November 1952 included the exploitation of Larymna mines, but since the efficient production of iron and iron-nickel presupposed domestic metallurgic coke, they also had preliminary negotiations for the Ptolemais project. At least until January 1953, the MSA had decided to terminate the contract with Industriebau AG and encouraged the BAA to explore the utilization of the loan.[110] In March 1953, the BAA confirmed that the project was indeed 'completely unrealistic' and no real progress had been made until that time.[111] The same month, Bodosakis agreed with Markezinis to undertake the Ptolemais facilities carrying out its own technical study, whereas the delivery of Larymna's installations from Germany had already started. In May 1953, Bodosakis agreed for Ptolemais with Krupp's representatives in Athens, and in August he visited the Federal Republic for further negotiations.[112] Two months later, he had already agreed with the government the interest rate with which the CLC would finance the Ptolemais project.[113] As expected, the Larymna

[108] GR/PIOP/FOA2/SE2/SS3/FI33056/SFL5, Report for Technical Agricultural SA, Athens, 12 June 1958, pp. 3-18.
[109] GR/PIOP/FOA2/SE2/SS3/FI33056/SFL5, Summary Report on Screw Industry in Greece, Athens, 22 July 1958, pp. 20-34.
[110] GR/PIOP/FOA3/SE6/SS7/FI72048/SFL22, Charles T. White (MSA/G) to H. N. Butler (BAA), 29 January 1953, p. 46.
[111] Ibid., L.F. Phillipson to S. Markezinis, 27 March 1953, pp. 47-8; Ibid., L.F. Phillipson to Theodoropoulos, 23 April 1953, pp. 50-1; Ibid., BAA Preliminary Report 334, 27 April 1953, 52-74.
[112] Kostas X. Hatziotis, *Prodromos Bodosakis Athanasiades 1891-1979* (Athens: Bodosakis Foundation, 2005), p. 289.
[113] GR/PIOP/FOA3/SE6/SS7/FI72048/SFL15, AEEXPL to EDFO, Athens, 23 December 1955, pp. 45-7.

and Ptolemais were the basis of the November 1953 agreement. Until May 1956 cooperation had proceeded significantly and Bodosakis, somehow self-complacently, stated to German journalists who had visited his companies:

> Personally, I am happy because through the still smoking ruins of the second world war I realized the opportunities for economic co-operation between our countries and I promoted it with devotion and unbending persistence. Thanks to German capital and the German technical assistance, important reconstruction projects were built in Greece, some of which you have the opportunity to visit today. You might have realized that four fifths of the machinery come from German.[114]

On the eve of the decision for the FTA the relations between Bodosakis and Alfried Krupp were still cordial, but by June 1958 they had 'broken'.[115] The main reason were developments at Larymna and Ptolemais. For the former, the problem was that the Krupp-Renn method was not appropriate for the processing of Greek nickel ores alone, and thus the iron pebbles produced were not commercial and Krupp had refused to deliver them at reasonable prices.[116] The attempt of Bodosakis to produce Ferro-Nickel failed and Larymna terminated its operations in early 1958 with almost all pebble production stocked. This development had a domino effect on the entire group and especially to the viability of Ptolemais. It was within this context that Bodosakis, as will be shown in chapter five, turned to the French company Le Nickel.

Given the significance of the Ptolemais project for the whole economy, Bodosakis was able to press the government to improve the terms for the finance by the EDFO as well as for the sale of output to PPC and the Greek State Railways (GSR).[117] Indeed, from the total cost of the project, estimated at \$20.92 million, AEEXPL and Bodosakis would contribute only \$3 million, the EDFO \$13.83 and Alfried Krupp \$4.09. The Krupp group was scheduled to furnish the

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[114] 'The German Journalists at fertilizers and powder [industries]', *VE,* May 1956, 310.
[115] Hatziotis, *Prodromos,* p. 285.
[116] GR/PIOP/FOA3/SE6/SS7/FI72048/SFL22, L. Mousoulos, AEEXPL: Report for Larymna Mines, Athens, June 1958, pp. 243-61; GR/PIOP/FOA3/SE6/SS3/FI3P102/SFL3, Le Nickel to D. Mavrocordatos, Paris, 17 July 1958, p. 14; GR/PIOP/FOA3/SE6/SS3/FI3P102/SFL6, D. Mavrokordatos, EDFO: Technical Report, Athens, 1 September 1958, pp. 7-41.
[117] GR/PIOP/FOA3/SE6/SS7/FI72048/SFL15, Coordination Ministry to PPC, SEK and EDFO, 10 October 1955, pp. 18-9.

mechanical equipment which amounted to $14.25 million.[118] The facilities included the extraction of raw lignite, one plant for the production of semi-coke for Larymna's metallurgy and one plant for the production of briquets for the GSR. Half of the raw lignite extracted would be sold to PPC's new thermoelectric plant at a price that essentially subsidized coke sales to Larymna and briquette sales to the GSR, the second and the third sources respectively.[119] Since Larymna could not absorb semi-coke, Ptolemais lost approximately one third of its projected revenue. As if this was not enough, the German installations were not able to process the Greek lignite and additional capital and research was needed to produce the briquets of the agreed quality. As a result, the GSR refused to deliver them and there were severe overruns to the project which Bodosakis was obliged to cover by contract.[120] As expected, the prospects of Ptolemais were deemed to be quite ominous.[121]

The situation at AEEXPL, the locomotive of the group, was not much better. The problem here was that even if the plants were working in full capacity supported by the state with the explicit aim to reach economies of scale[122], the company was not able to cover domestic needs at reasonable prices, which were 40%-50% above its foreign competitors.[123] The precise reasons for such inefficiency are not known, but BAA had calculated that devaluation, which had doubled the price of imported raw materials and the interest paid in foreign currency, was largely the cause behind the increase of 30% of the fertilizers' unit costs after April 1953.[124] In any case, the firm argued that only additional investments in all departments would improve this unfavourable situation.[125] This prospect, however, was not plausible for the financial position of the group had

[118] GR/PIOP/FOA3/SE6/SS7/FI72048/SFL18, AEEXPL to EDFO, 5 July 1955, pp. 2-29.
[119] GR/PIOP/FOA3/SE6/SS7/FI72048/SFL22, EDFO Report no 10, 9 September 1955, pp. 137-161.
[120] GR/PIOP/FOA3/SE6/SS7/FI7P2/SFL6, K. X. Lefas to EDFO, Athens, 11 November 1958, Athens, pp. 27-47.
[121] GR/PIOP/FOA3/SE6/SS7/FI72048/SFL22, Chartered Accountant Report, 5 March 1959, Athens, pp. 167-85.
[122] GR/PIOP/FOA2/SE2/SS3/FI32018/SFL25, Agricultural Ministry to the Currency Committee, 9 March 1957, p. 402.
[123] KKF, Evangelos Averoff Papers (hereafter EAP), 3/1/61, ABG to Agricultural Ministry, Athens, 10 May 1956.
[124] GR/PIOP/FOA2/SE2/SS3/FI32018/SFL29, BAA Report No 416, 3 July 1954, pp. 57-66.
[125] GR/PIOP/FOA2/SE2/SS3/FI32018/SFL29, EKTE SA, Economic and Technical Report, 30 December 1957, pp. 130-58.

deteriorated significantly.[126] Under these circumstances, the reliance of the group upon the EKP had grown.

It has been shown in chapter one that EPK had actually been regenerated due to NATO orders which eventually amounted to $11 million. In the middle of 1953, the company received $23 million of additional orders and thus its entire output was absorbed by the Greek state and NATO.[127] As soon as NATO terminated its orders to EPK, a development that threatened the devaluation of valuable assets that had not yet depreciated, the Greek embassy in Bonn paved the way for arms exports to the new member of the western war-alliance, the Federal Republic.[128] In April 1956, the Federal government did include EPK in its potential suppliers, underling its significance for the bilateral economic relations between the two countries.[129] Subsequently, the company pressed for orders and the issue mobilized Greek politicians and state managers at the highest level, including the palace.[130] Certainly, Bodosakis had cordial relations with the palace and EKP's board member Charalabos Potamianos was the king's personal secretary.[131] Yet the most senior officer of the palace, Pavlos Leloudas, was on the payroll of several big businesses, including the Bodosakis group.[132] When Greece was about to report to the FTA, the EKP was still one of the three central themes discussed between Greece and the Federal government.[133] During the negotiations in July 1957, mentioned above, Erhard confirmed Bonn's intention for orders and in October 1957, a contract between the Federal ministry of defence and EPK was indeed signed.[134] The company did receive

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[126] GR/PIOP/FOA2/SE2/SS3/FI32018/SFL13, Ktimatiki Bank Report, Athens, 5 November 1958, pp. 77-94.
[127] GR/ELIA/IFA/UM, EPK to Finance Ministry, Athens, 14 May 1953; General State Archives of Greece/Currency Committee Archive (hereafter GSA/CCA), Γ/174, Currency Committee Decision, 18 September 1953.
[128] GSA/CCA/G/206, Currency Committee Decision 1003, 30 March 1957; YDIA/1956/10/3/1, Sp. Kapetanidis to Foreign Ministry, Bonn, 19 April 1956.
[129] YDIA/1956/10/3/1, Finance Ministry to Coordination Ministry, Athens, 25 April 1956.
[130] YDIA/1956/10/3/2, Tsimikalis to Ministry of Commerce, Bonn, 26 March 1956; YDIA/1956/10/3/1, EPK to the Ministers of Coordination and Foreign Affairs, 16 August 1956; Ibid., Foreign Ministry to the Permanent Delegation to NATO, Athens, 7 September 1956.
[131] 'The Letter of Mr Potamianos', *Eleftheria,* 6 October 1956.
[132] General State Archives of Greece/Archives of the former Royal Palace (hereafter GSA/AFRP), File 1208, various documents.
[133] YDIA/1957/72/4, Telegram, Embassy at Bonn to the Ministry of Foreign Affairs, Bonn, 17 May 1957.
[134] Konstantinos G. Karamanlis Foundation, Evangelos Averoff Tositsas Archive (hereafter KKF/EAA) 5/3/2, Ministry of National Defense to the Coordination Ministry, 17 July 1957, pp. 10-1; KKF/EAA/5/3/1, EPK Report, 30 June 1958, pp. 1-9.

orders, but they were below expectations. Thus, simultaneously concrete plans for the joint production of cranes and gantries with Demag AG were adopted plus an export oriented joint venture with the German company Klockner.[135] The latter aimed to utilize AEEXPL's sales network in the Middle East.

Similar problems and prospects faced the wine company EEOO. This company had cartelized the domestic market with two companies, but it still suffered from underutilization and was thus obliged to reorganize its structure selling several plants after 1954.[136] In the middle of 1956, the company, which was Greece's main wine producer and exporter, had identified its viability with the increase of wine exports to the Federal Republic, its traditional market.[137] As expected, wine exports were an issue always present in bilateral negotiations and was included in the economic agreements signed in 1954 and 1957.

To summarize the status of big businesses in the above sectors, in many cases mechanical equipment was not designed to process Greek raw materials (Larymna-Ptolemais), and in others was designed for bigger markets, as was the case with the rolling mills (SST SA-Halivurgiki SA-Hellenic Steelworks SA). Yet its efficient operation required expertise and know-how which Greek managers missed (SST SA). Imported technology was not easily incorporated and, in most cases, machinery could be efficiently utilized only with complementary investments. In general, the mechanical equipment financed by the ERP was underutilized and all these businesses required additional investment and technological transfers to withstand competition and German businesses were the first to approach. From their side, these German businesses had their own interests in relation to Greece. Business groups such as Alf. Krupp, had accumulated funds and targeted investments abroad, making plans specifically for the Middle East region.[138] Overall, as German business circles publicly claimed, they were interested in utilising the Federal budgetary and external surpluses for investment in underdeveloped countries.[139] The reasons which had informed the German endeavours for such expansion were the same as the pre-

[135] KKF/KKA/6A, Memo of the Greek Government, Athens, 14 August 1958, pp. 501-9.
[136] GR/PIOP/FOA3/SE5/SS6/FI15, EEOO, Ioniki Report, 4 August 1956, pp. 14-7.
[137] Ibid., EEOO Information, 4 April 1956, pp. 12-3.
[138] YDIA/1956/15/2, Tsimikalis to Trade Ministry, Bonn, 21 March 1956.
[139] 'A German plan for underdeveloped countries', *OT*, 6 June 1957.

1945 era.[140] As it was publicly claimed, along the pressure for the utilization of the accumulated surpluses, the economic development of backward countries promised that they would be able to supply raw materials and energy to the Federal Republic and in turn to import capital goods. State support was indispensable for the realization of these objectives. Following the July 1957 agreement, the Greek embassy at Bonn informed that the Federal government enabled the unlimited exportation of investment capital and was also eager to finance businesses abroad on the condition that German participation was above 50%.[141] From its side, the FGI was positive about German credits because the creation of the 'Common 'Market' and the FTA required the renewal and modernization of Greek businesses, and the federation suggested its members take advantage of this opportunity.[142] Certainly, there were projects which had already materialized within this framework. In early August, Viamax SA, an importer of German cars to Greece since the inter-war period, announced that it had agreed to assemble 'Mercedes' buses and cars in Athens.[143] It was a period that the need for the intensification of German capital and technology inflows due to European integration was widely acknowledged. Indeed, Zolotas was very soon analysing at Düsseldorf the prospects of the Greek economy and called German businessmen to invest in Greece providing capital and entrepreneurship.[144]

In the majority of the businesses discussed, beyond their modernization, a wider market was also necessary. As a rule, overcapacity could be ameliorated with additional demand coming either from agricultural income and state purchase within a protected environment or potentially from the Middle East markets. All manufacturing sectors were interested in the internal market but a crucial part of big business considered that an additional solution was the cooperation with German industry targeting mainly the Middle East markets. This endeavour would substantiate the accumulation strategy pursued by the FGI since the 1920s.

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[140] Gross, *Export Empire*,pp. 253-72.
[141] 'West Germany enabled the unlimited exportation of investment capital', *Imerisia,* 1 September 1957.
[142] 'Those interested in German credits-FGI Circular 1770/13', *Imerisia,* 14 October 1957.
[143] 'Viamax', *Eleftheria,* 6 August 1957.
[144] 'The speech of Xenophon Zolotas to German Businessmen', *Imerisia,* 28 December 1957, pp. 1-4.

### 3.3.4 Cement companies: the champion

But there was another sector which had successfully implemented this accumulation strategy. Indeed, for the two cement industries, namely AGET SA and Titan SA, which by agreement still shared the internal market, there is a different story to tell. Both were shielded from foreign competition due to high transportation costs and the raw materials were internally available, except for oil. Thus, they were able to take advantage of a rapidly growing internal demand, which for the period discussed had increased by 122%. For the EDFO and the companies, this demand led growth was attributable to both internal and external markets. Internal demand was clearly based upon the building boom and the public infrastructure works.[145] Exports, boosted initially by NATO orders and then by the growing needs of Middle East states and Turkey, increased fivefold in 1952 and until 1955 they accounted for one fifth of internal production.[146] Thereafter exports showed a downturn tendency, but they still had a substantial role to play. For example, Titan SA dumped surplus cement production on these markets to retain full capacity utilization.[147] Certainly, cement had substantiated the corporate strategy promoted by the FGI.

Driven by such a demand, both companies were able not only to fully utilize their engineering capacity, but there were times that they struggled to meet such a demand. The result was that their unit costs did not follow the tempo of input price increases. Thus, Titan SA for the period 1952-1954 increased its production by 36% and unit costs increased by 25% when oil inputs had doubled, and costs had absorbed the exchange differences affecting loans in foreign currency due to devaluation. The benefits of full utilization became apparent in 1958, when input prices had been stabilized. During this year, the output of Titan SA increased by 10% whereas its unit costs declined by 13%.

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[145] GR/PIOP/FOA3/SE5/SS6/FI1011, Technoeconomic Report – 'TITAN', Athens, 2 May 1955, pp. 44-81.
[146] AGET SA, *Fiscal Year 1954*, 5 May 1955.
[147] GR/PIOP FOA2/SE2/SS3/FI32004/SFL16, Report for 'TITAN', Athens, 14 June 1957, pp. 9-12.

### 3.3.5 The newcomers: FDI and the repatriation of shipping capital

Meanwhile, the Greek owned merchant fleet, adopting primarily a low-cost flag of convenience and building its ships at low cost because of mass orders, was able to take advantage of the boom in international sea-borne transport and to become among the biggest fleets internationally.[148] Many prominent Greek shipowners were interested in investing in Greece with privileges beyond those offered by the law 2687/1953, aiming to back their international activities. It is during the period discussed in this part, that a new business bloc emerged concentrated around this inward-looking faction of Greek shipping capital. As it will become clear in the next chapters, this business faction actively backed Greece's European strategy.

It is true that despite the efforts to attract FDI such investments were limited, until the application to the EEC for association in the middle of 1959. The coordination ministry had received 105 applications which proposed total investments amounting to $76.3 million.[149] It had accepted 33 applications and until the end of 1958 about $12.4 million had been invested in the industry in the form of FDI taking advantage of the law 2687/1953.[150] In addition, some investments had been granted additional incentives beyond those provided by this law, the most important of which were two contracts with prominent Greek shipowners.[151] The first was for the Greek airlines and was signed with Aristotle Onassis in 1956.

The second concerned the shipyard at Skaramagas. Discussions for its construction had started in 1954 and in September 1956 Stavros Niarchos signed a contract with concessions beyond the law for FDI.[152] It was an effort towards the vertical integration of the shipping industry and, for the state, the construction of the Hellenic Shipyards SA was significant, as it was a greenfield investment to a sector defined by the plan as strategic. Moreover, it adopted

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148 Gelina Harlaftis, *Greek Shipowners and Greece, 1945-1975* (London: The Athlone Press, 1993), pp. 40-57.
149 ACCI, *Capabilities for Investment in Greece: Attraction of Foreign Investments* (Athens: ACCI 1959), p. 81.
150 Panagiotis Roumeliotis, *Multinational Corporations and overcosting – subcosting in Greece* (Athens: Papazisis 1978), p. 107.
151 ACCI, *Capabilities,* pp. 20-1.
152 GR/PIOP/FOA3/SE6/SS3/FI3P1/SFL6, EDFO Note and Contract, pp. 1-80.

ties with prominent businessmen at the time as the initiative had been undertaken with Stratis Andreadis, a shipowner and the leader of the Greek Shipowners' Association (GSU), who was the vice president of the shipyard. Among its board members figured Nikolaos Vlangalis, with stakes in the Power group, and Alexandros Tsatsos, the ex-president of the FGI.[153] This was the initial core of this new business faction.

Importantly, when Papaligouras discussed the increase of German credits with Erhard in September 1955, the German finance minister had asked for guarantees by the Greek state for the construction of ships from German shipyards. Papaligouras' answer was negative, mentioning, however, that there were already negotiations for the building of four ships in German shipyards worth $10 million, and that 'The Greek merchant shipping could absorb unlimited credits.'[154] These Greek-German business relations were expanded to internal activities. Niarchos had decided that the main dock of the new shipyard would be constructed by the German company 'Collonwerke'.[155] In addition, in early 1957 Niarchos and Andreadis agreed with Alfried Krupp for a survey to explore the terms and the feasibility of an iron metallurgy plant capable of supplying the shipyard, the domestic steel plants and even to make exports.[156] The first results were announced by Alfried Krupp himself in the middle of May 1957 in Athens, on his way to the Middle East where he was making plans for economic penetration.[157] At his meetings with the government and businessmen, he defended the viability of the iron metallurgy and discussed the extension of the facilities at Ptolemais and Larymna.[158] Certainly, the plans were serious and the shipyard along with the 'iron-metallurgy' were presented by Andreadis at the General Assembly of the GSU in the middle of 1957 as 'exceptionally encouraging' moves of 'Greek Shipping.'[159] This is important, because, as we will see in the next chapter, it was precisely the time that business and the government were preparing to report on Greece's participation to FTA. Until

[153] GR/PIOP/FOA3/SE6/SS3/FI3P1/SFL5, Hellenic Shipyard SA Circulars, Athens, 27 March 1957, pp. 3-8.
[154] YDIA/1955/23/2, Greek-German Negotiations on 19 September, Minutes, Bonn, 23 September 1955.
[155] GR/PIOP/FOA3/SE6/SS3/FI3P1/SFL6, USOM/G Memorandum, 14 July, pp. 83-7.
[156] 'Greece acquires a huge iron metallurgy complex', *Naftica Chronika*, 1 March 1957, pp. 7-8.
[157] YDIA/1956/15/2, A. Tsimikalis to Trade Ministry, Bonn, 21 March 1956.
[158] 'Mr Krupp met the Prime-minister', *To Vima*, 16 May 1957.
[159] GSU, *Report to the Board of Directors on 25 June 1957* (Athens: GSU, 1957).

late 1957, Alfried Krupp had reported quite positively on the feasibility of the blast furnace but Demag AG and the US company Koppers International Ltd, now made their own plans.[160]

## 3.4 Conclusion

It has been argued in this chapter that import liberalization and the law for FDI had alarmed business circles and notably the FGI, which subsequently intensified efforts to adapt and shape industrial policy and planning. Very soon, this effort was culminated in the provision of investment incentives and credit easing firstly to provincial industry and, when the issue of the FTA emerged, at the national level. This was a response to European integration and was thus part of Greece's substantive European strategy. In addition, under the pressure of the proposed FTA and the insistence of the FGI, state-business relations bounced back to an organizational scheme which resembled the structure and competencies of the Reconstruction Organization and the ASA.

This period was also important for the consolidation of Greek-German economic relations. The resignation of Markezinis in 1954 highlights both the significance and the problems attached to this rapprochement. It was confirmed that Greek businessmen, recapitulating upon pre-existing relations with German businesses and state agencies, had the decisive role in the conclusion of the November 1953 agreement. The agreement opened the road to the strengthening of bilateral relations between the two countries and, during the following years, Greece attempted to resolve the imbalance problem within this bilateral framework: on the one hand with capital and technology inflows, appropriate for industrial development and modernization due to increasing European competition and, on the other, with the attempt to export labour surpluses.

The endeavour for German capital and technology inflows is understood considering the main businesses financed by the ERP. In the first place, the turn to German business was true even for textiles, which were struggling with underutilization and low competitiveness mainly due to small unit size and obsolete equipment. In September 1955, there was an endeavour from

[160] 'German and US companies show their interest', *OT*, 31 December 1957.

Papaligouras to persuade the Federal Republic to guarantee credits to these units. At the same time, the leader of the cotton sub-sector was able to modernize because it did not require cutting edge technology, though this was made at the cost of increasing indebtedness. For the big businesses which belonged to the Bodosakis group and to other key sectors conducive to economies of scale, such as metal using, and which required the incorporation of recent technological innovations to overcome underutilization, the pressure for modernization was intense. As a rule, in cooperation with state agencies, they turned to German industry aiming not only to modernize but also to export to Middle Eastern markets which were also targeted by German big businesses. Last but not least, the emerging business faction around shipping capital had also adopted ties with German industry at a crucial time with respect to Greece's decision for an FTA. Importantly, this faction was interested in privileged FDI, challenging the existing status in manufacturing. As will be argued in the next chapter, these developments are crucial for the evaluation of the attitudes of big businesses and the formulation of Greece's European strategy.

# Chapter 4 From the abolition of import restrictions to the acceptance of scheduled tariff reduction

The first section follows the developments from early 1953 until the middle of 1955, when businesses and state agencies intensified efforts for tariff protection as the only way to protect domestic industry, rejecting any initiative for tariff disarmament independently of its origin, be that within the GATT or the OEEC. Instead, they pursued the upward revision of the customs tariffs whereas import liberalization was supported only by importers and the liberal business faction, represented by Alexandros Tsatsos within the FGI. When the US rejected demands within the GATT for unilateral tariff reductions, Greece, as part of its European strategy, adopted a set of alternative measures for industrial protection.

The second section examines the first domestic reactions to the plans of the Six to go ahead with a customs union and to the subsequent endeavour within OEEC to specify the terms under which all its members would be associated with the Six within a wider Free Trade Area (FTA). It is clear that the Greek government followed the cautious stance for tariff reduction as defined in 1953. The alternative of the Eastern bloc was not feasible not only for political reasons but there were also economic difficulties. The PUTI feared Eastern dumping and, more importantly, exports to the USSR presupposed the importation of mechanical equipment which was supplied predominately by the Federal Republic. In contrast, the FGI, led by the liberal business faction until early 1956, had supported the initiative of the Six and called on the business community to prepare for the imminent reduction of tariff walls. Meanwhile, the trade deficit was growing again, and the BoG had identified that Greece's low productivity was the real cause of this development.

The next section is preoccupied with the examination of the circumstances under which the decision of Greece to join the FTA took place in June 1957. It is clear that the government was cautious and actually not prepared for the developments in Europe which came mostly as a surprise thus from early 1957 the coordination of Greece's response took place within the BoG. The central bank examined the issue closely and argued that exclusion would further inhibit already low productivity. Within this framework were formed committees with the participation of representatives of the big businesses within each sector which reported on the prospect of the FTA. The traditional business sectors asked for extensive safety clauses whereas the liberal faction asked the government to accelerate the process. Eventually, Greece's formal European strategy was an updated version of Kouklelis' report of 1949 within the Council of Europe.

The last section, capitalizing upon the previous chapter, shows that economic and commercial relations with the Federal Republic was a catalyst for the decision to go ahead and participate in an FTA. Beyond this, it is claimed that the real strategy was not the negotiation position of Greece alone but, instead, it included the adaption of the protection regime. In this way, it elaborates on the double fold character of Greece's European strategy visible only through state-business relations.

## 4.1 The interplay between tariffs and quotas (April 1953 – late 1954)

### 4.1.1 The PTC and the traditional business sectors

Immediately after import liberalization the FGI reassured its members by guaranteeing that finance minister Konstantinos Papayannis intended to defend himself within the Permanent Tariff Committee (PTC) the need for appropriate tariff protection.[1] Evidence show that this committee, established back in 1910 for the revision of the customs tariff at the time, played a substantive role in the formulation of Greece's commercial and European policies. Indeed, the finance ministry called PTC to revise the outdated customs tariff in order to protect the infant and developing industries. The final declared aim was to protect the 'national' capital and 'national' labour.[2] Simultaneously, the finance ministry underlined Greece's international commitments and the FGI urged its members to submit to the PTC all the data upon which the delegation at GATT

[1] GR/NBGHA/33/10/1/10, FGI Circular 1250, Athens, 30 April 1953.
[2] GR/ELIA/IFA/UM, Konstantinos Papayiannis to Permanent Tariff Committee, Athens, no date.

would be based for the relevant negotiations.[3] However, while Greece was rapidly moving towards tariff protection, the trend both globally and within Europe was in the opposite direction. The foreign ministry was informed that the lowering of the tariff burden was the aim of the revised France plan within the GATT and of the Low Tariff Club proposals within the Council of Europe.[4] Greece reacted to both these plans vigorously and the Permanent Tariff Committee (PTC) was the institution that framed this position. For the committee, all the sources of pressure for tariff disarmament were treated as 'identical' and the respective plans were rejected out of hand.[5] In respect to GATT, the most favoured nation clause was questioned because it had brought negotiations to a deadlock. As far as Europe was concerned, the PTC insisted that it was an antinomy to ask Greece to reduce its tariff level for industrial products when the other, highly industrialized European states, did not reduce quotas and other barriers for their agricultural imports. In addition, the committee concluded, Greece's negotiation position had been undermined due to her unilateral import liberalization. Importantly, this was to become Greece's permanent commercial policy which informed its European strategy. The consideration of business attitudes within PTC can cast light upon its roots and, in this respect, it is clear that the pressure for tariff protection was quite strong and came initially from textiles and the metal producing/using companies.

The PUTI, which represented mainly cotton industrialists, deployed its business strategy in two memos to PTC.[6] Clearly, its arguments resembled FGI's policy from 1945 until the middle of 1952. The major textile association justified its demands to PTC on the familiar basis that production costs were exceptionally high in Greece. It argued that this unfavourable state of affairs was not attributable to irrational firm organization rooted in industrialists themselves but, instead, despite the difficulties posed by the state, the cotton industry was able to produce textiles of advanced quality. For PUTI, inefficiency had two roots. First, it was attributable to the exigencies of a small domestic economy, exacerbated by inconsistent state policies. Second, it was the productivity gap,

[3] GR/NBGHA/33/10/1/10, FGI Circular 1648, Athens, 5 June 1953
[4] YDIA/1953/75/6/1, N. Hatzivasiliou to Foreign Ministry, Geneva, 10 June 1953. The revised France plan was supported by the US, Canada, Germany, Belgium, Netherlands and Denmark.
[5] YDIA/1953/75/6/1, P. Papatsonis Memo, Athens, 15 June 1953.
[6] GR/ELIA/IFA/UM, PUTI to PTC, Athens, 4 May 1953 and 4 June 1953.

responsibility for which was the unskilled labour force. Thus, on the one hand, the small internal market forced industrial units to over-diversify to increase capacity utilization. For this reason, they could neither standardize production nor adopt mass production methods. This deficiency was estimated to add 15% to final prices. Yet it invoked the familiar basis of business demands: parafiscal charges, inefficient machinery and energy supplies, as well as high interest rates which all added 18.7% to final costs. On the other hand, relatively high wages for unskilled labour and the labour productivity gap, accounted for 31.5% of the price differentials. For these reasons, invoking the necessity to protect employed labour, the balance of payments and the regular supply of the armed forces, the PUTI asked for compensatory tariffs ranging from 60% for cotton yarns to even more than 100% for cotton fabrics. Identical arguments were utilized by the representatives of the woollen subsector.[7] The two-metal producing companies did not use different justifications for their own demands although they emphasized even more the limited internal market.[8] Because they were capital-intensive companies, they underlined that their potentiality for mass and standardized production had made the need for the protection of the internal market imperative. The same argument was also deployed by metal using companies.[9] The common denominator of all BIAs was the justification of their demands with the phrase *national industry*, underlying the significance of protection as the solution to the problem of surplus population.

During the consideration of the above demands within the PTC there emerged a number of issues, two of which are important here.[10] The first was the necessity to keep in balance the protection of domestic, intermediate goods suppliers which were usually internal monopolies, with the needs of the companies that utilized them. As a rule, decisions were biased towards internal producers and the problem was essentially perpetuated. In some cases, such as for sheet steel and concrete reinforcing bars, it was met with patchy measures. For example, substantive tariff reductions for these goods were applied only when they were

[7] GR/ELIA/IFA/UM, UWI to PTC, Athens, 22 June and 29 October 1953; Ibid., UWFI to PTC, Athens, 22 April 1953 and 20 May 1953.
[8] GR/ELIA/IFA/UM, Hellenic Steelworks SA and Halivurgiki SA to Finance Ministry, Athens, 14 May 1953.
[9] GR/ELIA/IFA/UM, UII to Finance Ministry, Athens, 7 May 1953; Izola SA to Finance Ministry, 20 May 1953
[10] GR/ELIA/IFA/UM, PTC minutes, various dates.

exclusively utilized as inputs by domestic manufacturers. The second issue was that business demands collided with Greece's international commitments within the GATT.

### 4.1.2 The dual retreat

Within the GATT 'the government and all business circles' vigorously defended tariff protection, utilizing the familiar principles for the protection of capital and labour within industry.[11] The corresponding argument was twofold. First, it was argued that the abolition of quotas had exposed industry to a great danger because the customs tariff was still predominately specific and thus it could not adjust to devaluation which had doubled import values automatically. For this reason, it adopted a number of measures for the protection of the whole industry and particularly for textiles and for iron and steel products.[12] Second, it was claimed that the concessions of the bounded tariffs, made at Annecy and Torquay, had been granted under exceptional political and economic circumstances. Furthermore, some of these items were now produced domestically from newly created industries. For these reasons, almost all concessions were assessed by the finance ministry as disproportionately cumbersome and ill-compensated. On these grounds, the government, in close cooperation with the FGI and ACCI representatives, attempted to renegotiate the concessions beyond the GATT rules. However, under pressure from the US government, it was obliged to retreat, conforming with the organization's regulations.[13]

Under the leadership of Alexandros Tsatsos, the FGI backed import liberalization, facilitating Papagos government to stick to the core of the commercial policy applied. Concrete results had further legitimized this policy. The FTRAD, assessing the first year of liberalization in the middle of 1954, had shown that, until that time, the basic indices had been improving. It firmly

[11] GATT/L/117, Article XXVIII, Views of the Government of Greece, 1 September 1953.
[12] YDIA/1953/75/6/4, P. Papatsonis to the Minister of Finance, Number 1, Geneva, 20 October 1953.
[13] YDIA/1953/75/6/3, US Embassy to Royal Ministry of Foreign Affairs, Athens, 12 September 1953; GATT/L/150, Proposal to Prolong the assured life of the Schedules, Memorandum submitted by the Greek Delegation, 30 September 1953; YDIA/1954/112/4/1-2, P. Papatsonis to Palamas, 28 January 1954.

stated that devaluation had restored external accounts whereas liberalization had encouraged industrial production and rationalized the internal market.[14] With such results and the support of the FGI, it was easy to close the door to any thoughts of import restrictions. As expected, efforts for the renewal of the customs tariff intensified.

The new effort took place simultaneously with the consultations for GATT's statute renewal at the organizations' ninth session. Greece's strategy was again formulated within the PTC.[15] It was again quite cautious and it attempted to renew the customs tariff without providing compensations to interested parties. Its demands were not supported by the underdeveloped states, with which Greece had formed an alliance, because these had other priorities since they were protected by quotas.[16] Yet, the State Department promised sympathetic consideration and flexibility for the re-negotiations of the bounded items, but it explicitly ruled out any possibility for the withdrawal of the bounded tariffs without compensation.[17] Again, the delegation was obliged to step back.

### 4.1.3 The questioning of trade Liberalization

As this first round of negotiations within GATT had not had the anticipated results, second thoughts for import liberalization surfaced. In any case, the delegate at OEEC in October 1953 had declared that because Greece was still a structural debtor within the EPU, the abolition of quotas was of an 'experimental nature'.[18] In April 1954, Greece was officially exempted by the OEEC Council from the common obligations of liberalization and it could thereafter suspend the measures already adopted.[19] Meanwhile, demands for the slowing down of liberalization were coming from different directions.

[14] GR/BOGHA/A5/S1/Y7/F14, FTRAD Memo, Athens, 26 July 1954.
[15] YDIA/1954/112/4/1-2, Handwritten letter, P. Papatasonis to Liatis, 3 July 1954.
[16] YDIA/1954/111/7, N. Hatzivasiliou to Foreign Ministry, 4 August 1954. An attached memo gives some details for two unofficial meetings of this subgroup with GATT's secretariat.
[17] YDIA/1954/112/3, Cryptographic Telegram 232, N. Hatzivasiliou to Foreign Ministry, 24 November 1954; Cryptographic Telegram 12042, Stefanopoulos to Washington Embassy, 26 November 1954; Cryptographic Telegram 297, Ath. Politis to Foreign Ministry, 29 November 1954.
[18] OEEC, Council Minutes of the 231st Meeting, Paris, 29-30 October 1953.
[19] OEEC, Council Decision C(54)110 (Final), Paris, 28 May 1954.

Following the resignation of coordination minister Markezinis in April 1954, the Currency Committee member, Zolotas, anxious by the first ominous signs of liberalization upon the level of imports, proposed to the prime-minister 'administrative measures' that could 'de facto' halt them indirectly.[20] However, the direct confrontation of import liberalization came from textiles. In the middle of December 1953, the PUTI sent a memo to the commerce ministry declaiming against the 'catastrophic dogma' of import liberalization, implying that it was deliberately imposed upon Greece by the US to destroy her industry. Nevertheless, cotton industrialists did not publicly propose a concrete alternative but they highlighted that the main side effect of liberalization was the importation of unemployment.[21] A few days later, the main textile BIAs formed an unofficial alliance against import liberalization which was the first direct and open challenge to it. [22] This development signalled a bitter public dispute within the business community that was not restricted to industry and commerce alone as was the case in 1950. This time it was the clash between industrial BIAs, almost on all fronts, which also came to the fore. Indeed, the FGI's proposals were in the opposite direction from the PUTI's demands.

In late February 1954, the FGI president, Alexandros Tsatsos, had underlined that although quantitative restrictions had boosted industrial output in the past, they had also undermined industry's basic terms of development. On the one hand, domestic industry, being almost entirely shielded from foreign competition by quotas, had accepted charges which had substantially increased production costs whereas the state had neglected to adapt the customs tariff. On the other hand, precisely because industry was exclusively an internal issue, industrialists were educated to orient production almost exclusively towards the internal market.[23] No doubt, these claims were updated versions of arguments already underlined by Alexandros Tsatsos just a few days before the announcement of liberalization.[24]

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[20] GR/BOGHA/A2/S3/Y4/F1, Zolotas Report to General Papagos, 19 April 1954.
[21] 'With a new Memo to the Minister of Commerce', *Imerisia,* 15 December 1953.
[22] 'Meeting between representatives of depended industries and woollen-textile Industrialists', *Imerisia,* 20 January 1954.
[23] FGI, *The Greek Industry during 1953* (Athens: FGI, 1954), pp. 7-14, 19-20 and 73-6.
[24] 'The Report of Al. Tsatsos for the proceedings of the FGI for the year 1952', *VE, April* 1953, 13-9.

At the Chambers' conference in May 1954, he elaborated the conclusions following from the above analysis, leaving no room for misinterpretations in respect to FGI's position toward import liberalization. In front of the whole business community, Alexandros Tsatsos argued that liberalization had situated domestic industry within the international framework of production and productivity, exposing it to international competition and to cost/quality comparisons. This development dictated the equalization of the, exceptionally high, domestic production costs to those prevailing internationally.

This equalization, continued the FGI president, presupposed the activation of both 'objective' and 'subjective' factors.[25] The former referred to external factors, mainly the state, and the latter to industrialists themselves. The principal objective factor was the state's action aiming to eliminate the determinants of high production costs, which were familiar demands of the business community since 1945: capital scarcity and high interest rates, high parafiscal charges, high insurance contributions and obsolete mechanical equipment. The major subjective factor, emphasized by an FGI president in the post-war era for the first time, pointed directly to industrialists themselves and to what Alexandros Tsatsos called *irrational firm organization*. In this respect, Alexandros Tsatsos argued that import liberalization required industrialists' 'active adaptation' to the new circumstances, rather than their 'passive contemplation', because the latter was the practice that had accompanied import restrictions in the past and was proved to be 'painful' to the basic terms of industrial development. However, the FGI did not denounce tariff protection. Instead, for the federation, the internal market was the basis of domestic industry and thus a revised compensatory custom tariff, within Greece's international commitments, was necessary to compensate for the handicaps of Greek industry. The renewed customs tariff had to be supplemented by anti-dumping legislation and, importantly, with intensified public procurement. Implicit to FGI's analysis was that the internal market was small and, among other things, prohibited industrial establishments from developing mass production lines. In this way, Alexandros Tsatsos had derived the necessity for exports and asked the government to extend the drawback right and to return

[25] 'The speech of FGI's President Al. Tsatsos', in ACCI, *First Conference*, pp. 60-1 (60).

insurance charges for exported manufactures. Beyond this, he reiterated the responsibility of industrialists to find themselves export outlets for their products. Clearly, as it became evident at the Chambers' conference, the FGI was closer to importers' position, represented by the ACCI and the Athens Traders Association (ATA), rather than to the position of industrialists represented by the PUTI.[26] Not surprisingly, the latter had refuted one month earlier the core FGI arguments, asking for a 'circumspect and well controlled import system'.[27] The common denominator between the two industrial BIAs was now reduced to the necessity of reducing the production costs by the state. Certainly, when the PUTI repeated these demands at the conference, the rift with the FGI was communicated to the whole business community.[28]

### 4.1.4 A first warning and the exemption

As soon as Greece was forced to comply with GATT's rules for the revision of its customs tariff, the leading European economies had already embarked upon export led development which checked overproduction tendencies providing export outlets beyond the national borders. As expected, once France had rejected the European Defence Community in the summer of 1954, the Low Tariff Club returned within OEEC insisting this time to connect the proposed extension of the Code of Liberalization with scheduled tariff reductions. Considering also the renewed Beyen plan submitted in early 1955 to the Six which culminated in the creation of the EEC, the pressure upon Greece for tariff disarmament was incrementally transferred from the global to the regional level. In January 1955, the OEEC Council considered at ministerial level the reduction of the barriers to trade including agricultural products. At this meeting, coordination minister Papaligouras repeated the position elaborated by the PTC in the middle of 1953. He argued that, although Greece had been exempted from reducing quantitative restrictions, it was the most liberalized country within the organization. It was emphasized that Greece was determined to maintain liberalization by 'all possible means'.[29] However, he added that

[26] 'The speech of ACCI's president, D. Konstandinou, in ACCI, *First Conference*, pp. 50-3.
[27] 'The Accountability PUTI's Board of Directors', *Imerisia*, 4 and 5 April 1954.
[28] 'The speech of PUTI's president, St. Tegopoulos, in ACCI, *First Conference*, pp. 117-21.
[29] OEEC, Council Minutes of the 270th Meeting, 13-14 January 1955, <http://archives.eui.eu/fonds/173983?item=OEEC.C-M-53> [accessed 3 January 2016].

industrial countries had not liberalized agricultural imports, and their demand for a more liberal tariff policy for industrial goods violated the principle of reciprocity which supposedly guided the organization's action. Certainly, Papaligouras clarified that Greece would discuss any proposal for tariff reduction only after it had made certain modifications to her customs tariff.[30] Indeed, the OEEC Council exempted Greece from any obligation to reduce tariffs.

### 4.1.5 The FGI and BoG defend liberalization and define the adaptation of the protection regime

Meanwhile, the developments within GATT in late 1954 had alarmed industry once more. The PUTI had already led consecutive meetings of almost all textile BIAs, which since the middle of 1954 were gathering data for import penetration and its consequences upon capital and employed labour.[31] During the first days of December 1954, almost all textile BIAs were officially united against the 'fatal danger' of import liberalization.[32] These developments very soon culminated in a memo sent to Papaligouras.[33] Textile representatives calculated import penetration for the whole sector and based upon these data, they asked without reservations, for the re-introduction of import quotas for all textiles produced domestically. As if they were sure that this could not happen, they added to their demands double tariff protection and the introduction of high import advances. The FMTI, dominated also by textile industrialists, backed this move immediately, employing identical arguments.[34] For all these industrial BIAs, the likely effects of protection upon the balance of payments and employed labour were the core arguments. Certainly, the priority was the internal market and import substitution policies.[35]

This insistence upon the restriction of liberalization made the rift between industrial BIAs even bigger. Even if the FGI president recognized the necessity for reasonably high tariff protection to compensate for high domestic costs, in

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[30] GR/ELIA/IFA/UM, Memo for the Custom's Tariff revision, Athens, 10 January 1955.
[31] 'Industrialists' Unions Telegrams', *Imerisia,* 12 November 1954.
[32] 'Tomorrow the meeting of PUTI', *Imerisia,* 6 December 1954.
[33] 'Perspectives of the Textile industrialists for the issue of import liberalization', *Imerisia,* 23 January 1955.
[34] 'The FMTI's view' *Imerisia,* 29 January 1955; 'Import Liberalization', *Imerisia,* 11 February 1955.
[35] 'PUTI proceedings', *Imerisia,* 5, 6 April 1955.

March 1955 he again made it clear that the reintroduction of import quotas was 'regression towards a closed economy' which was not in the interest of the business community.[36] Instead, the preconditions for industrialists to do their duty, which simply meant to orient themselves toward the international market, had matured. The FGI was in turn in substantive agreement with Zolotas, who had, meanwhile, been appointed by Papagos as the BoG's governor. Indeed, in the first annual review of the BoG, Zolotas emphasized the necessity for industrial exports because the domestic market was small, and inventories were already abnormally high.[37] As far as protection was concerned, the governor clarified that import liberalization had rationalized a number of companies, but he supported the reasonable protection of domestic production and especially of infant industries not only because foreign companies operated within advanced economic environments but also for balance of payments reasons. Indeed, payment accounts for 1954 had been eventually balanced only because the government had adopted restrictive measures and invisibles had significantly gained from devaluation. Zolotas' fears in April 1954 for the level of imports were confirmed as imports had grown even faster than exports and the trade deficit had increased by more than 50% for this year.

By late 1954 commercial policy was at a crossroads. As the expectations for an extensive revision of the customs tariff had not been fulfilled, the pressure for the re-introduction of import quotas naturally grew. The FGI's position was a catalyst for the coherence of an internal bloc that publicly supported the continuation of the core of Greece's commercial policy towards OEEC countries. Variations were evident in respect to tariff policy, though the FGI and the BoG had converged upon the necessity for a reasonable level of tariff protection within the formal obligations of Greece. Indeed, these were the main principles of the committee for the revision of the customs tariff.[38] This alliance between the federation and the central bank guaranteed that the subsequent re-structure of the internal protection regime could relieve the pressure of competition on hardcore protectionists, represented mainly by the PUTI and FMTI which had

[36] FGI, *The Greek Industry during 1954 and 1955* (Athens: FGI, 1956), p. 14.
[37] BOG, *Bank of Greece Governor's Annual Report for the year 1954* (Athens, 1955), pp. 16-9.
[38] GR/ELIA/IFA/UM, Customs Tariff Revision Committee to Finance Ministry, Athens, 31 March 1955.

deep roots both within PTC and the Greek delegation, without simultaneously endangering Greece's international commitments.

This re-structure, another prime example of the way that state-business interaction had defined Greece's post-war main economic policies, was extensive and took place within less than half a year. Beyond the undergoing tariff revision, a number of non-tariff barriers were updated including import advances, antidumping legislation and public procurement.

To begin with, in the middle of February 1955, amid increasing tensions between Athens Trade Association and ACCI on the one hand and PUTI on the other, import advances for manufacturing, ranging from 10% to 50% of their CIF value were introduced.[39] By October 1956, import advances for many products, such as textiles, had reached 100%. This measure was utilized as a substitute for tariff protection at least for the following two decades. The law for antidumping had first been discussed in December 1953, ratified in March 1954 and implemented in early 1955.[40] The FGI's vice president, who participated in the committee responsible for the evaluation of the applications, had attached primary importance upon antidumping. Following the federation's familiar argumentation since the pre-war era for the development of industry in Europe, he insisted that the real cause of dumping was the endeavour of Western industries to dispose their 'surplus production' abroad at low prices, compensated by 'economies of scale' reaped internally.[41]

Moreover, public procurement was upgraded.[42] In the middle of 1955, the industrial ministry clarified both the objectives and means of the law, leaving no doubt that it was a response to imported competition and part of Greece's European substantive strategy compatible with the FGI's vision:

> We wish to underline the beneficial effects of full capacity utilization of the country's industrial units upon the rapid increase of national income, the

[39] ''The 'controlled import liberalization' is established'', *Imerisia,* 17 February 1955.
[40] 'Antidumping legislation in Greece', *ΔΔΤ*, 1956, no 28, pp. 9-12.
[41] ELIA/IFP/UM, Minutes of the Antidumping committee, Session 15, February 1955.
[42] Law 3213/1955. State and public entities were obliged to prefer domestic industrial products when their price was no more than 8% (previously 5%) above the price of the analogous imported goods (CIF value plus all duties levied at the frontier).

> provision of employment to a large number of workers and employees, the rationalization of the production process and finally to the reduction of the production costs. This latter constitutes the basic pre-requisite for the industrial development under free competition and the tendencies towards unification of the global market.[43]

## 4.2 Upside down (1955 - 1956)

The story of Greece's integration to the EEC has been told essentially from mid-1957, when the government reported to OEEC on the terms under which Greece would participate in an FTA.[44] Significantly, the next step was to derive Karamanlis' pro-European attitude almost exclusively from Pesmazoglou's writings and correspondence with the government. Similarly, the consideration of business interests and their involvement in the formation of Greece's European strategy has been restricted to exploration of the FGI's public position since June 1957.[45] In this way a crucial period of Greece's European stance has been circumvented and crucial actors, like the BoG and business interests beyond the peak-level, have been ignored resulting in a partial and misleading picture with respect to the forces which informed Greece's response to early European integration. The following sections aim to correct this picture.

### 4.2.1 The delegation's cautious stance and an unpredictable business manifesto

Consistent with the line adopted since the middle of 1953, the Greek delegation at OEEC from early 1955 until early 1956 had reserved its position toward any initiative for tariff reduction, be that within European institutions or GATT.[46] This position led Greece into direct confrontation with the Low Tariff Club, which was still insisting to tie up the consolidation of the 90% stage of liberalization with the members' commitment to reduce tariffs. The reaction of the Greek delegation was more dynamic against the proposed common market for textiles between OEEC members because, as it was explained by Christidis,

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[43] 'Domestic production items should be preferred', Document 40071' *Imerisia*, 24 July 1955.
[44] Minotou, 'The European', pp. 198-318; Verney, 'The Greek'.
[45] Moussis, *Greek*, pp. 138-40;152-3; Lavdas, *The Europeanization*, pp. 112-3.
[46] KKF/EAA/3/1/14, Report by Theodoros Christidis, Paris, 14 March 1956.

the crisis in this sector was acute in Greece. Simultaneously, the delegation refused the common stance of OEEC countries within GATT in respect of an automatic scheme for tariff reduction at the international level, proposed again by the Low Tariff Countries. In contrast, Greece had welcomed the incorporation of the *Pool Vert* procedure within the organization and the subsequent establishment of the Council of Agricultural Ministers and the Agricultural Directorate of the OEEC Secretary charged with dealing with the agricultural sector.

At this stage, the FGI leadership, Alexandros Tsatsos, did follow developments in Europe and was clearly more liberal than were the state agencies. Its attitude toward European integration followed naturally from the analysis of the main problem of domestic industry. The FGI's president, closely following Varvaressos' suggestion in this respect, had attributed the revival of industrial production in 1953 to the increased agricultural income.[47] However, in 1955 the federation's president considered that almost all existing manufacturing sectors had unutilized productive capacity, and the internal demand was not sufficient to ameliorate the situation.[48] The only long-term solution were exports, emphasized by the FGI as the 'survival vent' for domestic industry.[49]

Hence, given the fact that domestic industrial production could not find adequate internal outlets, the solution was to invest in sectors which promised export expansion and diversification. Naturally, the FGI supported the promotion of large scale and export oriented industrial units. In sharp contrast to its policy up to 1952, and notably to PUTI's insistence for an import substitution accumulation strategy, it now promoted the adoption of an export-led growth strategy. Not surprisingly, therefore, until January 1956, actually when Monnet had already launched the Action Committee for the United States of Europe, this stance had culminated in an early European manifesto:

> Western Europe, which did not abolish national borders, moves rapidly towards the complete abolition of tariff borders from Scandinavia to

[47] FGI, *The Greek Industry during 1953* (Athens: FGI, 1954), p. 19.
[48] FGI, *The Greek Industry during 1954 and 1955* (Athens: FGI, 1956), p. 9; 'The FGI Memo', *VE,* June 1955, p. 38.
[49] GR/NBGHA/33/10/1/10, FGI Circular 1111, Athens, 15 April 1953.

> Germany, Austria and Italy, including, except for G. Britain which still resists, the whole Europe. Where will Greek industry be? With such a prospect, the duty of prudent entrepreneurs is to orient themselves towards this future reality. Years pass quickly; the abolition of tariff borders will take place. Labour is scarce in the West and within a kind of United States of Western Europe, Greek workers will offer the factor 'capable labour', improving the standard of living and catching up with the level of other peoples of Europe. Greek industry, if it is capable, will take its fair share of a much wider market of advanced standard of living […] Government and industry, should be prepared for this future in order to participate not as poor relatives but as active contributively elements to a wider economy. It is that time that Greek industry will see bright days of development and fair competition. [50]

This manifesto, a clear act of leadership, was the swan song of Alexandros Tsatsos as FGI president. After almost four years at the top of the federation, he was replaced by Nikolaos Dritsas and Christoforos Stratos was elected as vice president. They came from the Piraeus metalworking branch and textiles respectively, the sectors that had suffered the most by liberalization and who had asked for additional tariff protection. The turn of FGI's strategy towards a protectionist position was obvious, thereafter, and even if it did not adopt PUTI's hard positions, it did not criticize them either.[51] Simultaneously, the rift between the FGI and ACCI deepened even more. The federation asked for the separation of the two representative functions of the chambers. In September, it went as far as to block the elections for the industrial section of ACCI.[52] In contrast, the former FGI president now figured among the newly elected members of ACCI's industrial section and had come even closer to the emerging business faction, participating in investments to the inward-looking faction of shipping capital.

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[50] FGI, *The Greek Industry during 1954 and 1955* (Athens: FGI, 1956), p. 27.
[51] Chr. Stratos, 'Review', *Imerisia,* 13 July 1956.
[52] 'The FGI's submitted Memo', *Imerisia*, 8 June 1956; 'The FGI recommends refraining. The Circular', *Imerisia*, 5 August 1956.

### 4.2.2 The central structural problem resurfaced. The BoG diagnosis

As soon as the plans for economic integration were becoming concrete in the middle of 1956, the circuit of capital in Greece was entering a new phase. Imports were growing faster than exports and the trade deficit was growing almost uncontrollably.[53] For the BoG and its governor, behind this adverse development was excessive internal demand. [54] Such demand, induced by the income gains above the level of national production increases, could either affect prices threatening monetary stability or to disproportionately increase imports and thus to undermine exchange reserves.[55] From 1956 onwards, prices were stable and restrictive policies, targeting them directly, were relaxed. However, the situation was not the same for the balance of trade. That year, as Zolotas had highlighted, an adverse trend observable since 1954, was consolidated: the largest portion of money income gains was translated to imports rather than to demand for domestically produced commodities. The implication was that Keynesian demand management was not conducive for Greece. In the words of the BoG's economists, 'demand elasticity' for imports was 1.7 whereas for many imported manufactured goods demand was relatively 'price inelastic'.[56] Increasing imports of consumer durables, registered as luxury, had exaggerated this trend. Thus, the real problem for the BoG governor was that agricultural and industrial production was largely unresponsive to increasing internal demand, hence his insistence upon supply side policies and intensified investments aiming not only to boost employment, but also to increase supply and productivity to all sectors. The conclusion of Zolotas, that Greek industry was still substantially uncompetitive and that a deteriorating balance of payments could further aggravate this problem naturally followed. Upon this BoG analysis, which had been officially adopted by the coordination ministry and defended internationally, were based Greece's restrictive monetary, credit and fiscal policies.[57] There is no doubt that these measures had influenced commercial policy. The real question was the extent to which these politico

[53] Appendix, table 8.
[54] BoG's analysis is identical to Zolotas, see: Zolotas, *Monetary*.
[55] BOG, *Bank of Greece Governor's Annual Report for 1955* (Athens: BoG, 1956).
[56] GR/BOGHA/A2/S1/Y4/F69/T1, Bank of Greece, Balance of Payments Forecasts, Athens, 27 November 1957.
[57] YDIA/1958/11/4, Coordination Ministry to Foreign Ministry, 21 January 1958.

economic developments and considerations had influenced the decision for an FTA.

### 4.2.3 The FTA and Eastern Trade

In July 1956, the OEEC council reconsidered agricultural liberalization in the light of the proposals made for an automatic plan of tariff reduction for manufactures between the OEEC members, supported not only by the Low Tariff Club, but also by the UK and the Federal Republic. Even if it was clear that divergent interests within the organization had paralyzed this prospect, it was now explicitly connected with the plans at Messina. Indeed, for several OEEC members, notably the Federal Republic and the UK, these two plans were not really alternative but complementary. The US delegate was of the same opinion. As expected, the Working Party 17 (WP17) was established to study their future relationship within a wider European free trade area. The Greek coordination minister, Helmis, reiterated at this Council meeting Greece's well-known position. Even more vigorously this time, he directly linked the reduction of the tariff burden for industrial products without reciprocity, that is, without the simultaneous reduction of the barriers to trade for the main Greek agricultural exports, to the acute problems of underemployment and the balance of payments disequilibrium. He particularly grounded his claims on PUTI's familiar arguments that this situation had hampered development fermenting 'unemployment by the freeing of imports of indirect labour'.[58] If this problem was ignored, he added, it could lead Greece back to bilateralism. This was clearly a negotiating instrument, but it was not without real content.

The first alternative to Greece's export problem was the development of Eastern trade. Indeed, following Stalin's death in early 1953, and within the framework of a western embargo on strategic exports, Greece contracted trade agreements with all Eastern countries, except for Rumania and Albania.[59] The interplay between the implications of eastern trade for the rule of law on the one hand and its impact upon the circuit of capital on the other, was evident from the

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[58] OEEC, C/M(56)29 (1st Revision), Minutes of the 334th Meeting, Paris, 17-18-19-20 July 1956, http://archives.eui.eu/en/fonds/174066?item=OEEC-66 [accessed 5 January 2016]
[59] YDIA/1954/108/4/2/1, Ministry of Commerce to all Diplomatic Authority, 17 February 1954.

very beginning. In early 1954, the foreign ministry was cautious to keep the balance 'between economic interest and the potential political danger', a concern that was translated to Greece's unwillingness to align its production policy with the needs of eastern trade.[60] Yet, trade as such was not free from complications. From the very beginning, Greece appeared cautious with this alternative because of its inability to match increasing agricultural exports with imports, especially because it could not sufficiently control the latter due to import liberalization. Certainly, from that time, Greek diplomacy utilized Eastern trade as a negotiating instrument to press western markets and states to absorb her agricultural products.[61] As soon as the Cyprus issue had resurfaced in late 1955, the prospect of Eastern trade became even more complex. Within the framework of the 'peaceful coexistence', Khrushchev was quick to launch the USSR's 'friendly attack' towards Greece to take advantage of the disappointment of its people against the US and UK's adverse stance upon this fundamental of Greece's geopolitical issue.[62] It was within this framework that the USSR exterior minister, on his way from Egypt to Moscow, visited Athens. As the Greek foreign minister informed NATO, Sepilov had offered 'much favourable terms' for the development of trade and in general for economic relations between the two states.[63] Whereas the USSR exterior minister reassured Karamanlis of the Soviets' peaceful intentions, he simultaneously made clear that 'we are not interested in the Greek market. We have everything.'[64] Again, fundamental though this dimension is, it does not mean that trade, as such, did not have implications for Greece's position toward the FTA, as it is usually assumed.

Before the meeting, state managers had reminded Karamanlis that it was still a problem to match the growing agricultural exports with imports from the Soviet Bloc.[65] An agreement that would include extensive machinery imports from the USSR had implications for Greece's main supplier. As will be argued, it was precisely the time that the Federal Republic had intensified attempts for export

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[60] YDIA/1954/111/7, Ministry of Foreign Affairs to the Permanent Delegation of Geneva, 31 March 1954.
[61] YDIA/1954/111/7, N. Hatzivasiliou to Foreign Ministry, Geneva, 5 May 1954 and 31 July 1954.
[62] YDIA/1956/26/4, Greek Embassy at Moscow, 9 November 1955.
[63] YDIA/1956/26/4, Cryptographic Telegram Averoff to Melas, 6 July 1956.
[64] YDIA/1956/26/4, Minutes of Conversation. Karamanlis and Averoff with Sepilof, 29 June 1956.
[65] KKF/KKA/2A, Commercial Relations Greece-Russia, 23 June 1956, pp. 325-8.

outlets for capital goods through the proposed FTA, not only to Greece, but also to Middle East markets with the assistance of Greek companies. Yet it was very soon proven that this was not the only player dissatisfied with Eastern commercial relations. As textiles were in the midst of an acute crisis, Averoff had proposed to Sepilov cotton fabric exports.[66] However, even if the new trade agreement, signed in January 1957 at Moscow, foresaw a doubling of trade between the two countries, highlighting its significance for Greece's deteriorating export performance, no textile exports were ever included.[67] Instead, the PUTI had highlighted since late 1955 that Eastern bloc countries dumped textiles in Greece.[68] Thereafter, Eastern bloc dumping became one of the main concerns of textiles' main representative body.

The first public business reaction towards the FTA reflected precisely the above state of affairs. It came from PUTI's Board member, Gavril, who was Greece's representative to the vertical Textile Committee at OEEC. His memo to this committee in October 1956, drafted in cooperation with the delegation's head Christidis, reiterated the well-known position of Greece within OEEC from the perspective of textiles. The PUTI's representative complained that Greece did not meet the spirit of reciprocity in respect to her agricultural exports. This development impelled her to contract bilateral trade agreements with the Soviet Bloc to dispose of tobacco surpluses, which bloc, in turn, dumped textiles in Greece destroying her industry.[69]

## 4.3 The decision (Early 1957 - June 1957)

### 4.3.1 The government's surprise and the first coherent reactions

Thereafter, European integration gained momentum but there is evidence that at least until early December 1956, the Greek government had not only underestimated developments but was also reluctant to participate. Certainly, there were signs that the process of integration could slow down or change direction, as the foreign ministry in October 1956 was aware that French

[66] YDIA/1956/26/4, Conversation Averoff-Sepilof, 28 June 1956.
[67] YDIA/1957/56/2, K. Himaros to Foreign Ministry, 30 January 1957.
[68] 'The Issues of PUTI are presented', *Imerisia,* 20 October 1955.
[69] 'The European textile industry is suffering from dumping', *OT,* 6 December 1956.

industry had asked for more safety clauses in respect of the customs union.[70] In any case, the Karamanlis government's stance was defensive if not negative. On 3 December 1956 Christidis was complaining to the coordination ministry because he had not received updated instructions for the FTA. Yet, as he informed this ministry, he could not block the Six's customs union as the trade ministry had asked. The reason was that, unlike the FTA, it was formed outside the OEEC.[71] Thus, as far as tariff disarmament for industrial products was concerned, the delegate strictly followed the general position formed back in 1953. In respect of the potential benefits of tariff reduction for agricultural exports, he was quite cautious and ambivalent. The main reason was that tariffs for tobacco and wine would be easily replaced by internal taxation whereas cotton, except for Italy, was already duty free. Even more, there were clear signs that state trading and purchase monopolies would remain in place. Only citrus fruits and vegetables would gain, although the distance factor rendered to Greece's competitors, such as Italy and potentially Spain, a clear competitive advantage. However, the option of exclusion was ruled out not only because it could lead to the disaggregation of the OEEC, but also due to the anticipated losses from a future inclusion of agricultural products. Thus, Christidis proposed to the coordination ministry to utilize the veto threat to enter the FTA with at least a ten-year waiver for industrial products without any other commitment. This strategy served the primary objective in respect to industrial products, because asking for the inclusion of agriculture would simply weaken demands for the industry's protection. In any case, as the German delegate had proposed to Christidis in late December, if negotiations within OEEC failed, then Greece was welcomed as an associate with the EEC directly.[72] As it was revealed later on, in late December 1956 the German deputy foreign minister Schaerpenberg had submitted to Christidis a memorandum that underlined that the interest of underdeveloped states was lying in their direct association to the EEC rather than their inclusion to FTA.[73] Particularly for the states where the bulk of their trade was contracted with the EEC countries, as was the case with Greece, the UK market was of little interest because agriculture was excluded whereas a bilateral agreement directly with the EEC would be specific enough to cover the

[70] YDIA/1956/11/5, Zamarias to Foreign Ministry, 22 October 1956.
[71] YDIA/1957/22/14, Th. Crhistidis to Coordination Ministry, Athens, 3 December 1956.
[72] YDIAEI, pp. 365-373.
[73] 'The text of the Memorandum', *Eleftheria,* 23 August 1959.

special needs of these underdeveloped countries. Certainly, this memorandum was in contrast to Erhard's priorities.

It seems that the Greek government became active only after it had clear signs that the Six had decided to go forward with the customs union.[74] Certainly, the final draft of the report of the WP17 to the OEEC Council in late December and Spaak's visit to London for the thorny agricultural issue in early January 1957, were definitely alarming. Thereafter, the FTA plan was commonly known in Greece as the *problem of the FTA*. When the OEEC secretariat, Cahan, visited Athens to prepare the crucial Council meeting for the middle of February 1957, he met at the BoG with its governor and key members of the Karamanlis government. There, Cahan, was informed of Greece's main structural problems, primarily for the imbalance problem analysed by Zolotas. For the OEEC representative, all Greek officials were well informed and had adopted a common, quite cautious, stance towards FTA. In the words of Cahan:

> 'There was complete unanimity in their collective outlook. If this was to summed up in one sentence, it would be: *The present proposals for a free trade area are totally unacceptable to Greece*.'[75]

There were two main reasons for this reaction. The first was the UK insistence on the exclusion of agricultural products and the second was the WP17's proposal for the reduction of the tariffs for industrial products within a fixed and predetermined period. At the BoG, Zolotas had already asked his collaborate, H. Ergas, to report on Greece's position within the FTA. In late January the report was ready.[76] Based upon the WP17 proposals, it was clear that given the fact that tariff disarmament would substantially increase manufactured and capital goods inflows, if agricultural products were excluded, then Greece had no interest in the FTA. Even if it was recognized that agricultural exports had little to gain from tariff disarmament as such, a potential abolition of monopolies and a reasonable reduction of revenue duties upon these products from the other members would substantially boost exports. Moreover, even if these barriers

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[74] YDIA/1956/11/5, Zamarias to Foreign Ministry, 12 December 1956.
[75] GR/BOGHA/A2/S1/Y1/F74, The Free Trade Area, Report on a visit to Athens, 2 February 1957. Emphasis in the original.
[76] GR/BOGHA/A2/S1/Y4/F78/T1, I. H. Ergas to Zolotas, Athens, 26 January 1957.

were not abolished but Turkey was to join the FTA, then it was imperative for Greece to participate. This was because export substitution between Greek and Turkish tobacco was high and the potential losses would be difficult to afford. Yet, the report pointed to a potential adverse development for domestic industry's main handicap, already at the heart of the Zolotas analysis. Productivity rates in European industry would increase and, unless liberal steps were taken in Greece, the gap with Greek industry would widen. However, this did not mean for Ergas that Greece had to accept a scheduled tariff disarmament. There is no indication in the story until now to assume that this crucial concern was not shared by at least the majority of Greek industrialists who, without much fanfare, one day before the meeting with Cahan had taken their breakfast with Zolotas at the BoG.[77]

This was indeed the period when businesses were becoming aware of the developments in Europe but not always with the developments with which Greece was directly involved. Interestingly enough, when industrialists visited Zolotas, the ACCI was prepared to discuss the 'Report of the Six published in April 1956', which had been the only document sent for consideration in respect to the FTA by the coordination minister, Helmis, to the chamber some days earlier.[78] This could not have been done by mistake, for the Greek section of the International Chamber of Commerce, from which came the first coherent reaction for the FTA, had already reported but without considering the Report of the WP17, though it was explicitly aware of it.[79] The business report accepted that the gains accruing from integration, that is increased specialization, reduction of production costs and higher investments, could be reaped only by countries that already over utilized their resources. In contrast, it questioned the ability of the countries that underutilized resources to gain from the process, especially if it was taken into account the limited benefits for agricultural exports anticipated from tariff disarmament.

The second consistent business reaction came from PUTI's board member, Gavril, who informed his colleagues at the FTA on 8 February 1957. Emphasizing

[77] GR/BOGHA/A1/S14/Y1/F5, Industrialists Breakfast, 31 January 1957.
[78] 'The Plenary Session of the Board of Directors of ACCI', *ACCI Bulletin,* January 1957, 139-47.
[79] 'The Economic Union', *International Economy,* January 1957, 91-2.

dumping from the Japanese and the Eastern bloc, he summarized the position of the traditional industry towards European integration:

> There is no doubt that a rush participation to the FTA would mean a death sentence for Greek industry. Therefore, our answer should be negative, but negative for the moment. We should not reject it. Greece cannot be unequivocally negative because this would marginalize her from the Western world. It should ask for the inclusion of agricultural products to the FTA and for a long transitional period before it leaves its industry unprotected. From the textiles' perspective, almost all states were in favour of the FTA, except for Greece, Turkey and Portugal. Therefore, Greece will refuse. For the moment and for a future period it will refuse. However, some day it will come the time for Greece to go ahead, voluntary or involuntary.[80]

For PUTI's prominent member the position of Greece was clearly within Europe and the western capitalist bloc, highlighting also the two basic terms for entrance to the FTA yet it was equally clear that he had placed the decision for participation in the distant future. In contrast, within the BoG the discussion for the FTA continued apace, accurately posing the dilemma that Greece was facing at that time. Showing his intention, Zolotas had asked from Ergas a report for the terms under which Greece's economic future within the FTA was guaranteed.

The report considered the implications of both exclusion and inclusion.[81] On the one hand, it was assumed that a unified Europe would be able to reap the benefits of a customs union, increasing competitiveness for its participants only. Under these circumstances, Greece's exclusion, given her democratic regime, indicated two alternatives. It could lead either to a modest rate of growth combined with monetary stability but with crushing unemployment or to high rates of growth reducing unemployment but at the cost of monetary instability. Both alternatives implied a fatal danger for both the preconditions of capital accumulation, thus threatening Greece's external orientation, and subsequently questioning the effectiveness and potentially the feasibility of the Atlantic

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[80] Georgios Gavril, 'The Textiles of the Countries of Europe and the EFTA', *VE,* March 1957, 19-27 (27).
[81] GR/BOGHA/A2/S1/Y4/F78/T2, I. H. Ergas to Zolotas, Athens, 7 February 1957.

Alliance. On the other hand, if Greece participated in the FTA, the movement of factors of production would aggravate the existing disparities between its members, for there was no 'free and unfettered unification' between countries with different levels of development.[82] For this reason, the report sketched out the main preconditions for Greece's entrance, in respect of agricultural exports, industrial imports and external finance. It was upon these core considerations of the circuit of capital and its extra-economic preconditions, that the initial quite cautious reaction and the subsequent demands for special treatment were based at the OEEC Council in the middle of February.[83] These demands were the inclusion of agricultural products to the FTA and a sufficiently long waiver for tariff disarmament in order to be able to take advantage of the requested capital inflows and the relief from labour outflows. Nevertheless, the decision seems that was not definite.

It was not until late March that the government did eventually set up a general committee to examine the issue in detail. It is not known if the government was waiting for the Six to sign the Treaties of Rome or the clarification of the general framework for the inclusion of the underdeveloped states to the FTA, with which the WP23 had been preoccupied.[84] What is certain is that the WP23 on 9 April outlined the main characteristics of the countries in the process of development along the lines that Zolotas had analysed Greece's economy in the annual reviews of the BoG for the years 1955 and 1956. Even more, it shared the main arguments of Ergas and Zolotas, not only in respect to the impact that integration might have upon underdeveloped agricultural economies with uncompetitive industry, but also for the necessary measures to ameliorate the inevitable discrepancies generated by the process. There was essentially only one, but crucial, different proposal. The WP23 had insisted that protection for both existing and future industries would be removed within a fixed and predetermined period.

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[82] Ibid.
[83] OEEC, Minutes of the 355th Meeting, 12 and 13 February 1957, <http://archives.eui.eu/fonds/174086?item=OEEC.C-M-69>, [accessed 20 January 2016].
[84] GR/BOGHA/2/S1/Y4/F74/T3, Some General Considerations, Paris, 8 April 1957.

The intention of Greece was sketched out one week later, when Zolotas made public the state of affairs at that time.[85] For the governor, in order to take the right decision, Greece had to consider the long-term and dynamic effects of both participation and exclusion, also taking into account its geographical specificity. Subsequently, it could consider the immediate economic consequences and specify accordingly her general position and its details. The main consequence of exclusion was summed up in a small phrase: it would increase the productivity gap. The governor claimed that economic unification of the Western industrialized countries meant further concentration of resources and technology. In turn, this would rapidly and inevitably lead to an accelerated development of the existing entrepreneurial organizations and to a higher rhythm of productivity gains further boosting the competitiveness of European unified industry. Under these circumstances, industries within the less developed states would not afford the intensified competition, neither at home nor abroad. This major consequence had to be considered in relation to the anticipated gains from agricultural exports. As far as the short-term consequences of integration upon industry were concerned, they could be addressed with the measures already outlined by coordination minister Helmis at the Council meeting in February. Furthermore, Zolotas made it plain that Greece's inclusion dictated, beyond the safeguards asked, the FTA' support for electrification and the adoption of export oriented and internationally competitive units for the processing of the mineral wealth, namely nickel-chrome, bauxite and iron ores. For the BoG's governor these units were feasible only if the FTA 'guaranteed' the appropriate technology and capital inflows.[86] Importantly, as it has been shown in the previous chapter, all these projects were the basis of the July 1957 Greek-German economic agreement.

### 4.3.2 The formulation of the general committee for FTA

Meanwhile, after two meetings, the general committee made public on 4 April 1957 its intention to form two subcommittees to examine industry and agriculture in more detail. The first, beyond state managers, included FGI

[85] BOG, *Bank of Greece Governor's Annual Report for the year 1956* (Athens: BoG, 1957), pp. 15-7;20-2.
[86] Ibid., p. 16.

officials, particularly Katsabas, Iliopoulos and Alexandros Tsatsos. The fact that the main regional associations, namely the FMTI[87] and FPI[88], did not discuss the issue of the FTA at their annual meetings in late March and early April respectively, is an indication that big industry had handed this crucial competence to the FGI. In contrast, despite the fact that the WP23 had emphasized that induced competition would inevitably clear small and inefficient units, small-scale industries and craftsman had been excluded from the subcommittee. It is clear that the position of these small-scale industries and handicrafts, which employed about 400,000 people, was not specified either by the industrial subcommittee or within their main representative bodies. Indeed, Thessaloniki's Chamber of Small Industries complained to the coordination ministry that they were not included in the committees and asked for their inclusion.[89] Yet, the Piraeus Chamber of Small Industries called the Greek Union of Chamber of Small Industries to formulate the position of small-scale industries because 'the silence of craftsman' would be 'catastrophic' for their interests and in any case, it was 'unacceptable'.[90] At the first PanHellenic meeting of craftsman in June 1957, convened amid a climate of much fanfare which attracted the whole political and businesses classes and was covered extensively by the press, the Union did not include on the agenda the issue of the FTA.[91] As expected, the conclusions of the meeting, handed to Karamanlis himself, did not refer to European integration at all.[92] In respect to the chambers' representatives, who were also absent from the subcommittee, in early April the ACCI decided to conduct its own survey having now the WP17 report.[93]

The agricultural subcommittee included only state managers whilst agricultural organized interests, notably tobacco representatives, did not participate. The FGTT reacted publicly to this 'omission', blaming the government that had not called to the agricultural Committee the representative body of the 'main

[87] 'The Report of FMTI Administration, *VE,* April 1957, pp. 57-60.
[88] 'The Report of FPI Administration, *VE,* May 1957, pp. 55-8.
[89] 'It is desirable to examine the effects of the common market on the craft economy', *Imerisia,* 30 April 1957.
[90] GR/ELIA/IFA/UM, The craftsmen, June 1957.
[91] 'The first Panhellenic craftsmen conference' *Imerisia,* 30 June and 2,3 July 1957.
[92] 'The note received', *Imerisia,* 17 July 1957.
[93] ACCI, *The Position of Greece towards the FTA* (Athens: ACCI, 1957).

sector' of the economy.[94] As expected, the FGTT strongly supported Greece's participation in an FTA because it was the only way to avoid exclusion from the customs union, where almost 55% of tobacco exports were directed.[95] As it was claimed, the real danger was that the customs union would privilege producers from Italy and the French colonies and the participation of Turkey would have severe consequences.

### 4.3.3 PUTI the FGI's vice-president Stratos and the subcommittee reports

Meanwhile, the PUTI had returned to the issue of FTA and to textiles' dumping on 4 April 1957, indicating that, as Gavril had implied, a common stance at the European level could halt such imports. In the end, the textiles federation endorsed Gavril proposals for the FTA as such:

The refusal of our participation within the framework of this free European Economy will not be useful, because this would fatefully drive us to the margin, but we are not an autarkic economy. Certainly, a rush to full participation without a prior study, gradual phases and preparations, would also be pernicious.[96]

It was clear that whereas PUTI recognised the necessity for Greece to participate in European integration in principle, it simultaneously attempted to postpone the final decision asking for a prior study and safeguards. A few days later, this attitude was made even more rigid by the FGI's vice-president Stratos. In an almost polemical article, he claimed that 'overproduction' and the ensuing 'competition' in Europe had 'forced' the industrially advanced countries to consider a solution for the 'regulation' of their common problems along the lines of the ECSC, and he added that in the process these countries had considered their selfish interests.[97] Subsequently, he refuted one by one the arguments made by both the BoG and the WP17. For the former, he mentioned

[94] GR/ELIA/IFA/UM, FGTT to the Ministers of Coordination and Trade, Athens, 22 May 1957.
[95] GR/ELIA/IFA/UM, FGTT to the Ministers of Coordination and Trade, Athens, 27 May 1957.
[96] 'PUTI Report for the year 1956', *VE,* May 1957, pp. 37-40.
[97] GR/ELIA/IFA/UM, Christoforos Stratos, 'Greece and the FTA', *Ellinika Themata*, April 1957, pp. 6-8.

that although the political dimension was dominant, it was wrong to accept *a priori* Greece's participation and then to specify the precise terms of the entrance. The decision for participation or not, had to be based upon data from industry and the economy as a whole, which were missing at the time. For this reason, a long-term study should precede the decision. As we have seen in the previous chapter, this demand was the catalyst for the transformation of the two subcommittees for the FTA to ROCEP's basic committees, which paved the way for the five-year developmental programme published in 1960. As far as the WP17's report was concerned, Stratos downplayed all its proposed measures. Particularly, the inclusion of agricultural products, with the simultaneous elimination of all the trade barriers involved, was indeed a prerequisite for Greece's participation. However, there was the alternative of the Eastern and Middle East markets. Even the proposed fifteen-year transitional period was arbitrary because there was no study to determine if this was sufficient or not. What is more, Greek industry was in its infancy, and many sectors would collapse facing the competition from robust western industry which had a voracious attitude. Thus, unemployment would also increase and migration, the only feasible alternative, meant that the 'nation would decline missing its more dynamic members.'[98] Even the feasibility of capital inflows was questioned, and the precise capital needs could not be specified in advance, again due to the lack of an industrial programme. It was clear that FGI's vice-president attempted not only to postpone the decision, but he had also questioned participation in principle. Certainly, this position was one extreme of the reaction of business.

By the end of April, the Greek section of the International Chamber of Commerce had successfully summarized the position that had been embraced from business circles close to the ACCI and the PEA. Undoubtedly, it resembled BoG's strategy, the other pole of business reaction. The president of the Greek section was clear enough:

> Under the assumption that exclusion will have more severe and adverse consequences than our participation to the 'zone', an opinion grounded upon strong arguments, what we should do is to consider which are the

[98] Ibid, p. 8.

> terms for our participation to the 'zone' that could minimise these adverse consequences.[99]

At the same time, the main shareholders of big industrial companies expressed their opinion within the industrial subcommittee of the FTA.[100] They all judged the latter from the perspective of their own economic interest based upon their company's ability to withstand future European competition, predominately after a period that varied from 15 to 25 years. From the thirty-two representatives of big companies belonging to all sectors, except for textiles, seventeen were reported to express opinions at the session on 2 May.[101] Of those, seven considered that their companies would respond and survive, seven that they would not, and three were ambivalent. Clearly, big businesses were divided on the issue. Unit size, general costs, raw material and machinery supply along with the effective rate of protection, were the main criteria upon which their evaluations were based.

Within a few days, the industrial subcommittee published its proposals. Its memo to the coordination ministry contained three reports.[102] Having meanwhile withdrawn from the subcommittee, the previous FGI president Alexandros Tsatsos signed the first on 10 May 1957 and the second report was signed by the remaining majority of the subcommittee on 16 May 1957 and the third by the secretary general of the Federation of Greek Workers, Fotis Makris, on the same day. The former FGI president, directly targeting Stratos' argumentation, claimed that the subcommittee should first consider if there were any *a priori* reasons for Greece's participation in the FTA.[103] Then, Alexandros Tsatsos summarized the results of the subcommittee's enquiry for the status of industry which showed that domestic industry was dominated by small and inefficient production units with obsolete mechanical equipment and insufficient equity capital, unable to specialize and to adopt mass production methods hence with high general and average costs. For these inadequacies, argued Alexandros

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[99] International Chamber of Commerce, *New factors of international progress and the Greek Economy* (Athens, 1957).
[100] 'Meetings continue', *Nafteboriki,* 26 April 1957.
[101] 'Greek Industry and Free Trade Zone', *Nafteboriki,* 20 May 1957.
[102] GR/BOGHA/A2/S1/Y4/F76/T3, Memo of the Committee of Industry and Mines, Athens, 16 May 1957, pp. 1-23.
[103] Ibid, p. 13.

Tsatsos, elaborating now upon what was a publicly salient criticism of the FGI to PUTI during the years of his presidency, industrialists were themselves responsible. It was due to irrational firm organization, virtually a black box for BIAs like PUTI, UII, FMTI and FPI. Indeed, these industrial BIAs had formed an official alliance with traders, the Council of Productive Forces, and had concentrated their efforts upon the reduction of labour costs resorting to outdated labour-intensive methods.[104] The state, continued Alexandros Tsatsos, had its own responsibilities and he emphasized its institutional deficiencies. Given these deficiencies, the solution for Alexandros Tsatsos was not to pose terms to OEEC members for Greece's participation to the FTA but instead, each part, namely the state and the industrialists, had to accept their own responsibilities for the reduction of the production costs. If these duties were fulfilled in time, then Greece could join the common market with a 5-year waiver and safeguards only for the free movement of agricultural goods and labour.

It was clear that Alexandros Tsatsos had not only sided with the BoG and ACCI, but he had adopted a far more liberal attitude than that of the central bank and the government. Similarly, in February 1957, Stratis Andreadis had considered that the participation of Greece in the 'big European market' would 'adjust' and 'modernize' its economy.[105] A few months later, he claimed that the progress of European integration had 'surprised' the government which was essentially 'unprepared'.[106] It was clear that the businesses concentrating around shipping-capital were pro-European, pressing publicly for Greece's participation to the FTA.

The rationale of the majority's report was that integration would promote economic development within industrially advanced countries but those in the process of development, such as was Greece, would face quite adverse consequences and deep structural changes. This was because Greek industry suffered from organic inadequacies, responsible for which was the small internal market, the state and the unskilled labour. For the majority, these inadequacies

[104] GR/ELIA/IFA/UM, Memo of the Productive Classes, Athens, January 1957.
[105] GL/KAV/91/21, Commercial Bank, *Report for the Year 1956*, Athens, 14 February 1957.
[106] 'The Economic Cooperation of Wester Countries', *Imerisia*, 4 June 1957.

were nothing more than updated versions of PUTI's claims to the PTC back in May and June 1953, and almost the sole difference this time was that results were not measured. Moreover, it was these inadequacies, combined with the lack of export experience, for which domestic industry could not take advantage of the proposed big common market. For these reasons, the report predicted that the entry to FTA would be translated into a wholesale disaster. Nevertheless, it indeed considered that there might be *a priori* reasons for Greece's entrance, sharing in this respect PUTI's and Gavril's fears of isolation as well as Alexandros Tsatsos' main argument, namely that Greece should stay in the western capitalist bloc. Indeed, given the 'political orientation' and the 'structure of our trade', the report continued, a marginalization from the Western markets, to which 85% of Greece's exports are directed, meant that it had to adopt an 'autarkic' policy which, as experience has shown, would have adverse consequences. Subsequently the majority proposed that an *association* with the FTA was the appropriate first stage for integration to the common market. It proposed that Greece could reduce tariffs according to the schedule applied for the whole FTA but only for goods not produced domestically, such as heavy machinery. In return, it should receive preferential treatment, along the lines proposed by the WP23, for her agricultural exports. This was the content of the Greece's association with an FTA. As far as domestically produced manufactures were concerned, the committee refused any obligation from the outset. It suggested that the possibility for Greece to undertake any such commitment, and thus to continue within the FTA, would be decided only after a three-year survey of the status of domestic industry and the appropriate revision of the customs tariff. The commitment was to follow a predetermined and scheduled reduction of tariffs only after a waiver of at least 20 years. During these 20 years, domestic industry could utilize capital inflows, proposed again by the WP23, on the basis of the industrial policy considered within the proposed by the FGI committee (ROCEP) for the industrial programme, analysed in the next chapter. The report concluded that the reduction of production costs would be undertaken by the state independently of the final decision.

The workers' largest representative body opened with a criticism of the government for its wage policy and its delay in dealing with the FTA. Thereafter, mentioning that the lack of data prohibited any thorough analysis, it reproduced the arguments of the majority's report. It was clear, the Federation of workers had not an autonomous view of the FTA but followed that of the majority of industry.

However, to the press at the time, the report of the majority was published as the unanimous report of the industrial subcommittee, a move that gave Alexandros Tsatsos the room to deepen his criticism, this time of the published report. He now stated that, in any case, industry would face adverse consequences but, certainly, outside of the common market all present and future investments would be lost.[107] What is more, industry had to take on its responsibilities and not blame labour for its low productivity, for which the irrational firm organization and the outdated mechanical equipment were largely responsible. For tariffs, Alexandros Tsatsos advocated that protection was not the appropriate measure to create a conducive environment for investments, but the major goal was now for both industrialists and the government to prepare Greece for participation by abolishing the adverse terms of production. Subsequently, targeting the heart of the majority's demands, he argued that only a predetermined and fixed schedule for tariff reduction would oblige them to do so. As far as the proposed study was concerned, he agreed that it should start immediately, but it had not to take more than 12-18 months.

Meanwhile, the agricultural subcommittee had received from the commerce ministry a cautious report for the prospects of both agricultural and industrial exports to the FTA.[108] The conclusion for agricultural products was that if Greece was treated *equally* within the common market it had little to gain, except for citrus fruits and vegetables which had high demand elasticity. Yet, it recommended that no obligation should be undertaken at the outset. Instead, after a sufficiently long waiver, commitments would be decided within OEEC with the rule of unanimity. The subcommittee considered this report, and obviously Erga's reports. Its recommendations departed from the assumption that an 'autarkic' policy towards a market which received about 70% of

[107] GR/BOGHA/A2/S1/Y4/F76/T4, Al. Tsatsos to Chr. Katsabas, Athens, 18 May 1957.
[108] GR/BOGHA/A2/S1/Y4/F76/T1, I. Komitsas, European Unification and Greece, Athens, 23 April 1957.

agricultural exports, was simply unacceptable.[109] This meant for the subcommittee that, despite the dangers for the internal agricultural market, an association with the FTA with safeguards, was the only solution. Special provisions and long-term contracts for agricultural exports, along the lines of the Treaty of Rome and recommended by the WP23, had to be granted. This mode of integration, continued the report, by recognizing mutual obligations and rights similar to the relevant provisions of the Treaty of Rome had, additionally, the merits to leave open East and Middle East markets. These safeguards were identical to those proposed by the majority of the industrial subcommittee, including the proposal for a prior three-year study.

One week later the coordination ministry had considered the above reports.[110] Certainly, the basis of Greece's formal strategy towards European integration was there. The ministry had endorsed all the recommendations of the majority of the two subcommittees, except those for a prior three-year study. The reason was that the latter demand would weaken the initial negotiation position of Greece. Instead, the report concluded that any commitment for tariff disarmament would be determined after a 25-year waiver, subject to the rule of unanimity. The Greek delegate to the OEEC also supported this recommendation, the origin of which can be traced back to Ergas report in January. Christidis, had based his suggestion upon the similar provisions of the EEC treaty toward third countries.[111]

The conference at Piraeus University from 22 until 27 May illustrated the arguments of each side, namely the FGI and the BoG. The federation returned to the conference with an updated version of the industrial subcommittee's report, essentially responding only to Alexandros Tsatsos' arguments.[112] In the first place, Stratos, grounded in geopolitical considerations the *a priori* reasoning of Greece's participation in the FTA, showed that the political dimension was the

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[109] GR/BOGHA/A2/S1/Y4/F76/T2, Agricultural Committee, Athens, 16 May 1957. The report was signed by H. Ergas, I. Komitsas and D. Pibas, and not by the authors published to the press.
[110] GR/BOGHA/A2/S1/Y4/F76/T5, Coordination Minister Memo, 22 May 1957.
[111] GR/BOGHA/A2/S1/Y4/F74/T5, Theodoros Christidis to Foreign Ministry, Paris, 2 May 1957.
[112] Higher School of Industrial Studies, *The European*, pp. 127-34. Yet, the secretary-general of the FGI Papadimitriou, reported a static view on the issue calculating the results of an immediate entry upon industry. In this case, half of the capital and labour employed would be lost with analogous consequences upon the balance of payments and the budget. As to which companies could survive, the report pointed out that viability was feasible only to some of those utilizing domestic raw material, like cement.

catalyst for the agreement between the different business factions. Importantly, he emphasized that Europeans had realized that Europe had 'suffered' from wars and was in such 'decline' only because in the pre-war era it was 'divided' and the national 'competitors overproduced'.[113] After 1945, encouraged by the US, Europeans decided that the solution was to emulate the American 'systems and methods' and to create a 'vast market' that could 'cure' Europe's sufferings.[114] For these reasons, Stratos concluded that the FTA was created primarily for political reasons. In respect to the Greek stance he mentioned that:

> If we consider the problem of Greece's participation to the FTA from this point of view, the political, then I do not think that there is much room for a free choice. Politically, culturally and emotionally, we belong to the West. To move to the other side is impossible for national reasons. To stay in the middle enjoying a kind of neutrality of the Switzerland type, is even more difficult […] If, therefore, we are obliged by the circumstances to belong to the politico-military camp of the West, it is natural to orient ourselves and economically to the same side.[115]

If participation was inevitable then, for Stratos, the ensuing responsibility of both industrialists and the state was to equalize the terms of production with European producers. However, the realization of this objective was not easy. He mentioned in some detail the data that were missing for an immediate decision and the subsequent necessity for the 'three-year conference' before the final decision. Yet, in case the FTA did not accept the terms for which Greece was asking, namely a long transitional period, capital inflows, labour movement and the special treatment of agriculture, Stratos reminded them of the alternative of the Eisenhower Doctrine and the Middle East markets. The cautious view of the FGI was supported by the PUTI which, from its side, highlighted that the European textiles market was shrinking due to competition from underdeveloped regions and Eastern dumping and, for these reasons, other European textile BIAs were equally cautious. The federation's stance was supported not only by other

[113] Ibid., p. 127.
[114] Ibid., p. 127.
[115] Ibid., p. 128.

individual industrialists, but also by state agencies like the prominent economists Vassilios Damalas and Chrysos Evelpidis along with the previous industrial minister and Greece's representative to the Council of Europe, Leon Makkas. At the same conference, the EDA supported the continuation of protectionism and stressed the need for the development of Eastern and Middle Eastern trade. Certainly, the communist left was in agreement with the FGI as to the necessity of protection but had also reminded the business community of the dangers that a decision to stay outside the FTA might have for Greek capitalism and its socio-economic base.

Simultaneously, all the other political parties highlighted the political significance of the participation to the FTA stating, additionally, that exclusion would be dangerous because of the trade dependence and the need for European capital and agreed that participation required quite careful steps and special treatment from the FTA. The BoG's arguments, as stated in April 1957 by Zolotas, were elaborated by the conference's president Stavros Kostopoulos, who was a financier and liberal politician and had also served as the FGI's president for some months in early 1945. He reiterated the familiar Zolotas' arguments of the danger of a widening productivity gap in case of exclusion and, in any case, the increasing needs for European technology and capital inflows. The Piraeus and Athens chambers of commerce and industry employed more or less the same arguments. A few months later, the ACCI successfully summarized the importers' main argument:

> If we stay outside, we will gain, or at least we believe we will gain, the largely obsolete and fragmented industrial units, with their well-known high production costs. However, as the cost of production in Europe (due to the unification of the consumer markets and the continuous adaption of their firms to the new circumstances) will be progressively reduced, it will become plain that today's tariff walls would be powerless to protect the obsolete part of our productive equipment for which we will stay outside the EFTA.[116]

[116] 'The Report of ACCI's Vise-president Chr. Panagos, in ACCI, *Second Conference*, pp. 71-9.

### 4.3.4 The Memorandum: the viability problem within the new division of labour in Europe

Eventually, on 30 May 1957, the government considered with BoG's governor Zolotas and its economic adviser, Pesmazoglou, along with the presidents of the two subcommittees, Katsabas and Bernaris, a memorandum that presented Greece's initial general position toward the FTA.[117] This memorandum was submitted to the WP23 on 5 July with a statement that analysed and supported this position. These two documents not only successfully summarized the compromise reached between the FGI on the one hand and the BoG and the liberal business faction on the other but they also explained, with incomparable clarity, the position of the Greek political economy within the new and dynamic division of labour in Europe.[118] It was the official foundation of Greek demands, sharing considerable affinities with Kouklelis' report in 1949.[119] In brief, it departed from the argument that when the freedom of movement of goods, capital and labour is matched with an already advanced economy, it exercises a powerful attraction upon the location of industry that offsets the advantages of the less developed economies, like cheap labour or the availability of raw materials. This attraction leads inevitably to the cumulative development of an advanced economy and to productivity gains that eventually widens the productivity gap between developed and underdeveloped states. As a result, intensifying competition puts strong pressure upon the balance of payments of the underdeveloped states. These states resort subsequently to restrictive internal measures that, in turn, undermine employment and production when they need exactly the opposite. They need an intensive investment policy in order to pave the way for their accelerated rate of development that can lead toward the *convergence* with the advanced economies. The demands of Greece were designed precisely to ensure the realization of this prime objective. On the one hand, capital inflows would boost investments in order to absorb the surplus population and to increase productivity and incomes. Labour outflows would be supplementary to this course. On the other hand, the waiver and the

[117] KKAFT, II, p. 352-3.
[118] Coordination Ministry and Foreign Ministries, *Greece the European Economic Community and a European Free Trade Area* (Athens: Coordination and Foreign Ministries, 1959), hereafter (G/EEC/FTA), Memorandum, June 1957, pp. 8-14; Ibid, Statement, July 1957, pp. 15-51.
[119] For Kouklelis report see chapter two, second section.

preferential treatment of Greece's agricultural exports were necessary to establish the balance of payments defences for the realization of the same objective. If the above were not realized, the ensuing unemployment and monetary instability would be dangerous, not to Greece alone, but to the whole of Europe, leading Europe eventually to disintegration instead of integration. In the end, it was made clear that all these were complementary arrangements which formed a whole, targeting, in other words, both the circuit of capital and its formal preconditions.

For the waiver and the rate of tariff disarmament, it did not ask for additional time to specify them, as the FGI had asked with a proposed three-year study. Instead, it asked for a sufficiently long period for the necessary structural adjustments. At the expiration of this period and, depending upon the extent to which the primary objective of adjustment would be fulfilled, Greece would discuss the rate of tariff disarmament. In this way, the commitment to scheduled tariff disarmament was essentially linked to the settlement of agricultural exports and the level of capital inflows. In respect to the former, the memorandum and the statement repeated the well-known demands for an expanding market for the main agricultural products, stating that the inclusion of agriculture was a prerequisite for participation. For the capital inflows, it asked for the adoption of a common European developmental policy charged with the allocation of resources according to the needs of a balanced growth within the FTA. Echoing the ambivalence of business interests and state manager concerns, the memorandum stated that unless all interested countries had agreed upon the content of these demands 'no declaration of principle in favour or against a free trade area was possible'.[120]

## 4.4 The first adjustment (Middle 1957 – 1958)

### 4.4.1 Discussions at Bonn and the final settlement

The first reaction of the WP23, driven primarily by Germany and France, was to ask Greece to accept the obligation to reduce tariffs from the outset and to

[120] G/EEC/FTA, Memorandum, June 1957, p. 8.

specify her capital demands.[121] This was precisely the content of the bilateral discussions between Germany and Greece at Bonn two days later.[122] At the meeting, coordination minister Papaligouras initially confirmed that Greece was ready to participate in the FTA but he then asked Erhard if it would be preferable for Greece to enter the EEC directly, provided that in both alternatives it would receive economic assistance and the appropriate timeframe to restructure her economy. Erhard initially accepted that the benefits of the wider agricultural market should not be restricted to the countries of the Commonwealth alone and that underdeveloped European states should also take their share. It was a clear indication that Erhard was ready to support a compromise between Greece's main prerequisite for participation in the FTA and the UK's proposal for the exclusion of agriculture. From this perspective, Erhard highlighted that it was in the interest of Greece to enter the EEC directly. However, he immediately ruled out this option, underlining that the EEC had a 12-year transitional period and he was convinced that this timeframe was sufficient for the adequate development of the Greek economy and, in any case, concluded Erhard, the Greek balance of payments was in equilibrium. This claim was responded to by Papaligouras' stating that payments were in equilibrium only because the government suppressed social aspirations but this dangerous interplay between restrictive policies and social demands could lead Greece to shift its external orientation: not from the current government, clarified Papaligouras, but from her successor. At this point, the German delegate to OEEC, Schaerpenberg, confirmed his contact with Christidis and their agreement to find a 'solution' for Greece even beyond the OEEC framework, that is, for the EEC option directly.[123] Still, in substantive agreement with the FGI position, he emphasized that it was in the interest of Greece to abolish tariffs for products which were not produced domestically at the time in order to reduce production costs. For the waiver, the coordination minister confirmed that its duration would obviously depend upon the size of economic assistance, opening the discussion for private and public capital inflows already discussed. No doubt, despite the different approaches within the German government, the Federal Republic was not happy to see Greece obliged to

[121] YDIA/1957/22/14, Cryptographic Telegram, Th. Christidis, Paris, 6 July 1957.
[122] KKF/KKA/3A, Negotiation Minutes at the Federal Ministry of Economic Co-operation, 7 July 1957, pp. 961-74.
[123] Ibid.

import mechanical equipment from the Eastern Bloc in order to promote her agricultural exports but this did not imply that it was ready to sign a blank cheque.

Indeed, the WP23 asked Greece to clarify if and which obligations it would undertake from the outset, what specific provisions would facilitate her agricultural exports and asked for an outline of the developmental programme and its proposed financing.[124] Greece replied to the WP23 in September, making it clear that it followed a dual strategy. Until that time, the ROCEP was already in place and the government had applied twice to GATT for the re-negotiation of a number of items within the framework of the XXVIII article. As was explained in the reply, Greece would offset such increases by decreasing tariffs for selected industrial products only within the FTA. Yet, as a number of new industries were under construction, it insisted that new tariffs would be introduced for newly created industries and the delegation implied that it might be possible to reduce certain tariffs for existing industries within the waiver. However, this would be only for limited cases and substantive reduction would start only when the acceleration of economic progress 'establish the conditions for full employment'.[125] It was plain, as the chief negotiator Pesmazoglou had explained in September, the derogations for the waiver were essentially dependent upon the other two core demands i.e. the level of agricultural exports and capital inflows.[126] For agricultural exports it proposed the discrimination of the FTA for the main exportable products and the establishment of fair trade practices which largely meant the elimination of non-tariff barriers like quotas, monopolies and state trading. It was with these proposals that Greece entered the substantive phase of the negotiations within the Maudling committee in November 1957. Thereafter, Greece repeatedly and substantially withdrew from its initial position in respect of the waiver, simultaneously intensifying all the protectionist measures available at each step. This is a prime example of Greece's substantive European strategy which was not restricted to negotiation demands alone but included the adaptation of her internal commercial policy.

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[124] G/EEC/FTA, Working Party 23 to Theodoros Christidis, 19 July 1957, pp. 67-9.
[125] GR/BOGHA/A2/S1/Y4/F79/T1, Memo No 2, I. Pesmazoglou to President of the Government, 4 November 1957.
[126] YDIA/1957/23/1, I. Pesmazoglou to G. Pesmazoglou, 16 September 1957.

Within the Maudling committee, Greece had indeed concentrated its efforts for the creation of the European Development Authority and formed an alliance with Turkey, Iceland and Ireland for this purpose.[127] This Authority would be the instrument of a European Developmental Policy, aiming to finance, on favourable terms, the less developed countries with means derived from the budget of the developed countries which would benefit most of the process. Because the Federal Republic would be the main contributor, it proposed that the Authority would be headed by a German delegate and it was clear that Greece was ready to surrender sovereign prerogatives to this institution. From Christidis' reports emerge that the creation of the Authority and the European Investment Bank were among the main preoccupations of Greek diplomacy and were presented as preconditions for the participation to the FTA. This insistence is natural, since the US bilateral economic aid was progressively reduced whereas the IBRD did not finance Greece due to its pre-war public debt. However, pressed by the Greek side, the US had supported the Authority and implied that it could contribute financially once it had been set-up. Instead, the Greek side had realized that Erhard preferred to finance Greece's economic development on a bilateral basis and not through any multilateral scheme like the Authority.[128] As Greek diplomacy had understood it, the granting of funds on a bilateral basis meant that only German businesses would undertake the realization of any financed project. It is important to mention here that Christidis had grounded the necessity for a bilateral association directly with the EEC on the difficulties for the establishment of finance institutions within the proposed FTA. In any case, Pesmazoglou and Christidis had repeatedly expressed to the Commission the government's preference for a direct association, though this prospect had been discouraged, because, as was mentioned, not only the EEC's institutions were not ready, but more importantly, this would disrupt the negotiations for the FTA.[129]

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[127] G/EEC/FTA, OEEC, Working Party No 23 of the Council – Proposals of Greece, Iceland, Ireland and Turkey, 20 January 1958, pp. 116-20. The Authority was also known as the *European Developmental and Readaptation Fund*. Simultaneously, it was asked the creation of a European Investment Bank to finance businesses in the periphery with commercial criteria. The provision of finance with a 'European' interest rate was among the main business demands in Greece.
[128] YDIA/1958/8/1, Tsimikalis to Trade Ministry, Bonn, 31 January 1958; Ibid., Theodoros Christidis to Coordination Ministry, Paris, 30 May 1958.
[129] YDIA/1958/8/1, Theodoros Christidis to Coordination Ministry, Paris, 22 February 1958; Ibid., Theodoros Christidis to Coordination Ministry, Paris, 15 March 1958.

As expected, in a joint note with Irish and Turkish delegations in January 1958 and, on the assumption that acceptable solutions would be found for all their collective demands and especially for the Authority, a first substantive step back in respect of the waiver was made. Within the transitional period, defined now to 14 years, all tariffs exceeding 50% *ad valorem* would be reduced by 5%. Thereafter, subject to escape clauses and within a twenty-year period called now *waiver*, all tariffs would be reduced by 5% annually until their final abolition. During the transitional period, for infant industries, and for those already existing who were facing problems, new or increased tariffs up to 50% *ad valorem* would be introduced.[130] However, the EEC and other countries within the OEEC resisted these provisions and pressed for further commitments.[131] In March 1958, the three countries again made one more concession, eliminating the transitional period to 10 years and accepting two tariff reductions within it, each one by 5%, always for the items for whose tariff exceeded 50%.[132] Until July 1958, the WP23 had, instead, proposed that these reductions should be applied to all items. The total period of the transitional period plus the waiver was now 24 years within which, all tariffs would be eliminated.[133] One month later, the Greek delegation was satisfied with the overall timeframe and, subject always to other adjustments, mainly capital inflows and agricultural exports, was ready to accept the proposed reductions within the first ten years.[134]

The significance attached to these two compensatory provisions was beyond any doubt and, it seems, that it can explain the concessions. Certainly, if these two provisions were not finally included within the FTA, there is evidence that Greece would even veto tariff reductions. This became obvious when the Federal Republic proposed that the tariff reduction applicable to the Six on 1 January 1959 could be extended to the OEEC as a whole and the discussions by the FTA would continue independently.[135]

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130 GR/BOGHA/A2/S1/Y4/F79/T5, Memo No 4 and Instruction to the Greek Delegation, 10 January 1958.
131 YDIA/1958/8/1, Tsimikalis to Trade Ministry, Bonn, 21 March 1958.
132 G/EEC/FTA, Joint Note by the Greek, Irish and Turkish Delegations, Paris, 17 March 1958, pp. 99-102.
133 Ibid, Proposals by the Chairman, Paris, 15 July 1958, pp. 103-5.
134 KKF/KKA/6A, I. Pesmazoglou to President of the Government, August 1958, pp. 474-9.
135 YDIA/1958/8/2/3, P. Oikonomou-Gouras to Royal Embassies in Paris, Bonn, Brussels, Rome and Hague, 28 June 1958.

The reason for such insistence became apparent after the elections in May 1958, when the communist oriented EDA figured as the main opposition. Confirming the significance of the geopolitical reasoning, Christidis was clear enough. These two provisions would ameliorate the surplus population problem and save the rule of law:

> We made clear to everybody the dangers which Greece faces today as a result of the recent strengthening of the Communist left, adding that this development obliges us to stick even more to our demands. We highlighted at any opportunity that the only way to deal with such threats is the creation of employment opportunities and the increase of the standard of living, industrialization, etc. All these can be accomplished only with economic assistance to Greece and the opening of markets for her agricultural products. Upon this line, as it has been scheduled, we insist and return to it at every opportunity.[136]

Of course, the elimination of the transitional period meant derogations and exchanges internally. Two weeks before the first concession, the Greek government had notified GATT of its intention to compose the new *ad valorem* customs tariff and to renegotiate even more items.[137] When it was prepared for the second substantive withdrawal, finance minister declared that this revision was a part of Greece's strategy toward European integration:

> The aim of this revision is not only the adaption of the custom's tariff to today's reality, but also to the conditions that the establishment of the Common Market and the studied FTA will create.[138]

Meanwhile, the ROCEP's industrial subcommittee considered the adaptation of the tariff protection. Since March 1958, at the forefront, was a survey for the effective rate of tariff protection that was never published by the ROCEP. [139] Yet, until late 1958, PUTI's proposal for the renewal of antidumping legislation, aiming particularly to halt imports from the Eastern bloc, had been adopted by

[136] YDIA/1958/8/1, Theodoros Christidis to Coordination Ministry, 17 May 1958.
[137] GATT/L/787, Continued Application, 20 January 1958.
[138] 'To the Customs Tariff Revision Committee', *Imerisia,* 1 March 1958.
[139] KKF/YSF/28/4, Minutes No 4, 3 March 1958.

the secondary committee of ROCEP. [140] In parallel, concrete protectionist measures were introduced. In July 1958, the government updated once more the main measures adopted in early 1955, notably credit barriers to industrial imports and public procurement.[141] To the great satisfaction of industry, the deterioration in the 1958 export crisis had facilitated a commercial policy that had intensified protection for manufactures.[142]

Yet it was clear that, until the collapse of the negotiations for the FTA, the issue of agricultural exports was virtually stagnant. Thus, Greece and Turkey jointly repeated their two main demands in November 1958. Firstly, agricultural products within the FTA had to be granted analogous to industrial product's preferential tariff status. Secondly, for their main export products, they asked again for long-term contracts to bypass the remaining non-tariff barriers.[143] These developments had strengthened internally the criticisms of import liberalization because it was considered that this was the main cause of the substantially deteriorated balance of trade since 1953. For state managers and ministers alike, trade deficit was attributable mainly to the trade patterns within the EPU. It was pointed out that, throughout all these years, the Code had worked to the advantage of industrial states which had overlooked their commitments in respect of agricultural liberalization. As the BoG had emphasized, half of import increases after 1954 were coming from the continental countries belonged to the EPU, whereas only one third of export increases were directed to them.[144] The result was that the trade deficit with OEEC members accounted for 52% of the total deficit in 1952 and in 1958 it had reached 66%.[145] Nevertheless, it simultaneously highlighted the export dependence upon these European markets of which the prime example was the Federal Republic, to which exports covered 85% of imports in 1952 and only 56%

[140] ROCEP, *Basic Committee for Secondary Production Committee*, 5 vols (Athens, 1959), III, Issue 2, pp. 1-62.
[141] KKAFT, III, pp. 184-5 and 255-6.
[142] KKF/KKA/6A, G. Dertilis to K. Karamanlis, 31 July 1958, pp. 467-73.
[143] G/EEC/FTA, Joint Note from the Greek and Turkish Delegations on the special treatment, Paris, 15 November 1958, pp. 171-82.
[144] BOG, *Bank of Greece Governor's Annual Report for the year 1958* (Athens: BoG, 1959), pp. 50-1.
[145] Appendix 1, table 11.

in 1957, even though the latter were of primary importance for Greece.[146] Furthermore, in 1958 Greece had imported 45% of mechanical equipment (SITC-7) from the Federal Republic and,[147] as it will be argued later, these impressive trade flows had implications for Greece's external orientation.

### 4.4.2 The business reaction: a priori reasoning, early Europeanization and Greece as a bridge to Middle and Far East markets

In August 1957, the FGI clarified to its members that the report of the industrial subcommittee was indeed not unanimous and stated that the *a priori* reasoning of Greece's participation in the FTA and the creation of the EEC, were two realities that it could not ignore. In contrast, following European and national industrial BIAs in Europe, it had to adapt its strategy accordingly.[148] Therefore, it was futile and harmful to consider if, in principle, it was desirable for Greece to participate in the common market as this preoccupation drew attention away from the main problem, the reduction of the production costs from both the state and industrialists. For the FGI, domestic industry was, in any case, obliged to become competitive because of the liberal commercial policy already applied and imposed by import liberalization and GATT's pressure. European integration was then considered as a reason to speed up this adaption process which was the content of the federation's updated strategy, namely the 'Europeanization' of domestic production.[149] In the same direction, reluctantly and moderately, the PUTI had adjusted its position.[150] As its President made clear later on, the prospect for a common defence to Eastern dumping had played a substantive role in its relatively more moderate stance towards European integration. Simultaneously, for the first time publicly, the PUTI had accepted that for the irrational firm organization industrialists were also responsible and, even more, it called on them to accept their responsibilities.[151] The issue of business organization had dominated the discussions at the Chamber's conference in

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[146] KKF/KKA/7A, Informative Memo for the Greek-German economic and trade relations. To the President of the government, no date, pp. 838-59; Ibid, Minister of Commerce to K. Karamanlis, 20 December 1958, pp. 1475-85.
[147] Appendix 1, table 13.
[148] 'The official position of the FGI. The Circular.', *VE*, August 1957, pp. 51-2.
[149] Ibid.
[150] 'The speech of PUTI president', in ACCI, *Second Conference of the Greek Chambers of Commerce and Industry*, ed. by Viomichaniki Epitheorissis (Athens: OCCC, 1957), pp. 156-62.
[151] 'The activities of the PUTI's Administration', *VE*, April 1958, pp. 53-6.

October 1957. There, the coordination minister Papaligouras, who had agreed with Erhard the framework of Greek-German relations within the FTA, initially prepared the wider business community for the upcoming setbacks at the negotiations within the Maudling committee. Then, he was exceptionally caustic toward the anachronistic business administration practices, emphasizing that business modernization was the challenge of the FTA.[152] Undoubtedly, the process of liberalization had questioned for the first-time prevailing business organization norms.

It was now evident that the wide gap between the divergent positions of the main industrial BIAs had closed, and FGI's view was compatible with ACCI's approach. This was not to say that there was complete unanimity within industry towards the FTA. For example, the UWI still rejected any discussion with the FTA, using arguments not really far from those employed during the turmoil of mid-1953.[153] Yet, there was a considerable portion of business representatives who had pointed to the direction that the FGI had proposed in its public interventions in April and May, as an alternative to the FTA: The Middle East markets. The head of ACCI's industrial section was clear in this respect. If OEEC accepts Greece's terms and certain preconditions were met during the transitional 20-year waiver, then participation would be useful. If these terms were not be accepted, then Greece would not be marginalized. There were the alternatives of the Eisenhower Doctrine and the Arab Common Market.[154] The UWFI argued similarly as it had already proposed that Greece should approach Arab states to form an alliance which would then negotiate with the advanced industrial states on equal terms.[155] Even if, as previous experience indicated, it was clearly difficult to reach such an agreement, these proposals were not without merit.

As we have seen, the FGI was interested in these markets since the inter-war period and after 1945 it was upon this basis that businessmen and state managers had pursued a preferential trade scheme with these countries and a

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[152] 'The speech of Trade and Industry minister Mr. P. Papaligouras', in ACCI, *Second Conference*, pp. 87-93.
[153] 'UWI for the FTA', *Nafteboriki,* 29 July 1957.
[154] G. Tsiboukis, 'Ensuring Economic Development, *Imerisia,* 14 June 1957.
[155] 'A proposal by UWFI', *Nafteboriki,* 30 April 1957.

customs union with Turkey. By mid-1953, the customs union with Turkey had become disadvantageous for Greece because the former had intensified quantitative restrictions and the prospects for manufacturing exports had rapidly deteriorated.[156] Additionally, import liberalization in Greece had toppled its state managers from negotiation instruments. In contrast, trade relations with Arab states were still on the agenda and positive signs came in late 1954 from the Arab Chambers of Commerce Conference.[157] The Karamanlis government was quick to respond in early 1956 and attempted to consolidate trade relations by organizing an Economic conference of the Arab world in Athens as a feint to the rival Bagdad Pact.[158] Additionally, the conference had the benefit that by facilitating Greece's economic leadership in the Middle Eastern states, the Arab world would in turn assist Greece against Turkey and the UK over the Cyprus issue.[159]

Yet Greece's economic prospects in the region were closely related to German foreign economic policy and the foreign ministry was aware of its implications. In late 1955, state managers within the foreign ministry were anxious for an international solution to Greek economic problems which were in common with all underdeveloped states: underemployment, trade deficit and chronic capital scarcity.[160] For these managers, all the initiatives adopted until that time within the OEEC, EPU and GATT for a common market for goods, capital and labour which could ameliorate or even solve these problems, had failed. Thus, the only solution was to side with the Federal Republic within NATO to resolve the politico-economic problems of Greece: to boost income and the standard of living as well as to stabilize the currency and the economy as a whole. Their proposals were based upon the observation that the Federal Republic, following US and UK initiatives in this respect, aimed to penetrate Balkan and Middle Eastern markets. It was argued that the German interest was strongly motivated by commercial concerns, for the Federal Republic had lost its pre-war Eastern

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[156] YDIA/1953/28/5/2, Joint Greek-Turkish Committee, Minutes No 25, 25, 2 June 1953; Joint Greek-Turkish Committee to Sp. Markezinis, Athens, 8 June 1953; YDIA/1953/28/5/1, Bakalbasis to Sp. Markezinis, 8 June 1953; YDIA/1953/3/8/2, Foreign Ministry to Permanent Delegation at OEEC, 13 May 1953.
[157] 'The decision of the conference of the chambers of the Arab world', *Imerisia,* 27 November 1954.
[158] YDIA/1956/76/3, Foreign Ministry to the Royal Embassy at Cairo, 11 February 1956.
[159] YDIA/1956/76/3, Leon Makkas Confidential Report, 27 February 1956.
[160] YDIA/1956/15/2, Foreign Ministry Memo, 7 December 1955.

markets that absorbed her industrial 'overproduction'.[161] For Greece, it was an opportunity to 'bridge' this 'economic penetration', for it had traditionally good economic and political relations with the Arab world.[162] Not surprisingly, the foreign ministry closely followed German foreign commercial and economic policies thus it was aware that the Federal Republic, during the Brussels Conference, had favoured both Euratom and the customs union.[163] One month later, it was informed that the Bundesbank had shown that a wider European market was also in Germany's interest.[164] As expected, Greece intensified its efforts toward the Middle Eastern markets.

In mid-1956, the first trade conference between Greece and the Arab states took place in Athens and both the FGI and ACCI worked closely with Arab businessmen. The latter visited almost all the major industrial companies in Athens and Piraeus and lunched with Bodosakis.[165] In January 1957, a committee which included the leading teams of FGI and the ACCI was established for this purpose and both BIAs regularly advised their members of the needs and the prospects in these markets.[166] Following the secret protocol with the Federal Republic in July 1957, efforts intensified. In November, a German delegate visited Athens to discuss Greek-German business cooperation and subsequently a team of leading industrialists and merchants, from both the FGI and ACCI, departed for the Middle East.[167] At the time, both BIAs consumed much of their efforts on the promotion of industrial exports to the region, whereas Greece was presented as a 'bridge' for German exports to the Middle East. [168] At the end of 1958, the federation had published a study of the existing and projected industrial exports, putting the Arab countries well ahead of both the European

[161] Ibid.
[162] YDIA/1956/11/5, Syndikas, Greek Delegation at NATO, 3 March 1956.
[163] YDIA/1957/71/5, Kapetanidis to Foreign Ministry, 15 February 1956.
[164] YDIA/1957/71/5, Kapetanidis to Foreign Ministry, 27 March 1956.
[165] 'The A' Greek-Arab Trade Conference', *VE*, July 1956, pp. 31-46. Arab businessmen visited the companies: Papastratos SA, Technica Malkotsis SA, AEEXPL, EPK, Chromatourgia Piraeus SA, Lararas Kyrtsis SA, Halivourgiki SA, Titan SA, and P-P.
[166] 'Businesses in Middle east Countries', *Imerisia,* 30 January 1957.
[167] 'Departed for Middle east the members of the Greek Trade Delegation', *Imerisia,* 27 November 1958.
[168] 'The Germans consider Greece as an export bridge to M. East', *OT,* 24 April 1958.

and US markets.[169] It is clear that the European strategies of Greece's big businesses had evolved within this framework.

This is the case with the Bodosakis group. Bodosakis had not expressed publicly his opinion on the FTA but, there is no doubt, that at the time the Bodosakis group and the Greek state shared common interests towards the Federal Republic. This was especially true with respect to the EPK, which was among the central considerations during bilateral Greek-German economic negotiations and its viability was explicitly dependent upon German orders. Yet the AEEXPL had expressed its confidence for the FTA because its renewed mechanical equipment 'guaranteed' its future within the 'common market'.[170] Similarly, the EEOO stated that it had nothing to fear from the FTA.[171] Later on, even the Hellenic Woollen Industry SA, which was coming from a sector which was against the FTA, considered Greece's participation in the common market necessary, provided that the country would receive the special treatment for which the negotiation team had already applied.[172] Indeed, the support of the FTA was the dominant trend between the companies that had received Marshall Plan funds and had adopted, or been scheduled to adopt, business relations with German industry.

Malkotsis himself was quite confident in the prospect for domestic industry and reasonably confident in the development of its capital goods branch, to which his own business belonged.[173] Moreover, the company from which the next FGI president came, was also clear in this respect. Izola's chairman was confident in his company and in the whole industry, provided that Greece's 'quite aptly formulated demands' would materialize, and industrialists would also do their duty with production costs.[174] Even P-P had followed the same course. Katsabas, its main shareholder and former FGI president, reported to Karamanlis that German cotton industrialists, who had visited Greece in September 1958, had expressed their interest, not only in raw cotton purchases, but also in export oriented mixed German-Greek textile industries.[175] It was in this context that

[169] 'The List submitted to Trade Ministry by the FGI', *Imerisia,* 9 December 1958.
[170] 'The AEEXPL's Director-General for FTA', *Imerisia,* 23 July 1957, p. 1.
[171] 'The EEOO's Director-General for FTA', *Imerisia,* 25 August 1957, p. 3.
[172] 'Hellenic Woollen Industry SA for FTA', *Imerisia,* 4 April 1958, p. 3.
[173] 'S. Malkotsis to FTA', *Imerisia,* 17 October 1957, p. 3.
[174] 'P. Drakos for FTA', *Imerisia,* 17 October 1957, p. 3.
[175] KKF/KKA/7A, Katasabas Memo, 6 October 1958, pp. 881-2.

Stratos himself had publicly accepted that, if all the proposed measures were adopted, then the cotton industry had nothing to fear within the FTA.[176] In order to appropriately consider this latter development, it should be added that in late March 1957, the Greek embassy at Bonn had attempted to promote textile exports to the federal ministry of defence.[177] Until October 1958 Klockner, Demag AG and Siemens AG had all made concrete proposals for joint ventures with the above firms, aiming primarily to organize exports to the Arab states.[178] In contrast, there was a business faction that was quite cautious. This was the case with the main shareholder of SST Ltd, who had accepted that the adoption of the proposed measures could only ameliorate the situation.[179] The same was true for the main shareholder of Halyvourgia SA.[180] The attitudes of these businessmen, however, did not alter the fact that all the other major business factions within the FGI belonged exclusively to the group that had supported the FTA option. In January 1958, the FGI Board had adapted to the circumstances and all the main business factions were now represented at the highest level. FGI's president was Georgios Drakos, and Bodosakis, Alexandros Tsatsos and Katsabas had been all elected vice-presidents.

## 4.5 Conclusion

This chapter has illustrated some important aspects of Greece's participation in the second substantive phase of European integration which became feasible through the prism of state-business relations. Firstly, it has been shown how and why the consideration of business interests can cast light upon hidden dimensions of integration. Secondly, and related to this, the consideration of business action beyond the peak-level, enabled this research to follow the actual decision-making process. Thirdly, the political considerations of businessmen constituted a crucial part of business accumulation strategies and they can explain the formation and promotion of their interests as a propertied class.

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[176] Chr. Stratos, 'Greek Cotton Industry is a National Industry', *OT*, 05 June 1958.
[177] YDIA/1957/72/4, Tsimikalis to Trade Ministry, Bonn, 03 April 1957.
[178] KKF/KKA/7A, G. Panas, Comprehensive Memo for Greek-German negotiations, Athens, 7 November 1958, pp. 940-54.
[179] 'S. Korais for FTA', *Imerisia,* 7 August 1957, p. 3.
[180] 'D. Efstratiou for FTA', *Imerisia,* 11 August 1957, p. 3.

To begin with, the maintenance of import liberalization was exceptionally difficult because it had exposed traditional domestic industry to international competition and simultaneously had deprived state managers of negotiation instruments for the promotion of agricultural exports both within the OEEC and the GATT. Based upon this common ground between businesses and state agencies, Greece's substantive European strategy unfolded: on the one hand the adaptation of its industrial policy and the protection regime in early 1955 and, on the other, the rejection of all proposals for tariff reduction within the OEEC framework until 1956.

Instead, import liberalization was backed by the liberal business faction, which from early 1953 until January 1956, led the FGI. It had adopted a similar attitude to commercial BIAs, backing the government and BoG's decision to continue with this policy. This stance had created a rift between industrial BIAs and, contrary to any prediction based upon the FGI's policy until 1952, the federation had supported European integration until January 1956. Certainly, this was an act of leadership from Alexandros Tsatsos.

As expected, the decision to abolish tariffs in mid-1957 and to join the FTA, was even more difficult. Tariff disarmament would aggravate the consequences of liberalization as currency devaluation had already ceased to ameliorate the pressure upon the trade balance. Again, the representatives of big business from the main sectors interacted with state agencies to steer the course of Greece toward the FTA. Importantly, craftsmen and agricultural organized interests were not consulted.

Contrary to what has been implied by the bulk of the literature, the government was defensive until 1956 and it was the BoG which coordinated Greece's response during the crucial first months of 1957. In any case, it was Zolotas who had insisted that the viability of Greek capitalism was threatened by the inability of industry to absorb the surplus population and to improve its low productivity. Within the BoG, an argument emerged that eventually guided the state's action: a common market in Europe would exacerbate these two interrelated problems, because, as location theory suggests, it would widen the productivity gap because capital would be attracted to regions already developed. Equally, the exclusion from European markets, and notably from the Federal Republic, would eliminate the import capacity for German capital goods and mechanical equipment.

In 1956 big businesses relied primarily on the internal market and thus upon agricultural income and state purchases. For some of them, which had already adopted relations with German businesses, exports to Middle Eastern markets could improve their deteriorating performances. Equally, Greek-German business cooperation could assist them to withstand increasing European competition. Any disturbance to these parameters would question their viability. This was largely the basis for the formation of corporate interests in relation to the proposed FTA and, crucially, for a large part of companies financed by the ERP and represented within the high echelons of the FGI. The federation, as expected, asked for an association that would promote agricultural exports without any commitment for tariff reduction for internally produced manufactured goods. Instead, consistent with its accumulation strategy since the 1920s, the FGI was eager to abolish tariff protection for mechanical equipment and heavy machinery. Certainly, capital inflows would necessarily accompany any such commitment. For the PUTI, the alternative to Eastern trade had implications for dumping, whereas the UWFI and the industrial section of the ACCI had also pointed to the Middle Eastern markets as an alternative.

Simultaneously, the growing business faction represented by Alexandros Tsatsos and Andreadis, actively backed the BoG’s argumentation because not only did it not fear foreign competition but also because it was interested in the adoption of heavy industry with the assistance of German business. Beyond this, Tsatsos claimed that there were *a priori* political reasons for Greece’s participation in the FTA. If in early 1955, the federation’s vice-president Drakos considered that European industry dumped its surpluses, in early 1957 his successor added a new dimension claiming that overproduction had forced Europeans to create a large market. The realization of the FTI that this market, and the FTA, would boost economic development and act as a bulwark to communism was a catalyst to its attitude. Indeed, the traditional business factions understood that their wider political and class interests would be protected within the proposed scheme and this had smoothed diverse attitudes and ameliorated business fragmentation.

This state of affairs was accurately depicted in the Greek Memorandum which elaborated Greece's formal European strategy. Once the decision for participation had been taken in principle, Greece had to accept the commitment in respect to scheduled tariff reduction embedded in the process of European integration in order to promote its two main demands, namely agricultural exports and capital inflows. Until the end of 1958, when exports particularly to OEEC members had deteriorated substantially, the arrangement of agricultural products was far from satisfactory and the prospects for a European Developmental Authority vague, the initial position for tariff reduction had been completely reversed. The industrial community, and particularly the traditional business factions, had meanwhile been compensated and had softened their attitude, adapting their strategy accordingly and supporting the whole endeavour. This was again part of Greece's substantive strategy i.e. the interaction between businessmen and state agencies to steer Greece towards Europe was now fully fledged.

Firstly, industry had been compensated with the adoption of consecutive protective measures. Above all, an internal reform, the revision of the customs tariff pending since 1948, had finally been launched as part of Greece's strategy. Secondly, the core of the FGI's leadership attempted to take advantage of the agreement with the Federal Republic in July 1957 which had opened the possibility for Greek-German businesses cooperation aiming for exports to Middle Eastern markets. The Bodosakis group had played a significant role here and there is evidence that it had played such a role before the Greek memorandum. Thirdly, the federation was working closely with state managers within the ROCEP aiming to adapt industrial and commercial policies along the formulation of a new industrial plan, all of which promised the reduction of production costs and the utilization of fresh capital.

# PART III THE OUTCOME (1959-1962)

The world-wide economic recession in 1958 exposed the weaknesses of Greek capitalism and brought its structural problem to the fore.[1] Whereas in the core of Europe by early 1959 there were signs of recovery, in Greece the rate of economic growth from 1958 until 1960 was on average only 3.3% annually, which was almost half of the period discussed in the previous part. The same downturn tendency had shown the rate of growth of industrial output, which for the same years, was on average about 7%. Yet, even if investment capital was now available at commercial banks and the interest rate reduced, total investment was still low compared to core Europe whereas their composition had deteriorated. In 1959 private investment in manufacturing as a percentage of GDP fell even more from the already low level of the previous years and private investment was channelled to non-productive sectors, such as housing.[2] There is evidence that business was waiting for the outcome of the negotiations with the EEC but, as will be argued, the corporate sector was already indebted, facing difficulties in both self-financing and borrowing. Manufacturing investment recovered only after 1962.

What had certainly aggravated the situation was the intensification of the already acute export crisis which had hit Greece since 1956. The trade deficit as percentage of the GDP was growing continuously and the protectionist measures adopted had only ameliorated the problem.[3] For this adverse trend responsibility largely lay with the declining share of exports of the main agricultural products, tobacco, raisins and oil, primarily to the Federal Republic and the EEC countries increasing, in turn, the trade dependence from the Soviet bloc.[4] Behind this deterioration was the fact that for Greece’s main exportable products international prices were declining whereas the prices for manufactured and capital goods, such as consumer durables and machinery for which Greek industry was unresponsive, were increasing steadily because they enjoyed high income elasticity of demand.

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[1] Fragiadis, *Greek*, pp. 167-72.
[2] Appendix, table 3.
[3] Appendix, Tables 8;9;11.
[4] Halikias, *The Economic,* 43-62.

The inability to utilize efficiently the, low for the European standards, investment in the secondary sectors of the economy during the 1950s, combined with the deterioration of the trade balance, had two severe social consequences. Poverty and unemployment were still persistent when in core Europe these phenomena had been more or less eliminated. Certainly, the government was aware that western consumer patterns, which largely meant the consumption of consumer durables on an increasing scale, were progressively adopted by the Greeks. However, the structure of the economy along with the skewed distribution of income, prohibited their realization by the 'working classes' which remained poor.[5] Only the 'propertied classes', whose profits were largely undertaxed were able to consume what were called luxury products.[6] The result was that the importation of luxury items, a category which included, primarily, consumer durables, was growing at double the rate than general imports. In respect to unemployment, the absorption of the idle rural population, which was flocking to the urban areas, proved an impossible task. Between the years 1951-1961 the increase in the total population was about 10%, whereas the percentages for the two main urban regions of the country, the wider Athens and Salonica industrial districts, was 35% and 27% respectively.[7] The labour force employed in manufacturing, including artisans, was roughly the same both for the years 1951 and 1961. In absolute numbers, it was less than half a million people whereas, as a percentage of the available labour force, it was declining.[8] In 1961, one million people, or more than one quarter of the active labour force, was registered as unemployed or underemployed.[9]

The elections in May 1958, where ERE re-gained a majority vote but the communist EDA became the main opposition largely because of the continuing poverty and unemployment, released forces which temporarily challenged the anti-communist politico-economic edifice and the external orientation of

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[5] GR/GL/CIT/092/59/2/17, Economics, no date; 'The meeting with the council of productive forces', *OT*, 31 July 1958.
[6] GR/GL/CIT/092/59/2/17, Economics, no date.
[7] ESYE, *Statistical Yearbook of Greece 1962* (Athens: National Printing Office, 1963), pp. 15 and 23.
[8] Annendix, table 6.
[9] ESYE, *Results of the Population Census of 7 April 1951,* 3 vols (Athens: National Printing Office, 1958-1961), III (1958), p. 224; and *Results of the Population-Inhabitants Census of 19 March 1961,* 3 vols (Athens: National Printing Office, 1964-1968), III, (1968), p. 122 and 116.

Greece. The government's first reaction was to intensify the persecution of the communist left[10] although the army and conservative political circles were still not satisfied and considered, frequently with US state agencies, that a coup might be necessary to contain communism.[11] The problem, as the US embassy observed, was aggravated because the centre was fragmented so could not prevent the polarization between the right and the communist left.[12] Additionally, the controversial settlement of the Cyprus issue in early 1959 had once more released anti-American sentiments and the left pressed the government to exit NATO, following the nonaligned path that Tito and Nasser followed, rather than to associate with the EEC.[13] Furthermore, people were receptive to the calls of the Soviet bloc for a neutral Balkan zone free from nuclear weapons and missiles (IRBM).[14] Certainly, the viability of Greece as a capitalist state and economy was threatened when the Six's customs union made its first steps. How Greece could fit into this reality was still open and the competitive plans for European integration made it more complicated.

The FTA, proposed by the British and supported by the BDI and Erhard, never materialled mainly because 'French industry, like the French government, was hostile'[15] and thus De Gaulle in late 1958 effectively vetoed this endeavour. The British reaction was led by the CBI which was working for an industrial free trade association, consisting of six countries outside the EEC and Britain. In November 1959 the industrial European Free Trade Association (EFTA) had been formed which had not only 'intrinsic benefits' to British business but it was also a means to press the EEC for a compromise, which still meant an open trading bloc embracing all OEEC members.[16] This initiative was backed by the CED and German big businesses, which were always supported by Erhard, as a scheme compatible with the Atlantic community; because this community was based upon liberal transatlantic trade, which EEC's external tariff tended to

[10] Nicolakopoulos, *The Cachectic*, pp. 256-7.
[11] Rizas, *Greek Politics*, pp. 227-38.
[12] Ibid., pp. 209-26. It was only in early 1961 that Papandreou was able to rally the centre with the encouragement of the US, forming the Democratic Centre. Thereafter, the polarization between communism and anticommunism was progressively replaced by the polarization between the right and the centre.
[13] Rizas, *Greek Politics*, pp. 241-7.
[14] Pelt, *Tying*, 177-8.
[15] Rollings, *British*, p. 122.
[16] Ibid., p. 126.

undermine, it presupposed the wider trading bloc pursued by the British.[17] Again, French and Italian big businesses, being on average more protectionist than those represented by the BDI, opposed this prospect and opted instead for accelerating the process of economic integration of the inner Six. It was this policy which, backed by the French and Federal governments, eventually prevailed and shaped European integration.[18] Thereafter, the EEC has incrementally deepening negative economic integration, the core of which was always centred upon the removal of the barriers to the movement of capital, labour, goods and services. Such integration induced a wave of mergers and acquisitions within the customs union and, along the common external tariff, encouraged US direct investment. Very soon, American multinational businesses dominated several industrial sectors. The reaction of European big businesses had been influenced from the first supranational policy adopted, the Competition Policy which aimed to ban cartelization and restrictive practices which still prevailed in Europe.[19]

Moreover, the EEC adopted a set of common policies, the most important of which by far was the Common Agricultural Policy (CAP).[20] The Treaty of Rome had set only general goals and the situation was not clarified during the Stresa meeting in the mid-1958 but intense negotiations continued between the Commission, the member states and agricultural organized interests. This delay, as will be shown, was one of the reasons for the negotiations of Greece with the EEC lasting almost two years. The formation of CAP was essentially at a standstill until it was linked with the acceleration of the customs union in early 1960. On the one hand, the Commission proposed, in May 1960, low support prices and a market driven policy and, on the other, the French insisted on bilateral long-term contracts for specific products whereas the Germans supported high support prices because their agriculture was uncompetitive. In December 1960 the Council decided to set relatively high support prices with external protection in the form of varied levies at the frontier along with subsidies. It was in early 1962 that an agreement was reached on this basis, and

[17] Pérez, 'The European', pp. 73-8.
[18] Moravcsik, *The Choice,* 206-8.
[19] Neil Rollings and Laurent Warlouzet, 'Business history and European integration: How EEC competition policy affected companies' strategies', *Business History* (2018), 1-26.
[20] Milward, *The European,* pp. 312-7.

the CAP emerged progressively as a protectionist and interventionist policy, shaped primarily by French agricultural interests.

The Greek historiography on economic development and European integration has concluded that the government's response to the unfavourable situation - for Greek capitalism - after May 1958 was the decision to boost economic development within the framework of an association with the EEC's customs union aiming to *modernize* politically and economically.[21] For this literature the answer to this challenge was to tie Greece to European integration, promoting an export led growth model based upon the attraction of FDI that would provide appropriate capital and technology inflows. Certainly, this explanation has highlighted an important dimension of Greece's association with the EEC but it has downplayed, or even neglected, other important dimensions which are imperative for a more rounded evaluation.

In the first place, this literature has not incorporated in the analysis the mass emigration to the Federal Republic which took place in the 1960s but has only mentioned parenthetically that it was the 'dark side of economic development'.[22] Equally, it has ignored the bilateral Greek-German business relations which had framed Greece's economic development. However, both these relationships played a substantive role in the way that Greece participated in European integration. In any case, as was argued in chapter four, the decision for Greece's participation in the customs union was essentially taken from early 1957 and the government had shown its preference for an association directly with the EEC rather than with the FTA. As will be shown in chapter six, when the prospect for an FTA became blurred in 1958, the government pressed for a bilateral association with the EEC, but Erhard insisted on the multilateral solution and had essentially prevented Greece from applying for an association with the EEC. For this reason, Greece applied only in mid-1959, actually when the British had decided on EFTA. Thereafter, Greece negotiated the general framework of the association essentially only with the Federal Republic.

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[21] Kazakos, *Between*, 231-40; Minotou, 'The European', pp. 258-323; Botsiou, 'The US'.
[22] Kazakos, *Between*, p. 224.

Secondly, the formal association strategy was close to Zolotas' proposals and was essentially an updated version of the European policy formulated with the cooperation of businessmen back in 1949. Certainly, Zolotas' argument that Greece's main economic problem was its low productivity and that European integration would increase the productivity gap between Greek and European industry, guided the action of key state agencies. Even more, in 1960 the BoG's governor made it clear that agricultural exports to the EEC would enable the organic association of Greece with a wider competitive market which, above all, promised the reorganization and modernization of domestic industry and its subsequent external orientation in the long-term.[23] Clearly, Zolotas had outlined the modernization argument.

Thirdly, during the period 1959-1962, Greece not only negotiated the terms of its entrance to the EEC, but it had also updated its industrial and commercial policies for the transitional period. It was the unfolding of Greece's European strategy which had largely specified Greece's future developmental path. The consideration of the major business interests is again the catalyst for an understating of this strategy. At the Chambers' of Commerce conference in October 1959 the FGI, along with the ACCI and the FGTT, had illustrated the twofold character of this strategy.[24] On the one hand, the federation had backed the official negotiation position of Greece which asked for a long-transitional period, capital inflows and support for the preferential treatment of Greek tobacco within the EEC. The unique study which considered the FGI's attitude, has grasped only this dimension, arguing that the similarity of the federation's demands with the basic terms of the association agreement was 'striking'.[25] However, the FGI's stance was still informed by the need to defend its class interests and to protect the property rights of its members as part of the federation's wider accumulation strategy but this dimension has been neglected by Moussis. On the other hand, the FGI had additionally defended its corporate interests pursuing an import substitution policy, highlighting the necessity to adapt the industrial and protectionist policies in order to facilitate the

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[23] BOG, *Bank of Greece Governor's Annual Report for the year 1959* (Athens: BoG, 1960).
[24] 'Conclusion: Problems created by the functioning of the common market and Greece's association', in ACCI, *Third Conference of the Greek Chambers of Commerce and Industry* (Athens: OCCC, 1960), pp. 475-6.
[25] Moussis, *Greek*, p. 140.

adjustment of industry to the new competitive environment. At the same time, the liberal business faction had actively backed association with the EEC for both economic and political reasons and was undoubtedly more liberal than the government. Again, this dimension has not been addressed by Moussis, preventing his work from appropriately evaluating business influence. Indeed, this liberal faction had actively promoted the cooperation with German and French business. This was important, because the government negotiated not only with national governments, but also with German, French and Italian big businesses which were interested in participating in Greece's economic development. Even more, it substantiated the policy for the attraction of FDI which was among the basic aims of state agencies from 1953. At the political level, the liberal business faction framed the whole endeavour upon the need to adopt large scale competitive businesses as a bulwark to the communist bloc.

Clearly, state policies and concerns were intertwined with the strategies of big business indicating that Greece's association with the EEC was an effort for *bourgeois modernization* which, however, did not prescribe a common pattern of economic development with core Europe. Instead, the adaptation of the distinctive features of Greek capitalism, mainly close industry-bank relations and state aid, was an integral part of Greece's response to European integration. Overall, the prospect of participation in the customs union would further increase the competitive pressure upon Greece's productive base hence it was necessary for the government and business to intensify efforts to efficiently increase both production and employment. As a result, Greece updated its industrial policy and formulated a new developmental programme which was combined with the strengthening of Greek-German economic relations upon which the government and prominent businessmen had based their hopes for the solution of the viability problem of Greek capitalism. This story and its evolution are the main themes of chapter five. Largely as result of this reliance upon the Federal Republic and German big businesses, in June 1959, the Greek government was quick to apply for an association agreement with the EEC. Chapter six examines the unfolding of the association strategy as a response to early European integration and the relevant negotiations along with the commercial policy for this period.

# Chapter 5 The renewed effort to boost investments and the evolution of Greek-German economic relations

This first section reviews ROCEP's recommendations in respect of industrial policy and industrial planning by exploring the contribution of the FGI. It identifies that corporate industry was over-indebted and industrial policy was adjusted accordingly, consolidating and updating the fiscal and credit incentives which had been tentatively introduced during the previous period. It also shows that the new developmental plan had deep roots within ROCEP which aimed at introducing Greece to the new competitive environment and was thus part of Greece's substantive European strategy.

The second section explores the evolution of Greek-German economic relations and particularly the November 1958 economic agreement and its implementation. Relations in the public sectors strengthened even more but private cooperation stalled because the FGI refused the terms under which German capital was eager to invest in Greece. Businesses around shipping capital stepped in and participated in the new developmental organization which aimed to advance Greek-German economic relations and to enforce the November 1958 agreement. This organization was to become the vehicle, not only for the emergence of the Andreadis group, but also for the attraction of FDI which was at the heart of Greece's association strategy.

The last section casts light upon the origins of these developments examining the evolution of the Bodosakis group and its turning towards French business. Moreover, it examines the response of traditional industry to the new business environment specified by the association with the EEC and the rejection of the German FDI, by exploring the corporate strategies of representative big businesses.

## 5.1 Industrialization plans, industrial policy and capital scarcity

In early 1959, the low level of industrial investment had attracted the attention of both the economic press and prominent economists.[1] It was stressed that this investment inertia was not attributable to the so-called scarcity of capital any more for the BoG had accumulated undistributed funds. In particular, Zolotas had advocated that there was a lack of entrepreneurship in Greece which, combined with the technological and organizational deficiencies in both the private and public sectors, accounted for this inertia. In March 1959, the prime minister discussed the ensuing deterioration of investments with the representatives of peak-level BIAs emphasizing that, if necessary, the government would introduce all the appropriate measures to increase 'production'.[2] From its side, the FGI had related the need for investment to the imminent association with the EEC, emphasizing the inability of industry to self-finance.

The federation had asked particularly for untaxed profits to be channelled to investments, the reduction of the interest rate for long-term finance and the reduction of companies' participation in new investments financed by EDFO.[3] It added that it expected that, 'The cost of money and its availability will become equal across the United Europe'.[4] In this conjecture, the federation's tactic was to ask for fiscal and credit incentives based upon the results of the ROCEP to finance domestic industry in order to face European competition.

In contrast to the FGI demand for an institution that would guide economic development in the long-term, the ROCEP was a short-lived committee. By the end of January 1959, it had finished its basic tasks and two months later it had published its results and recommendations. During the one and a half years of its life, the endeavours of the ROCEP were concentrated upon two main issues.[5] First, cooperating with the National Statistical Service (ESYE) and the local

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[1] 'An Unjustified level of Capital', *OT,* 9 April 1959; Hellenic Society of Economic Sciences, *Reports for Greece's Economic Development* (Athens, 1960).
[2] KKAFT, IV, p. 30.
[3] FGI, *The Greek Industry during 1958* (Athens: FGI, 1959), pp. 19-20.
[4] Ibid., p. 18.
[5] Konstantinos G. Karamanlis Foundation, Georgios Spentzas Archive (hereafter KKF/GSA) 28/1, ROCEP Secretary-General to Prime-minister, 2 February 1959.

authorities, it contracted two major studies and six large scale censuses. Second, its various committees contracted several studies and made recommendations as to the future of almost all of the sectors of the economy.

The first major study was concerned with the methodology of the future economic programme and the second with consumption needs. In respect to primary production, the censuses collected data for irrigated land, land reclamation works and, of particular importance, the enumeration of the means for the cooling and transportation of agricultural production. This last census was carried out with the participation of German experts who had undertaken a consultancy role for the whole endeavour of a cooling chain.[6] In respect to secondary production, the Committee for Secondary Production initially guided the process for the second post-war substantive industrial census.[7] This census was the main concern of the Committee's vice president, Katsabas, who considered it as the basis for any future industrial policy.[8] The industrial census for the year 1957 included 760 industrial companies and collected data on their employment, expenditures, investments, production costs and their balance sheets. The ROCEP received these results in December 1958.[9] From that year onwards, the ESYE contracted annual industrial surveys.

The results of this survey were important because they depicted, for the first time, the liability structure of Greek manufacturing. They showed that in 1957 about 65% of the liabilities of industrial companies was foreign capital which was a permanent feature of post-war industry. These results were similar to those of a survey contracted by the NBG for the year 1955 which had also shown that, with the exception of the tobacco industry, the financial leverage in 1955 had been significantly higher in relation to the year 1939.[10] The situation had further deteriorated during the years 1959-1962 which is confirmed by the analogous survey for the year 1963 which showed that, on average, the foreign capital of 1.139 industrial companies had climbed to 74% of their total liabilities for that

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[6] KKF/GSA/27, Correspondence of General Secretary with German companies, May-July 1958.
[7] The first industrial census was contacted in April 1951, and its results were published at the Statistical Yearbooks for the years 1954 and 1955.
[8] KKF/GSA/28/4, Minutes No 2, 20 October 1957; Ibid., Minutes No 5, 15 May 1958.
[9] ESYE, *Statistics in Greece* (Athens: National Printing Office, 1961), p. 26.
[10] Yeorgios Tr. Mirkos, *State, Bank, Industry: from the History of National Bank of Greece* (Athens: Livanis, 2010), pp. 79-80.

year.[11] As expected, the issue was of primary concern for the FGI. From 1959 it published annually the results of an analogous survey which included the balance sheets of all the industrial corporations which had published their financial statements from the financial year 1956 onwards. Its results confirm that, according to the balance sheets, the industrial corporate sector had almost identical problems. Both percentages and their trends are compatible with the ESYE surveys.[12]

Two findings are of importance here. First, corporate industrial firms relied more and more upon the more expensive circulating capital thereby increasing interest payments disproportionately. For the BoG a considerable portion of this short-term capital was utilized for fixed capital assets and credit sales or even for building.[13] Second, the ratio of equity to foreign capital was problematic. It is reasonable to assume that a considerable part of manufacturing was over-indebted. This seems especially true for big industry. Indeed, for the 23 larger industrial corporations which employed half of the total assets in manufacture in 1959, equity capital was one quarter of their total liabilities.[14] As expected, according to the data presented in the balance sheets, the ability for self-finance was quite moderate and equally limited was their borrowing capacity for investment capital. Until 1958 the EDFO, still the main internal source of long-term finance for industry, required the borrowers' contribution to the project to be 50%. This percentage could be lower only in 'special cases'.[15]

### 5.1.1 Industrial Policy

It is impressive that the studies which have addressed Greece's economic development during the 1960s have ignored the contribution of key institutions, where big business participated, in the formulation of industrial.[16] As shown in the chapter three, such institution was the Research and Organization Committee for Economic Planning (ROCEP), which was largely an FGI initiative.

[11] ESYE, *Annual Industrial Survey for the Year 1963* (Athens: National Printing Office, 1967), table 20.
[12] Appendix 1, table 14.
[13] BoG, *Annual Report for 1958* (Athens: BoG, 1961), p. 74.
[14] FGI, *The Greek Industry during 1960* (Athens: FGI, 1961), p. 80.
[15] GR/PIOP/FOA3/SE1/SS5/FI2, EDFO, Report of Activities for the year ended December 31 1958, Athens 1959, p. 18.
[16] Kazakos, *Between*, pp. 185-9; Pagoulatos, *Greece's*, p. 48-79.

One of the main considerations of the ROCEP committees was the analysis of the investment environment and the measures appropriate for the attraction of funds to industry. The sub-committee for industry was preoccupied with the terms of the financing of industry, its production costs and its protection levels.[17] The Committee for Fiscal and Credit Issues, and particularly its sub-committee for fiscal issues, assessed the status of the existing tax incentives to industry and recommended tax measures to improve its productivity.[18] Their recommendations had three axes. First, both committees emphasized the importance of the modernization of mechanical equipment and asked for its exemption from any import duties and domestic taxes. Secondly, they emphasized the necessity to facilitate the expropriations appropriate for the extension of industrial facilities within the wider production cluster of Athens. Thirdly, the sub-committee for fiscal issues went a step further, asking for a) the complete tax exemption of the retained earnings channelled to investments and the acceleration of depreciation rates b) tax exemptions for merging industries with the aim of encouraging big industrial establishments so as to take advantage of economies of scale c) tax incentives for the strategic sectors of the economy d) new legislation for public procurement e) the facilitation of public savings f) the development of the stock market, and g) provisions for the taxation of foreign companies according to the taxes applied by the country of origin. These recommendations constituted a virtually complete set of measures in respect to industrial policy. In March 1959, the FGI emphasized the importance of the data collected and embraced almost all the recommendations of the ROCEP, expressing the wish for their translation into state policies.[19]

Looking at the components of subsequent industrial policy, it seems that the ROCEP's demands had been largely embraced. First, the new industrial policy established the logic of fiscal incentives to the whole of industry. The Law 3949/1959 published in April 1959 was the first step in this direction.[20] Its main

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[17] ROCEP, *Central Committee: Proceedings Report,* 5 vols (Athens, 1959), I, Issue 1, p. 41; KKF/GSA/28/4, G. Spentzas to Coordination Ministry, 3 March 1958 and 6 May 1958. The president to this sub-committee was Katsabas, its vice president Gavriil, and its rapporteur Papadimitriou. They were all prominent industrialists and among the leading figures of the FGI, PUTI and UCI.
[18] ROCEP, *Basic Fiscal and Credit Committee: Tax Incentives, Special Committee on Fiscal Affairs,* 5 vols (Athens, 1959), V, Issue 1.
[19] FGI, *The Greek Industry during 1958* (Athens: FGI, 1959), pp. 8-15.
[20] KKAFT, III, p. 369.

provision was the exemption of taxes and duties for new imported mechanical equipment. Four months later it published the Law 4002/1959, which considered mainly domestic industry and updated, and granted to the whole industry, tax incentives which at the time were applicable only to regional industries. Its main provision was that an equal to new investments amount was deductible from income tax. Moreover, it halved all charges for the capitalization of deposits or loans from shareholders and third persons. The government's new policy continued with the Law 4171/1961, which updated the previous Law 2653/1953 for the attraction of FDI. Importantly, it granted analogous tax incentives to domestic industry also and the provisions were applicable for new large-scale investments, for the expansion of existing facilities and for mergers. Secondly, the BoG eased its credit policy. The Currency Committee reduced the interest rate for long-term finance and from 1959 the EDFO applied the new interest rate policy and accepted that borrowers' contribution for a new project could be 'even below 40%'.[21] The reaction of the FGI was positive.

Assessing the new measures in January 1960, the president of the federation highlighted that the industry did not suffer from the so-called 'scarcity of capital' anymore, which was the first time in the post-war period.[22] The issue was further elaborated at the annual meeting of the federation in April:

> Indeed, it should be confessed, the law for the tax incentives provide options from which the private initiative should benefit [...] The conditions for long-term finance were adjusted to the old claims of the industrial class. The cost of the finance only partially differs from the cost of the long-term finance from abroad.[23]

Of course, despite the fact that some business recommendations were introduced unchanged to the new developmental policy, not all of the claims of the ROCEP committees were embraced by the Karamanlis government. Equally, not all business associations were completely satisfied, or they ceased thereafter to ask for further incentives. For example, a few months later the

[21] GR/PIOP/FOA3/SE1/SS5/FI3, EDFO, Report of Activities for the year ended December 31 1959, Athens 1960, p. 16.
[22] 'Georgios Drakos', *OT*, 07 January 1960.
[23] FGI, *The Greek Industry during 1959* (Athens: FGI, 1960), p. 11.

PUTI, despite its expressed satisfaction of the Law 3949/1959, asked for a 'European' interest rate in order to invest and renew the mechanical equipment for textiles.[24]

However, the logic of the subsequent developmental policy was imbued throughout with principles which had been underlined by ROCEP's committees. A prime example of this influence is the logic which informed the new tax policy. The state accepted and consolidated the principle that the utilization of tax policy as an instrument for economic development could be superior to the fiscal function of taxation. This was particularly the logic of the recommendations of the sub-committee for fiscal issues which proposed that the 'fiscal utility' of the tax should be 'sacrificed' for the 'optimum employment of the productive resources'.[25]

Above all, the state had embraced the FGI's demand, going back to 1945, for its formal and active participation in the formulation of industrial policy. This was also true for the formulation of industrialization plans. The reiteration of the same demand in early 1957 aimed at the formulation of an economic programme based upon reliable data particularly in order to shape Greece's European policy. Indeed, the new Five Year Programme for Economic Development for the years 1960-1964, explicitly built upon the recommendations of the ROCEP.[26] Its main aim was to 'respond to the need for production units able to face international competition' and thus to prepare the country for its active participation to the 'process of integration of the EEC.[27] It was a crucial part of the state's strategy in respect to European integration.

### 5.1.2 The developmental Plan

The new economic plan updated the original plan submitted to the OEEC in 1948, but it was far more coherent and plausible than the latter. It estimated that for the next five years Greece would need about 110 billion Drs in

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[24] 'The Memo', *OT*, 04 August 1960, p. 10.
[25] ROCEP, *Basic Fiscal and Credit Committee: Tax Incentives, Special Committee on Fiscal Affairs*, 5 vols (Athens, 1959), V, Issue 1, p. 4.
[26] Coordination Ministry, *Five-Year Economic Development Programme of the Country 1960-1964* (Athens, 1960) p. 4.
[27] Ibid., p. 1.

investment funds, of which 18 billion would have foreign origin. Approximately half of the need from abroad had already been asked for from the EEC. The plan evidently prioritized the secondary sector in relation to the agricultural and service sectors as investments, output and productivity rates were deemed higher for industry. The justification had been given by the prime minister one year earlier when he had introduced the provisional programme. Rapid industrialization was the primary objective because 'only this will enable the country to address the demographic problem and absorb the surplus and unutilized labour force.'[28] The same month the BoG had emphasized that unemployment was still the 'most acute problem of the country'.[29] Two months earlier the FGI's president had justified the need for industrialization in the face of 'economic unions' on the terms that it was the only sector that would absorb labour and ameliorate the overpopulation problem.[30] Based upon these two priorities, this new plan made detailed proposals for each sector.

The energy sector was now clearly part of state policy aiming to reduce the overall production costs, especially for the proposed energy intensive industries which had not yet been fulfilled. The lignite reserves which were nationalized in February 1959, were still at the centre of the programme which aimed to further develop the Ptolemais facilities adding a new power plant and exploiting the Megalopolis reserves. For the Achelous hydroelectric project, envisaged in the original plan, it had already published an international tender and offers had been received in early 1959. In addition, considerable public investments were proposed for the improvement of the basic infrastructure.

For the creation of new industries, the state accepted the principle that it should step in and complement the private initiative when the latter was inactive or insufficient. This principle, firstly expressed by Markezinis back in 1953, had been underlined by the BoG again in 1958, because private industrial investments for 1957 were below its expectations. The central bank had particularly emphasized that the state had to adopt this principle, aiming to build strategic 'internationally competitive and export oriented firms.'[31] In April

[28] KKAFT, IV, p. 54.
[29] BoG, *Annual Report for 1958* (BoG: Athens, April 1959), p. 15.
[30] Georgios Drakos, 'In the Face of Europe', *OT*, 05 March 1959, p. 11.
[31] BoG, *Annual Report for 1957* (1958), p. 14.

1959, the prime minister officially announced that this would be the guiding principle of the big strategic investment.[32] The core of the new projects took final form in June 1959.[33] It was actually the updated version of the plan submitted to the OEEC in 1948 and was now based upon the November 1958 German-Greek economic agreement, examined in the next section. The programme discussed each project separately. Metallurgy was dominated by the blast furnace along with the magnesium, aluminium, zinc and pyrite plants. With heavy chemicals, the production of nitrogen and superphosphate fertilizers along with the soda plant were once more the top priority and with foodstuffs, it was proposed that the production of citrus juices and the processing of fruit-vegetables and livestock products were the most important. The list was completed with the wood and straw cellulose plants.

For existing traditional industry, it was recognized that it should expand and modernize with the creation of big facilities and vertical integration. Simultaneously, it accepted that industry had limited capacities for self-finance so, for this reason, the programme embraced the principle of fiscal 'incentives' for the promotion of private investments and ensured the 'favourable' finance conditions of industry.[34] Clearly, the state promoted the strategic sectors of the economy, insisting particularly upon heavy industry hence it proposed that the rate of annual development of chemicals and the metal making/using sectors should be higher than that of the traditional sectors.

As was the case with the measures for the fiscal and credit policy, the FGI welcomed the new developmental plan assessing that it was balanced and expressed its satisfaction because the promotion of industry was emphasized. Particularly, the federation was delighted because the programme estimated that private industrial investments would be 73% and public only 27%.[35] However, the programme also emphasized that inward private individual capital was a basic component of Greece's European policy which was among the main concerns for the FGI.

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[32] KKAFT, IV, p. 54.
[33] KKF/KKA/9A, Momferatos to Karamanlis, 30 June 1959.
[34] Co-ordination Ministry, *Five-Years*, pp. 118 and 119.
[35] FGI, *The Greek Industry during 1960* (FGI: Athens, 1961), p. 35.

## 5.2 The evolution of Greek-German economic relations

### 5.2.1 The new agreement

In August 1958, the Greek government framed its expectations with the Federal Republic in respect of the imminent negotiations between the two countries for a new economic agreement contracted at the highest level. It asked for Greece's 'preferential' treatment to resolve her 'overpopulation' problem because this issue threatened political stability at the periphery of Europe.[36] Particularly, it asked for a state loan, credits for public and private industries, finance for techno-economic surveys for new industries, German FDI, assistance for the development of tourism, orders for the EPK and assistance for its demands for the FTA. It was clear that Greece had identified its viability with the further development of economic relations with the Federal Republic and German industry. From its side, the Federal foreign ministry confidentially pressed again for the issue of the war criminal Merten, underling that it might be an 'obstacle' for the new 'economic agreements'.[37] Simultaneously, the German Embassy sent a list of eight private properties which asked for their return free of charges. On 11 November 1958 Karamanlis met Erhard and discussed the above well-prepared agenda. The final agreement consisted of two parts.

The first part was confidential, embodied in a protocol signed on 13 November 1958 and in a secret memorandum signed five days later. The protocol included a DM 200 million public loan for the state's infrastructure projects and tourism, the favourable examination of the remaining confiscated German private properties, the consideration of an establishment agreement to frame German FDI to Greece and an agreement for the utilization of German properties by the Federal Republic.[38] The memorandum committed Greece to return Merten to the Federal Republic.[39] Very soon, the Greek government resolved the issues of

[36] KKF/KKA/6A, Greek Government Memo, Athens, 14 August 1958, pp. 501-9.
[37] YDIA/1958/1/8, Minutes of a conversation between German ministers and Triandafillis, Bonn, 25 September 1958.
[38] KKF/KKA/7A, Confidential Final Protocol, Bonn, 13 November 1958, pp. 905-7.
[39] YDIA/1958/1/8, Memorandum-Confidential, Athens, 18 November 1958.

properties and war criminals according to the commitments arising from the agreement.[40]

The second part included the general economic agreement which was signed on 27 November 1958 and had three main provisions.[41] First, it guaranteed credits up to DM 400 million to both private and public sectors whereas Greece was obliged to grant, on terms of an international tender, the construction of these projects to German businesses. It included the core projects of the provisional developmental plan published early the following year. Second, it included free aid in the form of techno-economic studies contracted by German companies for a number of basic industries and infrastructural works. In return, these projects would be included in the agreement and thus constructed by German business. Third, it reiterated the need for an establishment agreement to frame German-Greek business cooperation and proposed that concrete steps should also be taken over the migration agreement.

## 5.3 The alternative road to salvation: migration and German FDI

The projects which the Greek government aimed either to finance with the German loan and credits or to contract technical studies as a first stage of their construction, were updated versions of those included in the original plan submitted to OEEC in 1948. The core was the energy programme, where the Achelous project figured, once again, at the top, infrastructural works, mainly the new Athens-Salonica road, tourist facilities and basic industries of both public and private interest.[42] The German public loan would finance the Achelous project along with the US developmental fund DLF, to which the Greek government had applied in December 1957, and with the Italian reparations.[43] In respect to basic public industries, the construction of two of them was agreed within the following months. The first was the nitrogen plant, and in January 1959, its construction was eventually granted to Ammonia Casale SA of Lugano

[40] KKF/KKA/7A, Foreign Ministry Memo, 18 December 1958, pp. 937-9; KKF/EAA/6/8/2, For the Foreign Minister, Athens, 20 July 1959.
[41] KKF/KKA/7A, Agreement, Bonn, 27 November 1958, pp. 1389-92; Ibid., Letters between L. Erhard and P. Papaligouras, pp. 1393-1409.
[42] KKF/KKA/7A, Issues of the German agreements, no date, pp. 934-6.
[43] For the association of the Achelous project with Italian reparations see section four in chapter one. In 1958 the reserved amount was still $15 million.

and to Friendrich Uhde GMBH of Dortmund (Law 3946/1959). Italian offers had been rejected for a project which amounted to approximately $60 million.[44] The same outcome befell the tender for the second sugar refinery, where German companies, Buckau R. Wolf AG and Lunch Und Co GMBH were preferred to an Italian.[45] Certainly, these decisions had dissatisfied the Italian side and, as it will be shown in the next chapter, they played a role during the negotiations for the association with the EEC. The situation in the private sector was more complex.

Before the negotiations in November 1958 the coordination ministry had proposed joint ventures for Malkotsis SA and Izola SA with Siemens AG for the production of machines and electrical equipment respectively.[46] It also proposed cooperation between the EKP and 'Klockner-Humbolt-Deuz' to produce farm tractors, which targeted exports to the Middle East utilizing AEEXPL's extensive network in the region. Additionally, the EPK discussed with Demag AG the joint production of pipes and machinery for mines. Last but not least, it was mentioned that Niarchos had discussed with Krupp the iron metallurgy and the proposed credits to finance this project. Textiles and P-P were not out of the picture. In early October 1958, German industrialists had visited Greece and they discussed the prospect for export oriented mixed German-Greek cotton industrial products. Katsabas, who met them, informed the prime-minister that the proposal was an opportunity for Greece because of the domestic raw materials and the abundant work force. He concluded that the prospect was of 'great importance for the country' showing that P-P was prepared to participate.[47] Indeed, a joint venture for the production of cotton textiles had been included in the proposals. Importantly, the main shareholders of the Greek companies mentioned above, except for Niarchos, composed the leading team of the FGI at the time. They participated in its Administrative and Steering Committees representing the big businesses of the main traditional manufacturing sectors: textiles, chemicals (Bodosakis group) and consumer

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[44] Nicos Kitsikis, 'The Industry of Nitrogen Fertilizers', *OT*, 09 April 1959.
[45] 'Two German companies were chosen', *Eleftheria*, 17 July 1959; 'The contract with the German companies was signed', *Kathimerini*, 11 December 1959.
[46] KKF/KKA/7A, Co-ordination Ministry: Issues for discussion at Bonn, 6 November 1958, pp. 919-33.
[47] KKF/KKA/7A, Memo on the trip of German cotton industrialists to Greece, Chr. Katsabas, 6 October 1958, pp. 881-2.

durables. All available sources confirm that they colluded with the BDI over the terms of their cooperation.

Following the agreement, the main issue for Greek businesses and banks was the allocation of German credits and the initiation of the technical studies. For this purpose, the NBG and the Deutsche Bank, supported by their national governments, had signed an agreement in November 1958 establishing a council, headed by the presidents of the two banks and with the participation of businessmen from the two countries, which aimed to enforce the agreement in the private sector.[48] The issue was of importance for the government, and in early January 1959 Karamanlis discussed the agreement with the FGI and the ACCI.[49] However, until late February 1959 the signs were not encouraging.[50] Whereas the Deutsche Bank had established all the administrative machinery required, the NBG had not made the appropriate steps.

Under these circumstances, the powerful minister of presidency, Konstantinos Tsatsos, supported the placement of Thomas Ypsilandis at the Greek embassy in Bonn with the instruction to promote the agreement.[51] Very soon, Ypsilantis reported confidentially to Tsatos that the Federal Republic and 'German economic circles were very disappointed' with regards the delay in the enforcement of the agreement and the absorption of credits from both the public and private sectors.[52] For this reason, he considered that further coordination was necessary, preferably from a new 'autonomous organization' and not the NBG.[53]

At the time, both Erhard and German industrialists appeared at the Greek embassy in Bonn quite anxious about the shortages of labour in the Federal Republic. For a solution to this problem, they proposed that either labour should be attracted, as was the case with Italian workers, or new investment should

[48] KKF/KKA/7A, Issues of the German agreements, no date, pp. 934-6.
[49] KKAFT, III, pp. 339-40.
[50] GR/NBGHA/1/2/26/211, Herman J. Abs to D. E. Helmis, Frankfurt, 1 March 1959.
[51] GR/GL/CIT/092/60/1/24, Thomas Ypsilandis to Konstantinos Tsatsos, Addis Abeba, 19 April 1959; GR/GL/CIT/092/60/1/25, Konstantinos Tsatos to Thomas Ypsilantis, Athens, 27 April 1959 [unsigned letter]. Thereafter, Ypsilantis reported not only to the Foreign Ministry, but also to Tsatsos confidentially.
[52] GR/GL/CIT/092/60/3/13, Th. Ypsilandis to K. Tsatsos, Bonn, 7 July 1959.
[53] Ibid.

take place where labour was abundant.[54] Particularly, German industrialists were quite interested in utilizing the Greek labour force but they were disappointed by the refusal of Greek industrialists to cooperate with German businesses. According to Ypsilandis sources, German businesses were aware that Greek industrialists were not eager to grant them the 'management rights' which they esteemed appropriate for a 'good cooperation'.[55] As will become clear, this was true for the FGI but not for businessmen such as Andreadis and Alexandros Tsatsos.

In 1959, Andreadis was not only a shipowner but also the head of three banks and the owner of two insurance companies, the Andreadis group.[56] As has been shown in chapter three, he had made his first steps to enter heavy industry at least in early 1957 when he participated in the first shipyard and made plans for the iron metallurgy plant with Niarchos. For unknown reasons, he stepped back from his cooperation with Niarchos, but the German agreement opened the door for his entrance to manufacturing. In November 1958, Andreadis had informed the BoG that Emporiki Bank had signed contracts with 'big German banks', aiming to promote 'Greece's interests' with its participation in the agreement with a percentage analogous to its 'share' of the domestic banking market.[57] In June 1959, Andreadis criticized the little progress which had been made for the realization of the agreement, mentioning that Greek businessmen feared that German businesses will probably take advantage of domestic cheap labour and raw materials only to compete with Greek industry and repatriate profits. Simultaneously, he stressed the need to overcome these difficulties and reminded that his bank should participate on 'equal terms'.[58]

Meanwhile, the concerns of German business, as they had been expressed to the Greek embassy in Bonn, were at the centre of discussions when Erhard visited Greece in late August 1959 with the declared aim to discuss the prospect of

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[54] Archives in the Gennadius Library, Constantine Tsatsos and Ioanna Tsatsou Papers (Hereafter GR/GL/CIT) 092/60/3/19, Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, Bonn, 10 August 1959.
[55] Ibid.
[56] Stratis Andreadis, *Stratis Andreadis Business Group: Today-Yesterday-Tomorrow* (Athens, 1986).
[57] 'Within the Frame of Greek-German agreement', *To Vima,* 15 November 1958, p. 6.
[58] Stratis Andreadis, 'In order for Greece to benefit from the Cooperation', *OT*, 25 June 1959, p. 12.

association. It was clear that the capital needs of Greece were considered in relation to the labour needs of the Federal Republic.[59] Certainly, bilateral negotiations for these two vital issues were running in parallel and, at the time, both capital and labour flows were considered within the framework of Greece's association with the EEC but the emphasis form the Greek side upon these two dimensions was not equal. On the one hand, the Greek government considered that the establishment agreement with the Federal Republic would serve as the basis for the relevant negotiations with the EEC. Thus, as the agreement was not signed after Erhard's visit, the leak to the press was that the relevant discussions would resume because they were related to the negotiations with the EEC.[60] On the other hand, fearing the reaction of Italy which as will be shown in the next chapter posed difficulties to Greece's association with the EEC, Greece did not ask from the EEC the facilitation of the emigration of Greek workers according to the Treaty of Rome provisions.[61] This was a sign that in this field where positive expectations for a solution on a bilateral basis with the Federal Republic.

By contrast, the issue of German FDI was perplexed for the friction between the FGI and the BDI triggered developments which were proved of paramount importance for Greece's economic development and its association with the EEC. A few days after Erhard's visit, the government announced the formation of the Industrial Development Corporation SA (IDC), an organization in which the state held a majority participation.[62] The IDC's equity capital was $40 million, of which 65% was the state's direct participation and 20% was contributed by the NBG. Andreadis participated with 10% through the Emporiki and Ioniki Banks. Not surprisingly, Karamanlis in October asked Alexandros Tsatsos to become the head of the IDC.[63] The prime minister, at their first meeting, outlined the nature and the aims of the IDC, mentioning that its creation was necessary because the state did not have the capacity to work fast and independently. For this reason, it was necessary for the IDC to function as a private corporation. Its basic task was simple. Once the IDC had received the German technical studies, it had to

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[59] KKAFT, IV, pp. 146-8; 'Mr Erhard underlines the necessity for the rapid industrialization of Greece', *Eleftheria*, 27 August 1959, p. 5.
[60] 'The Establishment Agreement was postponed', *OT*, 10 September 1959, p. 3 .
[61] KKAFT, IV, Note on the basic principles, 5 August 1959, pp. 162-3.
[62] 'The Statue', *OT*, 07 January 1960, p. 7.
[63] KKF/KKA/10A, Memorandum, 31 October 1959, pp. 609-620.

assist domestic or foreign capital to undertake the project and, if necessary, the IDC would participate in the provision of equity capital. In case that there was no private interest, then the IDC would undertake the project itself and, later on, it would sell its shares to the private sector. Alexandros Tsatsos replied that this was indeed a national challenge because the developments in Western Europe underlined the necessity for 'competitive business'.[64] However, Alexandros Tsatsos, stated that he had resigned as vice president of the FGI because he had disagreed with its policy, proposing that the IDC should also assist existing industries because they had high production costs. He added that foreign capital faced difficulties investing in Greece because, in some cases, domestic industries resisted. Karamanlis replied that the government welcomed FDI for the production of goods not produced at the time in Greece. Instead, he was sceptical of foreign investment for goods already produced domestically, in this respect sharing the concerns of the FGI.

Five days later Alexandros Tsatsos, having discussed the issue with Zolotas, accepted the post on the condition that the IDC would work as a private company and that he would have absolute control.[65] He also elaborated the basic tasks of the IDC as discussed with Karamanlis. When these tasks were discussed between Karamanlis and the heads of the economic ministries on 10 February 1960, the IDC had already started its operations and Alexandros Tsatsos was its chairman.[66] The terms were publicly announced one week later.[67]

Meanwhile, in early January 1960, the vice president of the government, Panayiotis Kanellopoulos, the minister of industry, Martis, and Alexandros Tsatsos, travelled to Bonn for discussions with Erhard and German business. The agenda included the association of Greece with the EEC along with the pending main bilateral issues.[68] The members of the delegation met Erhard and the BDI and the terms for the German FDI in Greece migration were discussed along with

[64] KKF/KKA/10A, Memorandum, 31 October 1959, pp. 609-620.
[65] KKF/KKA/10A, Al. Tsatsos to Karamanlis, 5 November 1959, pp. 601-607.
[66] KKF/KKA/11A, President's information for IDC functions, 10 February 1960, pp. 1232-1235.
[67] 'The IDC', *VE*, March 1960, 161-3.
[68] YDIA/1959/5/3, Cryptographic Telegram, Embassy at Bonn to Foreign Ministry, Bonn, 21 December 1959. These issues were: a) the 'pending' establishment agreement, which included workers, and the agreements for the (avoidance of) double taxation and investment capitals b) tobacco issues c) common market d) private industrial investments e) compensations for the victims of Nazism f) merchant shipping in general and in relation to the EEC.

the terms of Greek workers to West Germany which were further specified and agreed but the agreements were not signed.[69]

As expected, Alexandros Tsatsos confirmed at Bonn that he would facilitate German FDI to Greece. However, this was not an easy task. One month later, the BDI president, Berg, reminded Ypsilandis that cheap labour in Greece was attractive for German businesses and that they were particularly interested in joint-ventures.[70] The aim was to stabilize the 'liberal regimes' in South-East Europe in order to safeguard German investments in Africa and Asia.[71] To this end, the German side was particularly asking for guarantees and provisions beyond those already provided by the Law 2687/1953. [72] The FGI reported on the issue to the government, stressing particularly the importance of two dimensions in respect to the proposals of FDI.[73] First, it emphasized that investments for inward looking industries from German companies alone were not welcomed. German capital was welcomed only for export-oriented investments. Second, it determined that the participation of German capital to any joint ventures would be less than 50%. The possibility for cooperation had not yet been rejected, for the federation had asked for the contribution of the BoG to meet the capital needs on the Greek side. The position of the FGI was discussed by the government on 8 February 1960.[74] Karamanlis instructed its delegates to inform the German side that it had to reply if it would accept the principle of 50-50% participation or not. The minutes of the meetings do not provide any more detail but the outcome was that the Greek side rejected the German proposals and the agreement was not signed. Nevertheless, it is confirmed from sources that, as the FGI's president had highlighted later, the federation had 'resisted' the German proposals and the 'government had agreed' with the FGI.[75]

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[69] KKAFT, IV, pp. 242-3.
[70] YDIA/160/8/3, Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, Bonn, 12 February 1960.
[71] Ibid.
[72] 'Germans ask for Equal Treatment', *OT*, 11 February 1960, p. 5.
[73] 'Greek Industrialists Worry', *OT*, 11 February 1960, p. 1; 'The Issue of the Preferential Treatment', *OT*, 18 February 1960, p. 16.
[74] KKF/KKA/11A, Instructions by Mr President, 8 February 1960, pp. 1188-90.
[75] Georgios Drakos, *Industry in Greece as experienced by an Industrialist* (Athens, 1980), p. 74.

As expected, the German side pressed for the migration agreement which was eventually signed on 30 March 1960.[76] As Ypsilandis had mentioned one day before its singing, this was the solution to the so-called 'surplus labour force'.[77] However, the background of this agreement is not known.[78] Perhaps this is explained by the fact that the agreement was a reminder of Greece's failure to deal with unemployment and, expectedly, had faced the criticism of both the centre and the communist left.[79] In any case, the agreement was certainly of decisive importance with long-term consequences. The previous five years had seen less than 145 thousand workers migrating permanently from Greece of which only 5.5% had declared that its destination was the Federal Republic.[80] During the next twelve years, migrated approximately one million people from a population which was less than nine million and about 60% of them had migrated to the Federal Republic.

Since the agreement was secret initially, four days later the FGI, at the annual meeting for the year 1959 on 3rd April 1960, did not refer to it directly. Instead the federation mentioned that economic progress in Europe presupposed the 'simultaneous economic development of the centre and the periphery.'[81] Upon this basis the federation criticized the German stance:

> Dr. Erhard's statements to the Greeks were undoubtedly a reflection of these theories, his position being the most desirable form of cooperation between a prospering West Germany and an economically weak Greece should be the flow of capital in the direction of labour rather than, as was heretofore thought inevitable, the flow in the reverse direction, of labour towards capital.[82]

[76] Anna Machaira, 'Migration and Economic Development in Post-War Greece: The Centre-Left perspective', *Mnimon,* 25 (2003), pp. 79-110.
[77] YDIA/1960/8/3, Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, Bonn, 29 March 1960.
[78] The Greek archives do not provide any detail for this agreement and the press of the time was also silent. Yet there are not archive based studies that can cast light upon the agreement. What is known, is that it was signed at Bonn simultaneously with the agreement for the compensation of one category of the victims of the Nazi-occupation in Greece.
[79] 'The Merten issue has not closed', *Eleftheria,* 14 June 1961; EDHK/HA/2/00285/005, Parliamentary Minutes, 17 June 1961.
[80] ESYE, *Concise Statistics*, Various Years.
[81] FGI, *The Greek Industry during 1959* (Athens: FGI, 1960), p. 9.
[82] FGI, *The Greek Industry during 1959* (Athens: FGI, 1960), p. 10.

The FGI pressed for ‘equal terms’ for foreign and domestic investments and during these months the federation, indeed, shaped and elaborated its policy towards inward FDI. This policy was first expressed clearly and publicly at the same meeting, specifically in respect to the establishment agreement. For the federation the beneficial provisions of the law 2687/1953 should be applicable only in two cases. First, the incentives would be granted to foreign investments aiming to produce goods exclusively targeting foreign markets. Second, they would be also applicable for inward looking investments but only for goods which were not produced domestically. There was no objection to foreign investments aiming to produce goods already offered by domestic companies and targeting the internal market although in the latter case the law for FDI would not be applicable.[83] As expected, this policy had deep roots in the existing traditional branches and was supported by the representatives of almost all BIAs, including UCI, PUTI and UII.[84]

The German side remained dissatisfied. Ypsilandis reported that ‘German industrialists, bankers and officials of Economics Ministry’ were all disappointed by the rejection of both the ‘German proposals for profit, interest and capital repatriation’ and the ‘foundation of new administrative instruments to check productivity’.[85] Negotiations with the Federal Republic resumed but in July 1960 they were again interrupted by Averoff.[86] It was not until the end of 1960 that a common ground was found, but the insistence of the German delegation on the retrospective application of the agreement which would, apparently, include mainly Ptolemais and Larymna, prevented the final signature.[87] Indeed, in June 1960 the Greek State Railways did not deliver briquets from Ptolemais and the government considered asking for compensation from ‘Krupp’ and ‘Humbollt’ for their failure at Ptolamais.[88] At the same time, the experiments at Larymna had failed once more. Eventually, the establishment agreement was signed at

[83] FGI, *The Greek Industry during 1959* (Athens: FGI, 1960), pp. 8-10.
[84] ‘Is the establishment of foreign competitive industries to our interest?’ *OT*, 28 April 1960, p. 10.
[85] YDIA/160/8/3, Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, Bonn, 15 May 1960.
[86] ‘The difficulties of Greek - West German relations: Mr Averoff letter’, *Imerisia*, 20 July 1960, p. 1.
[87] ‘Greece would not sign’ *OT*, 31 December 1960, p. 3.
[88] KKF/KKA/12A, Minutes of Meeting, 28 June 1960, p. 1950.

Athens, three days before the conclusion of the negotiations for the association with the EEC but its terms were not made public.[89]

## 5.4 The Industrial Development Corporation SA (IDC) and the emergence of the Andreadis group

The first reaction of the FGI for the creation of the IDC was negative. The federation's vice president expressed the fear that this would open the way for the progressive nationalization of industry and pointed out that the IDC was not the right way to meet the scarcity of capital. Instead, the federation proposed the direct utilization of the funds by the private sector in order to undertake the whole effort.[90] Fears of the state's participation were expressed from liberal economists who invoked their experience from analogous efforts in Latin America.[91] The same attitude was adopted by the editorial of the journal *Industrial Review*, which expressed the policy of the FGI.[92] Two months later the federation was still cautious. Speaking for 'regression' to statism, emphasized that the association with the EEC guaranteed the private initiative because the customs unions was built upon liberal principles.[93]

The opinion of the FGI's leader Drakos about IDC did not change over time.[94] However, it seems that the issue was more complex as the IDC was a rival organization which cooperated with the inward-looking fraction of shipping capital. The participation of the Andreadis group in the IDC enabled him to expand its operations into manufacturing. What followed the establishment of the IDC, is a prime example of state-business interaction within the framework of Greece's European strategy. One main problem for Andreadis' plans was that, at the time, Greek banks could not participate in the equity capital of new industries, however, the lifting of this restriction was decided at the meeting of the IDC on 10 February 1960. Simultaneously, it was decided that the banks

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89 'Greek-German issues', *OT*, 23 March 1961, p. 5; KKAFT, IV, pp. 531-2.
90 'The Report of the FGI's Secretary-General, D. Papadimitriou', in ACCI, *Third Conference*, p. 129.
91 Georgios Coutsoumaris, 'The problems which the IDC will face', *OT*, 15 October 1959, pp. 1;6.
92 'Industrialization and the IDC', *VE*, October 1959, pp. 643-4.
93 FGI, *The Greek Industry during 1959* (Athens: FGI, 1960), pp. 7;11.
94 Georgios Drakos, *Industry in Greece as experienced by an Industrialist* (Athens, 1980), pp. 71-2.

controlled by Andreadis should improve the ratio of equity capital to their deposits.[95] This provision was rejected by Andreadis on the grounds that the ratio was much better in his banks compared to major European banks of developed states.[96] The provision did not eventually materialize but the lifting of the restriction was discussed with the BoG a few days later and announced in May 1960.[97] In March 1960, Andreadis publicly defended the IDC and emphasized the necessity of FDI for the Greek economy.[98]

By the end of 1962, the Andreadis group had founded three new companies which remained the core of its manufacturing operations until the 1980s plus the first private investment bank in Greece.[99] The superphosphate and the fruit/canning plants were proposed to the new programme and were supervised directly by the IDC. The third was the new shipyard at Elefsina bay which was decided at the same meetings.[100] The funds for the above industries were imported through the banks of the Andreadis group under the provisions of the Law 2687/1953.[101]

This business faction soon expanded opening the road for FDI to sectors which had been identified by the developmental plans as strategic. This was true for the two shipyards, to which the shipowners Niarchos and Andreadis had majority participation. The exploitation of the first oil refinery in Greece had already been granted to Niarchos. Yet the prime example was the aluminium plant. After adventurous negotiations which lasted from late 1959 until the middle of 1960, it was undertaken by the French company 'Pechiney' with the minority participation of Niarchos and IDC. Moreover, in early 1960, Alexandros Tsatsos and Andreadis had also attempted to build the blast furnace through the IDC but they eventually withdrew leaving the project to Halivourgiki SA.[102] As argued in chapter three, the market was growing very fast and it had been accepted that iron metallurgy was not only viable, but necessary. Following the signing of the association agreement in March 1961 and the updating of the incentives to FDI,

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95 KKF/KKA/11A, Information to President for IDC's functions, 10 February 1960, pp. 1232-5.
96 KKF/KKA/11A, Memo: Andreadis to Karamanlis, 16 February 1960, pp. 1259-62.
97 KKAFT, IV, pp. 260 and 300.
98 Stratis Andreadis, 'Our economy will especially benefit', *OT*, 03 March 1960, p. 7.
99 Andreadis, *Stratis Andreadis Business Group*.
100 KKF/KKA/17A, Meeting, 25 April 1962, pp. 2275-83.
101 Coordination Ministry, *Long-Term Investments based upon the Law 2687/1953* (Athens, 1963).
102 KKF/KKA/12A, Minutes, Industrial Ministry, 14 June 1960, pp. 1829-33.

the investment climate changed considerably. Now, the government discussed with the Greek-American citizen, Tom Pappas, who represented the interests of Standard Oil, the construction of a second blast furnace and a second oil refinery along with a petrol-chemical complex at Salonica.[103] Simultaneously, Alexandros Tsatsos, informed foreign investors for the association with the EEC and Greece's favourable environment for foreign investment.[104] The road to the golden age of FDI and Greek capitalism had opened.

Undoubtedly, the precondition for the construction of these plants was the provision of energy at competitive prices. As will be shown below, the Greek-German economic relations were again the catalyst here. In 1959 the energy programme had two main parts. The first included the adoption of two more thermic power plants at Ptolemais both of which were included in the November 1958 agreement with the Federal Republic. The second included the exploitation of Megalopolis lignite reserves at Peloponnesus and the realisation of the Achelous project. This latter project was directly related to the aluminium plant because only these facilities could provide energy at a cost acceptable to Pechiney. Indeed, the agreed price for the provision of energy to Pechiney was significantly below the production costs at existing facilities and it was only the Achelous facilities that could produce energy at costs approaching the agreed price.[105] This favourable provision, combined with the controversial procedure for the acceptance of this settlement by the PPC Board, faced sever criticism as the low energy price was deemed an unacceptable subsidy to a foreign multinational. [106] Following the ratification of the agreement by the Greek parliament in September 1960, the energy programme was supplemented with additional facilities at Achelous and the energy programme was estimated to be about $120 million of which $20 million would come from the US developmental fund DLF, $65 million from German sources and PPC would contribute $35 million.[107] An important dimension here is that the Greek government proposed

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[103] KKF/KKA/17A, Meeting with Prime-minister, 25 April 1962, p. 2278.
[104] IDC, *Guide for Investment in Greece* (Athens: IDC, 1961), pp. 9-10.
[105] KKF/KPA/7/1/5, PPC Decision 240A/1960, 27 June 1960.
[106] EDHK/HA/39/03932, The CONTRACT (25-6-1960) for the provision of energy for the ALUNIUM, 1964.
[107] KKF/EAA/8/34/1, Confidential Memo, G.N. Pezopoulos, Athens, 5 January 1960; KKF/KKA/15A, Meeting at Industrial Ministry, 2 February 1960, pp. 287-9; KKF/EAA/10/5/1, Draft proposals to the Federal Republic, no date.

this finance scheme to the Federal Republic in January 1960 at a critical moment for Greece's negotiations with the EEC.

However, both public and private projects, and especially those supervised by the PPC, were accompanied by serious allegations from both the main opposition party and EDA for corrupt practices and extensive privileges. Certainly, these allegations had contributed to the destabilisation of the Karamanlis government.[108] Beyond the Pechiney contract, severe criticism faced the assignment of the study and supervision of the Achelous works at Kremasta to the US firm ECI[109] and the direct assignment for the procurement of machinery for Ptolemais to Alfried Krupp.[110] Certainly, direct assignments to German industry was a precondition for the finance of the major infrastructural works from the Federal Republic. Indeed, Erhard had made it clear that he would not accept an international tender for the construction of Megalopolis facilities and the third power plant at Ptolemais.[111]

## 5.5 The reaction of traditional industry

The common denominator of the above private projects was that their realization was based upon exceptional tax concessions and favourable provisions for input costs beyond those provided by the law for FDI. For the FGI's president, this treatment had proved the necessity for 'concessions to capital' and opened the road for the developmental laws 4002/1960 and 4171/1961 which concerned domestic industry.[112] These laws contributed to the new investment environment designed to assist Greek businesses within the customs union.

For textiles, the prospect for the participation in the customs union was indeed a competitive challenge because most of the mechanical equipment was obsolete. In the cotton subsector, the situation appeared better than at

[108] Jean Meynaud, *Political Forces in Greece*, trans. by P. Merlopoulos (Athens: Bayron, 1966), pp. 428-62; Haralabis, *Army*, pp. 95-9.
[109] EDHK/HA/39/03923, Assignment of the study and supervision of hydroelectric works at KREMEAST-ACHELOUS, 1964.
[110] EDHK/HA/39/03934, Procurement of heavy machinery for lignite-mines Liptol, no date.
[111] KKF/KKA/18A, Telegram 2493, Coordination Minister to Prime-minister and Foreign Minister, Bonn, 24 July 1962, p. 2489.
[112] Drakos, *Industry*, p. 73.

woollens but both subsectors faced similar challenges. The EDFO had calculated that in 1960 about 40% of the mechanical equipment in the cotton industry was automatic, whereas the respective numbers for the EEC and the UK were 49% and 58% respectively.[113] In 1959 the PUTI had emphasized the problem, considering that the modernization of the mechanical equipment was 'of paramount importance' because textiles were facing an 'extremely difficult and worrying' crisis induced by foreign competition. Thus, it welcomed the law 3949/1959, which provided duty free imported machinery.[114] The same was true for the UCI. In July 1959, it was alarmed by the prospect of the participation in the common market, emphasizing that the cotton industry should take advantage of the long transition period to modernize its equipment to meet the 'international competition within the large field of the EEC.'[115] The way that big businesses in this sector financed their investments is again illustrated by the P-P case.

In 1959 the company processed about 20% to 25% of the total cotton manufactured in Greece. It operated four plants, two of which were within the wider Athens production cluster and two were located at Patras. The mechanical equipment at Patras plants was outdated having been constructed before 1930.[116] The same was true for the Kallithea's weaving plant. In contrast, with the investments in 1952 and 1956, the spindle machines at the plant of Nea Peramos were relatively modern. On the one hand, these investments did enable the company to expand its output more rapidly than the average expansion of the whole textile sector.[117] On the other, these projects had consequences for its financial structure.

In 1959 and 1960, P-P equity capital was only 18% of total liabilities, for it was untouched since 1956 but, in the meantime, loans had grown 2.66 times.[118] For the fiscal years 1958 and 1959, despite the low depreciation levels, operating results were negative with interest payments having quadrupled from 1955. As a result, accumulated reserves were limited, hence, both its borrowing capacity

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[113] Appendix 1, table 19.
[114] 'The Report of PUTI's president for the year 1958', *VE*, May 1959, pp. 380 and 382.
[115] 'UCI Announcement', *OT*, 29 July 1959, p. 5.
[116] Appendix 1, table 18.
[117] Compared to the industrial index published from the FGI for textiles.
[118] GR/PIOP/FOA3/SE6/SS3/FI33263/SFL14, P-P Balance Sheets, Various years.

and its ability for self-financing were limited. Indeed, from early 1957 until early 1959, according to its general director Katsabas, the company was obliged to receive loans from the private market with annual interest rates ranging between 20% and 30%.[119] In 1959 the company was able to service its immediate obligations only with two urgent short-term loans by the NBG and the US bank Manufacturer Trust Co.

Under these circumstances, the German FDI was an opportunity. Indeed, in September 1959 Katsabas confirmed that there was still an active interest from Germany for a joint venture in the cotton industry[120] although the discussions had not been restricted to P-P alone for there was a rival plan. The Union of Weaving Industrialists was also considering a joint venture with German companies for a big cotton spinning mill plant.[121] The aim was to supply the domestic weaving industry with raw materials, an endeavour for the vertical integration of the weaving subsector that could undermine P-P's dominant position.

Thus, the rejection of the terms for the German FDI by the FGI was a mixed blessing for the P-P. On the one hand it avoided a new source of internal competition. On the other, it was obliged to finance its investments from internal sources. Indeed, by the end of 1960, the company embarked on a plan to expand organically, primarily aiming to respond to European competition. The rationale was to concentrate its facilities at Patras, to modernize the existing equipment there and to build a new spinning mill. The strategy was to take advantage of economies of scale with the utilization of the provisions for regional industry and the new investment laws.[122]

The EDFO council, considering the application, underlined the company's growing financial risk and stressed that its future obligations, compared to its anticipated revenue, were high and thus the repayment of the loan was not guaranteed. Subsequently, the director general concluded, initially, that the

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[119] Christoforos A. Katsabas, *Believing in the Future* (Athens, 1966), pp. 313-5.
[120] *To Vima*, 24 September 1959, p. 6.
[121] 'Greek-German cooperation for a spinning mill', *OT*, 14 April 1960, p. 9.
[122] GR/PIOP/FOA3/SE3/SS5/FI8, P-P to EDFO, 25 January 1961; GR/PIOP/FOA3/SE5/SS5/FI603, P-P Application, 6 July 1962, pp. 1-7.

application did not justify the financial criteria of the EDFO. However, because P-P was a 'big' company with potentialities within the 'common market', the council decided to consider its application on two conditions.[123] The first obliged the company to increase its share capital. Indeed, in May 1961 the company issued new shares through a public offering and became the first post war industry to successfully utilize this instrument for the increase of equity capital.[124] The second was to provide a bank guarantee for the loan although this was circumvented and the loan was granted three months later.[125] Yet, the Auditors' report, which had preceded the decision, identified several weaknesses in the company which, among other things, emphasized the problematic liability structure of the firm and its low annual depreciation levels which enabled it to distribute profits and to present an inflated equity capital.[126] However, the prospects were not deemed unfavourable as the new investments would enhance its productivity and its performance. Furthermore, assuming that the company would deliberately not meet some future obligations and would not distribute profits, it estimated that its cash budget guaranteed the repayment of the loan. The EDFO council considered the Auditors' results but ignored the preconditions for the cash budget. For the council the prospects of the company weighed more than its limitations adding that it was 'the biggest cotton industry of Greece' and it was for this reason that it agreed to finance the project.[127]

However, there was a significant part of big businesses which cooperated with foreign companies. The reasons behand this corporate strategy are illustrated by Izola SA. In early 1959, the EDFO Council was pressing the company to increase its share capital in order to restructure its outstanding debt.[128] Indeed, in 1959 its equity capital was less than 10% of its total liabilities and its ability for self-finance was limited.[129] Under these circumstances Izola SA was completely unable to proceed with the modernization of its facilities at a time when that was more than necessary due to the prospective association with the EEC. The road which Izola SA followed was to increase its equity capital with the

[123] GR/PIOP/FOA3/SE6/SS3/FI33263/SFL3, EDFO Minutes, 22 April 1961, pp. 11-5.
[124] Katsabas, *Believing*, p. 316.
[125] GR/PIOP/FOA3/SE6/SS3/FI33263/SFL3, EDFO Minutes, 27 June 1962, pp. 26-29.
[126] GR/PIOP/FOA3/SE6/SS3FI33263/SFL10, BAA Report, 19 June 1962, pp. 95-157.
[127] GR/PIOP/FOA3/SE6/SS3/FI33263/SFL3, EDFO Minutes, 27 June 1962, p. 29.
[128] GR/PIOP/FOA2/SE2/SS3/FI32001/SFL11, EDFO Board Minutes, 22 May 1959, p. 78.
[129] Appendix 1, table 15.

participation of the US company Rheem Manufucturing Co with 30 million Drs, a cooperation which offered the appropriate technology for its future plans.[130] In 1961 the share capital of Izola SA jumped from 7.5 million Drs to 37.5 million and it was agreed that the Drakos family, which owned only 7.5 million Drs of the share capital, would maintain the management.[131] With this cooperation Izola SA was finally able to restructure its debt, and to receive a new loan from the EDFO which enabled it to diversify thereby responding to the challenges of the common market.[132]

This same route was followed by the Bodosakis group, the position of which in the internal market deteriorated. Indicative of future developments, in late 1958, Bodosakis withdrew from the company which exploited the oil refinery in which he participated with 43%. The shipowner, Niarchos, acquired his shares and the majority of the company, managing the refinery with the assistance of Nikolaos Vlangalis, who had stakes in the power group and cooperated with Andreadis.[133] At the same time, Bodosakis was not able to cover overruns at Ptolemais and its prospects, as we saw in chapter three, were ominous. In early 1959, the EDFO rejected a new loan and all facilities at Ptolemais were nationalized.[134] Bodosakis himself felt 'relieved' with the development.[135] One year later, Bodosakis also withdrew from the business group which controlled the AEEXPL at Cyprus. After a decade of over-expansion, the group was shrinking.

The AEEXPL also faced acute difficulties. Even if fertilizers were still absorbed and distributed exclusively by the ABG, its sales since 1957 were stagnant.[136] The problem for the group was aggravated because the furnaces for the production of iron pebbles and iron nickel at Larymna facilities were still not operational. Thus, for the years 1958 and 1959 net results were negative and, thereafter, recovered only because depreciations were simply curtailed. The ratio of its

[130] IZOLA, *Report for the year 1961* (Athens, 1962), p. 7.
[131] GR/PIOP/FOA2/SE2/SS3/FI32001/SFL12, Chartered Accountant's Report, 11 November 1961, p. 242.
[132] GR/PIOP/FOA2/SE2/SS3/FI32001/SFL11, EDFO Board Minutes, 4 January 1960, pp. 119-22.
[133] 'Under which terms Bodosakis withdrew from the oil refinery', *Imerisia*, 22 October 1958; 'The corporation for the refinery was founded', *Eleftheria*, 18 December 1958.
[134] GR/PIOP FOA3/SE6/SS7/FI72048/SFL22, Chartered Accountants' Report, 5 March 1959, Athens, pp. 167-85.
[135] Hatziotis, *Prodromos,* p. 309.
[136] GR/PIOP/FOA3/SE6/SS3/FI3P102/SFL5, Various documents.

equity capital to total liabilities was 20% in 1958 and it became 26% in 1961 only because the company was shrinking. Importantly, its share capital was untouched from 1956 whereas its capital reserves were roughly the same until 1961. As expected, the company had difficulties in meeting its obligations and to circulate its capital and, for that reason, its loans had been repeatedly restructured by the EDFO.[137] The inability of the company for both external and self-financing was obvious but AEEXPL responded to this unfavourable situation and its strategy, launched in the middle of 1959, was based upon three main projects.

First, it attempted to operationalize the furnaces at Larymna again. This endeavour was initially financed by Alfried Krupp with an agreement in June 1960.[138] However, the results were once more moderate and the AEEXPL renewed its efforts. In 1962 it had founded the Larco SA but this time, the AEEXPL cooperated with the French company Le Nickel, which became the minority participant in the new company, offering not only capital but also the appropriate technology which Krupp missed.[139] The second project aimed to modernize the main facilities at Drapetsona and the third was to build the new plant for superphosphate fertilizers proposed by the new economic programme. For the financing of these projects, the AEEXPL had initially approached the NBG and the government was positive.[140] However, it seems that its limited ability for self-finance inhibited the progress with the NBG alone. Until late 1960 Bodosakis had agreed cooperation with the French chemical company Saint-Gobain for.[141] The next year Saint-Gobain agreed to finance along with the AEXXPL the modernization and extension of the Drapetsona facilities. For the new superphosphate plant, it participated with 40% of the equity capital whilst the NGB participated with 20% and the AEEXPL with 40%.[142] The cooperation of the Bodosakis group with the French companies was indeed decisive. It enabled the exploitation of the Larymna mines for the production of iron-nickel, to modernize its facilities at Drapetsona and to build the new chemical plant during a period in which the financial position of the group had deteriorated

[137] GR/PIOP/FOA2/SE2/SS3/FI32064/SFL2, Various documents.
[138] AEEXPL, *Annual Report for the year 1960* (Athens, 1961), p. 18.
[139] AEEXPL, *Annual Report for the year 1962* (Athens, 1963), p. 16.
[140] KKF/KKA/14A, Meeting, 19 January 1961, p. 250.
[141] Hatziotis, *Prodromos*, pp. 358 and 379-80.
[142] AEEXPL, *Annual Report for the year 1961* (Athens, 1962), p. 15.

significantly. Certainly, the necessity for capital and technology inflows was among the main motivations for Bodosakis to support an association of Greece with the EEC.[143] Importantly, these developments confirmed the deterioration of relations between the group and German industry.

## 5.6 Conclusion

This chapter has shown that crucial aspects of the industrial policy and of the developmental plan had emerged from an FGI's initiative in response to early European integration. The post-war developmental policies, which had informed Greece's short-lived industrial boom after 1960, had not been defined unilaterally from above, as the bulk of Greek literature has argued. Rather, it was the outcome of the interaction of businessmen and state agencies.

The November 1958 Greek-German agreement had included the financing of the core projects of the developmental plan, additionally proposing German FDI and a migration agreement. The German side aimed to resolve its labour scarcity and to strengthen its position in Greece, considering that this would also protect its expansion beyond Europe and the customs union. The Greek side considered that this agreement would solve the country's viability problem. Crucially, the migration agreement was signed in early 1960, providing the solution to the much-discussed imbalance problem which had existed since the 1920s. Also, the relations of the public sector with German business strengthened even more. Until 1960 German businesses had undertaken the construction of almost the entire energy programme and of core state industries, such as the nitrogen and sugar refinery plants. Additionally, Greek business was prepared to cooperate with their German counterparts.

However, following Erhard's visit to Athens in August 1959, business cooperation stalled because the FGI refused the special treatment of German investment in Greece and the majority participation in the proposed joint-ventures. The adverse course of the Bodosakis group and the cases of Izola SA and P-P cast light upon this development. However, their financial position could not support

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[143] GR/GL/KAV, Bodosakis Athanasiadis, 'What is needed for our country's development', *Mesimvrini*, no date; Bodosakis Athanasiadis, 'State-Businessmen', *OT*, Special Issue 6, 14 September 1961.

their investment plans, so they turned either to French or US capital or they were financed by the NBG and EDFO. Representative of future developments, the EDFO financed P-P's investment plans ignoring sound financial criteria because such a company was too big to fail. In all cases, the state followed its declared priority to promote big businesses and, along with inward FDI, prevented the collapse of the so-called *tariff dependent industries* within the customs union.

The adverse course of business cooperation between the two countries was a development that opened the road for the formal incorporation of the businesses represented by Alexandros Tsatsos and Andreadis to public institutions and the decision-making process. In late 1959 they stepped in, cooperating within the IDC which initially aimed to implement the Greek-German agreement but very soon it undertook the implementation of the whole industrial programme and became the vehicle for the attraction of FDI. Essentially, it formed a rival to the FGI and the Bodosakis business group remaining close to shipping capital. Indeed, from this initiative emerged the Andreadis group and signalled the golden age for inward FDI in Greece.

# Chapter 6 **The political economy of Greece's association with the EEC**

This chapter follows the implementation of Greece's association strategy. The first section briefly examines the competitive strategies of France and the Federal Republic in respect to the nature of the EEC and its relations with the UK, situating Greece's European policy within this broader picture. It shows that France facilitated bilateral negotiations with the Eleven to avoid the more competitive, wider free trade zone which, nevertheless, was still pursued by Erhard. Subsequently, it approaches the dominant business interests in Greece and the Federal Republic, depicting their corresponding European strategies which implied an import substitution and export led growth model respectively.

The second section examines how the dominant internal strategies, in respect to the commercial policy, emerged and unfolded during the first three months of 1959. It initially follows the first steps of Greek diplomacy which pursued an association with the EEC along the lines agreed within the OEEC and supported by the Commission. It will be argued that the implementation of the Greek-German agreement was among the main incentives for the application to the EEC and then elaborates upon the coexistence of the alternative strategy which promoted, with limited but concrete steps, Eastern trade and an import substitution policy. This was rooted in the traditional business factions and notably the FGI. It then shows that the negotiation team and the BoG shared affinities with this coalition in respect to the temporary necessity of Eastern trade and suggested, initially, the continuation of a limited import substitution policy within Europe. However, it strongly disagreed that these two options would constitute the long-term organic solution to Greece's substantive problems. This was so because, not only did they threaten Greece's geopolitical orientation directly, but also because Eastern markets were uncompetitive and could thus further deteriorate competitiveness. This was Greece's initial negotiation position. These two internal strategies were intertwined and subsequently confronted the priorities of the Federal Republic and its internal supporters and were forged with France's European policy. The outcome was the general framework - essentially the rhythm of tariff disarmament within the customs union and the provisions for agricultural exports - of the association regime and the updating of the customs tariff.

This story is the main theme of the third section. It particularly elaborates the core demands of Greece and the German liberal counterproposals which were eventually adopted by the Council and formed the EEC's policy towards Greece. In the face of Erhard's pressure and the support of liberal businessmen, the Greek side, step by step, abandoned any thoughts of the protection of infant industries which was consistent with the Law 3949/1959 and the demands of the traditional business sectors for tax-free imports of machinery and transportation items. Simultaneously, the government compensated business increasing the protection of existing manufacturing with the new customs tariff during the transitional period aiming to prolong the transitional period for as long as possible.

The last section evaluates the terms of the association, showing that they fell quite short of the initial demands which was true for both agricultural exports and finance. Then, elaborating upon the difficulties which Greece faced during the negotiations, it elaborates the exchanges which member states made and how big business was involved in the final settlement.

## 6.1 The collapse of the negotiations for FTA and business strategies

Until late October 1958 it had become clear that a multilateral association of the EEC with the remaining Eleven OEEC members was not feasible. Despite Erhard's efforts to the contrary, it was proved impossible to reach an agreement reconciling UK's interests towards the commonwealth and France's prioritization of a protectionist common market compatible with its vulnerable industry and its persistent agricultural surpluses. As was shown in the introduction of this part, the result was that Europe was split to two trading blocs, the Six which had formed EEC and the Seven which formed EFTA whereas the OEEC's four underdeveloped countries, namely Greece, Turkey, Iceland and Ireland, remained outside these blocs and thus economically and politically isolated. An important dimension here is that the British inspired industrial EFTA was a scheme which aimed to press EEC for a compromise and, since this scheme was compatible with an open trading bloc across Europe and/or an Atlantic community, it was supported by Erhard and German big business.[1] By contrast, the French and Italians favoured the EEC largely as a neo-protectionist bloc. It is important to show how the Greek government and big business responded to this development because Greece became the first country to associate with the EEC on a bilateral basis which meant that the multilateral association of EEC with all OEEC members aiming in the formation of an open trading bloc was essentially undermined. In other words, the Greek case can illustrate the dynamics behind European integration at a critical phase. However, Greek literature has failed to appropriately embed Greece's endeavour for an association with EEC within this context. In fact, it has been claimed that EEC was the preferred option for Greece because, unlike EFTA, it covered agricultural products and had wider political implications but there is simultaneously a confusion in respect to its stance towards the open trading bloc which has been also presented as Greece's preferred solution without, however, explaining the reasons for this attitude.[2] Other have understood that the EEC was the preferred option since mid-1957 but have ignored the open trading bloc and the German aims in this respect.[3] Significantly, the attitude of Greek business has not been incorporated in the analysis.[4] The following three sections aim to fill this gap, arguing that due to Greece's dependence upon German economy and business, the Greek government supported the open trading bloc only for tactical reasons and continued to pursue Greece's association with the EEC backed, although with reservations, by Greek big business.

The Greek delegate at OEEC, being prepared for the breakdown of the negotiations for an FTA, was quick in early November 1958 to propose that this was the appropriate time to resume efforts for a bilateral association with the EEC. For Christidis, Greece's trade dependence with the EEC countries, notably with the Federal Republic, and the already formatted finance institutions within the EEC, were the two indispensable factors which made the association with

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[1] Pérez, 'The European', pp. 74-5; Rollings, *British*, p. 120; Buhrer, 'German Industry', p.108.
[2] Ifantis, 'State interests', pp. 80-1; Verney, 'The Greek', pp. 149-50; Tsoukalis, *The European*, p. 28.
[3] Minotou, 'The European', pp. 287-92.
[4] Moussis, *Greek*.

the EEC urgent.[5] Meanwhile, the fear of marginalization materialized, strengthening and reinforcing this position. As Christidis informed the coordination ministry, the UK and the Scandinavian countries, along with Switzerland and Austria, were now moving more decisively towards a separate industrial free trade zone to avoid discrimination and to press the EEC for a compromise.[6] Since peripheral underdeveloped states remained out of the picture in both of these regional schemes, Greece's delegation attempted to form a bloc with Portugal, Iceland, Ireland and Turkey. This attempt very soon crashed due to their divergent interests and only Turkey responded positively. For these reasons, in late November, Christidis pressed again for the EEC option asking the coordination ministry for permission to approach again the Commission unofficially to check intentions for a separate bilateral agreement. He considered that this tactical move also had the merit of improving Greece's future negotiating position, be that for the wider free trade zone or the bilateral association with the ECC.

This latter option, however, had been ruled out by Erhard in the middle of November 1958. The German finance minister and German big business were still devoted to the promotion of a multilateral wider scheme compatible with the needs of German industry for export outlets beyond the limited market of the Six.[7] The means utilized by Erhard for the realization of this objective were indisputable. Once he had confirmed the first post-war state loan to Greece and smoothed the road for further cooperation between Greek and German industry, he pointed out that the separation of Europe, due to French intransigence, was a 'tragic' development, asking Karamanlis to avoid any move which would make the situation even more complex.[8] The result was that Greece continued the double strategy followed since the middle of 1957: on the one hand, it officially supported the creation of the wider open trading bloc according to Erhard's will and, on the other, it simultaneously promoted a 'constant association' with the EEC.[9] This latter option was preferable because, as the foreign ministry

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[5] YDIA/1958/8/2/1, Th. Crhistidis to Coordination Ministry, 25 October 1958.
[6] YDIA/1958/8/2/1, Th. Crhistidis to Coordination Ministry, 10 November 1958.
[7] Moravcsik, *The Choice*, p. 199.
8 KKF/KKA/7A, Proceedings of the Negotiations at the Federal Office, 11 November 1958, pp. 998-1005.
[9] YDIAEI, P. Oikonomou-Gouras, Director General of the Ministry of Foreign Affairs, to the Embassies of Brussels, Hague, Rome and Paris, Athens, 24 November 1958, 280-281.

explained, Greece was commercially and economically dependent on the Six. Christidis, who had shared this belief at least since late 1956, primarily because of the existing Greek-German bilateral relations, at his very first meeting with the Commission as Greece's representative to the EEC, hinted for this option and received an implicitly positive response.[10] For Christidis, the quite cautious stance of the Commission was rooted in member states reservations. On the one hand, Germany's permanent representative, who had sided with the FTA option, was afraid that the Commission might opt for bilateral negotiations with interested states, undermining the multilateral solution. In contrast, the Belgian and French representatives feared that the Commission would utilize Greece's association to press the Eleven for the realization of the wider free trade zone.[11] Indeed, France considered that the EEC should promote bilateral associations and clearly opposed the multilateral option.[12] The compromise between these divergent policies was not an easy task and both options coexisted on a competitive basis, framing Greece's endeavour to participate in European integration. Even if these strategies were intertwined, they were still visible.

First, the EEC Council endorsed on 3 December 1958 an initial compromise hammered out by Adenauer and De Gaulle at Bad Kreuznach. It proposed an interim regime from January 1959 onwards which ameliorated discrimination primarily for industrial products. It aimed not only to reach an agreement with the Eleven and notably the UK, but also to prevent reactions within the GATT, notably by the US which was interested in the multilateral and more liberal solution.[13] Indeed, the US had already called for a new round within GATT to deal with the common external tariff and stated its intention to reduce customs duties on a reciprocal basis.[14] In respect to quotas, the State Department stated that the US was ready to accept discrimination for balance of payments reasons but not for commercial ones.[15] Second, the permanent multilateral solution was

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[10] YDIA/1958/8/2/1, Th. Crhistidis to Coordination Ministry, 2 December 1958.
[11] YDIA/1958/8/2/1, Th. Crhistidis to Coordination Ministry, 24 November 1958.
[12] FRUS/1958-1960, Volume XII, Part 1, Western European Integration, 1958-1960, eds. Daniel J. Lawler and Erin R. Mahan (Washington: Government Printing Office, 2010), Document 38.
[13] Commission, *Second General Report*, Brussels, 31 March 1959, pp. 27-36.
[14] GATT/398, Speech by the Hon. C. Douglas Dillon, 21 October 1958.
[15] FRUS/1958-1960, Volume XII, Part 1, Western European Integration, 1958-1960, eds. Daniel J. Lawler and Erin R. Mahan (Washington: Government Printing Office, 2010), Document 46.

not abandoned by the EEC. Instead, the Council simultaneously charged the Commission with the task to report on its feasibility by February 1959.

Within the OEEC, in a dramatic session in the middle of December, the UK refused the EEC's proposal as discriminatory.[16] It particularly rejected France's decision not to extend to the Eleven the increase of quotas up to 3% of national production applicable to the Six from 1 January 1959 onwards. Instead, the British representative asked to globalize the provision declaring the UK's will to provide compensation or, otherwise, he warned that his country would resort to retaliations. This counterproposal faced fierce French resistance. Greece's position, as Erhard had asked, did not made the issue more complex. In particular, foreign minister Averoff emphasized that Greece was committed to the multilateral solution and the unity of Europe. Yet Averoff and Pesmazoglou sided with West Germany and particularly Erhard who, in contrast to France's foreign minister, insisted that the UK proposal should be considered within the OEEC. Simultaneously, the Greek foreign minister condemned the fact that the EEC's proposal for the elimination of discrimination had ignored agricultural products, so vital for the peripheral states. Averoff particularly mentioned tobacco and citrus fruits as two major examples of the EEC's discrimination, explicitly blaming Italy for such an unfavourable outcome. Amidst the acute export crisis, the fear of discrimination was growing.

There is no doubt that Greece's double strategy was rooted in its bilateral relationship with the Federal Republic and, for this reason, a comparison between the strategies of Greek and German dominant business organizations casts light upon their respective policies and objectives. To begin with, the FGI substantiated the necessity for Greece's participation in the EEC upon direct political considerations, showing that the *a priori* reasoning, discussed in chapter four, had been digested by the federation and informed its European strategy.[17] It was the criterion upon which it judged Greece's position. This core argument was rooted in the federation's vision of the forces which were driving

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[16] OEEC, C/M(58)31(Final), Minutes of the 423[th] Meeting held in Chateau on 15[th] December, Paris, 18 June 1959, <http://archives.eui.eu/en/fonds/174186?item=OEEC-84> [accessed on 16 January 2016].

[17] Dionisios Mantzoulinos, *The General Agreement on Tariffs and Trade and the European Economic Community* (Athens: FGI, 1959).

European integration, in particular, it considered that the post-war increased industrial production was seeking to transcend national borders and the EEC had institutionalized these commodity flows. Simultaneously, the political necessity to compete with the USSR smoothed the reconciliation of the divergent commercial interests for the regional schemes but the outcome was not determined by this factor alone. Western states had also competitive relationships, in particular, the FGI's official considered that France was right to protect the core of the EEC rejecting the UK counterproposal. He advocated that the inclusion of new and divergent interests did not fit with the Six's common market which needed to strengthen itself rather than to expand. Even more, the UK was not prepared to harmonize costs, at least to the extent that France had discussed, but it was ready to reap the benefits of the large European market, namely the productivity gains accruing from the new and improved division of labour. In respect to Greece's stance, the FGI's official stated that it was equally wrong to unequivocally side with the Eleven because its trade interests were pointing instead to the Six. Yet, its vulnerable industry necessitated delicate steps.

In the first place, FGI's representative was satisfied with the collapse of the negotiations for FTA because it provided the appropriate time to adopt measures to promote existing and new industry, in other words, to continue the import substitution policy.[18] Since the preferred bilateral relations were not feasible due to trade liberalization and the political reasons mentioned above, the vulnerability of Greek industry dictated careful manoeuvres within the multilateral organizations. In particular, Greece had to participate in the new round at GATT with the updated customs tariff. On the grounds that quotas had been abolished and OEEC had recognized the necessity to strengthen its economy before its entry to any liberalization scheme, Greece had not only to refuse the reduction of tariff duties for domestic manufacture It also had to ask to increase the tariff burden for finished and semi-finished goods produced internally and, even more, the right to re-introduce quantitative restrictions. This meant that Greece was obliged to re-negotiate many bounded tariffs and in turn to provide compensation. The FGI proposed that Greece would compensate

[18] Ibid, pp. 83-9.

the interested parties with the abolition of the tariff burden for both raw materials and machinery not produced internally. It was an opportunity to promote its permanent demand for the improvement of the supply chain which, in the circumstances, implied the abolition of the infant industry right. The final aim was to enter the transitional period, the length and the necessity of which had been recognised by the OEEC, to any regional or even global liberalization scheme with a reasonably high level of protection.

However, the proposed advanced engagement of Greek industry with German private and public capital prescribed that the accomplishment of such a strategy would not be an easy task. This became clear to business circles in Greece when the Deutsche Bank presented to the NBG's leadership and high-ranking managers the agreed Greek-German business arrangement within the proposed multilateral trade scheme.[19] Its representative shared the FGI's perspective in respect of the driving forces of European integration and its likely effects upon productivity for the advanced industrial regions in Europe. In contrast, he made it clear that only negative integration within a wider free trade zone was compatible with Europe's long-term interests. What is more, intervention from above had to be restricted to regulation policies aiming to stabilize negative integration. The only exception to this rule was the need to provide financial assistance to the less developed regions because those already developed would become even more attractive to capital, widening the productivity gap. However, if these former regions, namely those in South Italy and France or Greece, were to reap the benefits of integration along with the advanced regions, then any kind of intervention had to encourage competition rather than postpone it. This was because competition was the only means to alarm and rationalize business rendering them efficient and thus viable.

This central tenet, clearly not compatible with the FGI's strategic vision for existing industry, resulted in two conclusions. First, the transitional period asked by underdeveloped states within the OEEC was too long. In principle, it would be preferable for them to follow a rhythm of tariff disarmament similar to the Six.

[19] GR/NBGHA/A1/S2/Y26/F212, Dr R. Meimberg, European Economic Integration, January 1959. This view presents the European policy of the Federation of German Industry (BDI) which the Deutsche Bank had embraced and was additionally supported by the ordo-liberal minded Ludwig Erhard.

Second, European and international finance had to be granted primarily for infrastructural projects and secondly to industries which had a clear advantage that guaranteed their immediate and permanent international competitiveness. Clearly, the protection of both existing and infant industry was not welcomed.

## 6.2 The internal strategies deployed

### 6.2.1 The formal association strategy

After the turbulent session within the OEEC in December 1958, Greece pursued a double aim. First, it entered bilateral negotiations with the EEC countries for the establishment of an interim regime until June 1960, aiming to eliminate discrimination against its main agricultural products. It pressed Italy asking not only for equal treatment but also to increase imports of products subject to state or monopoly trade.[20] In return, Greece promised that it would examine Italy's 'closer' participation in its economic development.[21] From the Federal Republic it asked it to provide unilaterally equal treatment for its main agricultural products and to consider the amendment of the EEC's Council decision in the same direction. It received a clear refusal for the first demand and a vague promise that they would consider the second.[22] The truth was, as the trade ministry had calculated, until June 1960 discrimination would be quite limited, except for wine exports to the German market, however, the problem would become severe after that date.[23] In early February, it was plain to Pesmazoglou that the equal treatment asked from the Six on a bilateral basis conflicted with the preferential system of the EEC which was the very essence of the customs union. For this reason, the chief negotiator proposed to Karamanlis that he intensify efforts for a permanent and multilateral solution. This was the second aim. Pesmazoglou emphasized that it was imperative to pursue simultaneously all the demands which, according to his sources, the Commission intended to embrace in its proposal for the multilateral solution. These were the

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[20] YDIAEI, I, Government of the Hellenic Republic, to the Italian Government, AIDE – MEMOIRE, Athens, 30 December 1958, pp. 282-3.
[21] KKAFT, III, p. 342.
[22] YDIA/1959/13/5/1, Cryptographic Telegram 179, Greek Embassy in Bonn to Foreign Ministry, 28 January 1959.
[23] KKF/KKA/8A, Differences on tariffs and quotas for Greek products in each of the countries following the launch of the Common Market, I. Komitsas, 4 February 1959, pp. 2-1959-2-2164.

provisions agreed for the less developed states within the OEEC and were decisive for the prime objective of industrialization. Importantly, Pesmazoglou expected that the association would advance the utilization of German credits and the initiation of business cooperation agreed in November 1958. Simultaneously, in case that this preferred option was finally wrecked by April, he pressed Karamanlis to prepare the road for the EEC directly.[24] Indeed, Pesmazoglou's information was accurate.

The Commission had publicly attempted to ride two horses simultaneously.[25] It stated that the preferred mode of integration was the multilateral, more liberal option, known since Ockrent's report, as the European Economic Association. However, at the same time, its report undermined the latter by opening the road for the EEC's separate bilateral negotiations with individual states. To top it all, it stated that free trade would widen the disparities between unequal partners and proposed that the Council should recognize the special status of underdeveloped states according to the decisions of Working Party 23 within the OEEC and encouraged it to act accordingly. Pesmazoglou was quick to inform Karamanlis of this desired and anticipated development, urging him to utilize at the highest possible level the Commission's suggestion defending Greek demands as a whole.[26] It was evident that France's objectives and Adenauer's strategy were gaining ground and a few days later Hallstein confirmed it, making it public that Greece was welcomed as an associate of the EEC.[27]

Indeed, the Greek government had intensified efforts for the bilateral option and France's European strategy fitted perfectly with this goal. The same day, Greece's ambassador to France informed De Gaulle that Karamanlis wished to tighten economic and commercial cooperation with his country because the Federal Republic had monopolized both trade and finance with Greece.[28] Within this framework, he asked his support for the association of Greece with the EEC and discussed France's participation in the new developmental plan. Simultaneously, since the Cyprus issue had been resolved, the ambassador

[24] KKF/KKA/8A, Note by I. Pesmazoglou and I. Komitsa, 4 February 1959, pp. 2154-7.
[25] EEC, Commission, *First Memorandum from the Commission of the EEC to Council of Ministers of the Community*, Brussels, 26 February 1959.
[26] KKF/KKA/8A, Additional Note, 28 February 1959, p. 2/2158.
[27] 'The President of the EEC declares', *OT*, 5 March 1959.
[28] KKAFT, IV, F. Filon to Foreign Ministry, 5 March 1959, pp. 20-3.

promised a friendlier stance towards France over the Algerian war. Such an exchange took place in Italy two months later.[29] The Italian minister of foreign affairs, Pella, was clear in this respect and he linked the support of his country to Greece's demands for a special status within the EEC with the participation of Italian industry in the developmental plan. He stated that Italian industrialists were particularly dissatisfied by their exclusion from nitrogen fertilizers' and sugar plants, as well as from the Achelous project. As the Italian foreign minister claimed, he would only be able to suppress the internal dissident voices if he could present satisfactory results in respect of Italy's participation in Greece's developmental programme.

### 6.2.2 The alternative path: the traditional business sectors, bilateralism and protection

It was a well-known fact that in underdeveloped economies the tendency of imports to be quite sensitive to the increases in the level of production and employment had been exacerbated by the 1958 world recession.[30] In this respect, Greece had followed this general path. As the BoG had calculated, this trend was evident primarily for capital goods and secondly for raw materials and consumption goods.[31] As a result, the intensification of the developmental effort had faced the balance of payments constraint in the past. The substantive increase in import capacity was thus a precondition for the accomplishment of the endeavour to stabilize capitalism in Greece. Undoubtedly, the problem in early 1959 appeared acute. In March 1959, the BoG had estimated that the prospects for that year were ominous and the bank's reserves were threatened for a third consecutive year.[32] This was so because invisibles had been affected by the world crisis and they could not cover the projected growing trade deficit.

[29] KKAFT, IV, Minutes of Talks, May 1959, 95-7.
[30] United Nations, *World Economic Survey 1958* (New York: United Nations, 1959), pp. 3-13.
[31] BoG, *The Greek Economy during the Year 1958* (Athens: BoG, 1959), pp. 97-108. Income elasticity of import demand was estimated 1.8 in constant prices. Other studies had calculated that this elasticity was 2. See: Stavros M. Theophanidis, 'Econometric Analysis of the External Trade Sector of Greece 1948-1960', *Archives of Economic and Social Sciences*, 43-3 (1963), 545-628.
[32] GR/BOGHA/A2/S1/Y4/F69/T16, BoG, Balance of Payments Forecast for 1959, Athens, 20 March 1959.

As has been argued, the option of Eastern trade was on the government's agenda and trade minister Dertilis had proposed, in the middle of 1958, to further increase commercial ties by linking imports with exports. As the protectionist measures adopted in August 1958 had not reversed the deteriorating course of external trade, in late 1958 Dertilis returned to the prime minister with the same proposals.[33] Once more, the trade minister condemned the huge imbalances with OEEC countries. Instead, in complete agreement with the main opposition EDA, he claimed that Eastern markets could absorb the persistent agricultural surpluses and almost any future increase in agricultural production. For this reason, he proposed a list of items which included mainly raw materials, cars and textiles, that could be imported and suggested that the importation of capital goods should also be promoted on this bilateral basis. Furthermore, he advocated that industrial exports were feasible only to Eastern and Middle Eastern countries. In anticipation of reactions from the West, he stated to Karamanlis that the huge imbalance with OEEC members and particularly with the Federal Republic, made it churlish to receive complaints from them.[34] Under pressure by the acute export crisis, his recommendations were finally endorsed, though to a limited extent. In early April 1959, quotas for a number of significant raw materials and finished goods were introduced whereas the importation of textiles and vehicles were licenced as if luxury items.[35] The measure, which subsequently received sharp criticism from the GATT and IMF, targeted the reduction of imports by at least $14 million particularly from OEEC members, the US and Canada, providing the room for the equal development of Eastern trade.[36]

The solution that the ROCEP's import subcommittee had suggested, claiming that it was the only compatible one with the main aim of reducing unemployment with rapid industrialization, was to continue the effort to substitute imports with internal production.[37] Certainly, this was also the prime

33 KKF/KKA/7A, G. Dertillis to K. Karamanlis, 29 December 1958, 1475-85.
34 KKF/KKA/7A, Report- G. Kontogiorgis, 20 December 1959, 1491-523.
35 Council of Foreign Trade, Decision No 15540, 7 April 1959. The first category included frozen meat, wood, coal, ingots, iron bars and sheets, sewing machines, electrical appliances, paper, newsprint and tires. The second included all fabric textiles, cars, trucks, buses and vehicle components.
36 GATT, Delegation Release, Statement by Mr Leonidas Dertilis, 27 October 1959.
37 ROCEP, *Basic Committee for Public Works, Transport and Trade: Imports,* 5 vols (Athens, March 1959), IV, Issue 2, p. 48.

objective of the provisional five-year plan published in April 1959 although this target did not apply to agricultural production alone. Since its major projects were those first proposed back in 1948, this was also true for the secondary sector including the energy programme, the new oil refinery, the soda, fertilizer, sugar, refractories and cellulose plants, as well as the majority of the private investments all of which targeted the substitution of imports.[38] The only exceptions were the export oriented industries promoted by the BoG, which enjoyed the competitive advantage of local raw materials or they were labour intensive utilizing cheap domestic labour. Into this limited category fell mainly the significant ore processing plants, notably for aluminium and Ferro metals, agricultural industries processing citrus fruits and vegetables as well as the cotton industry. Similar conclusions for the prospects of industrial exports and the necessity for a prior import substitution policy had reached the ROCEP's export subcommittee.[39] Yet, reviewing Greece's post-war export performance, it had reached the additional conclusion that, as the Harbeler report had firmly stated within the GATT, the deteriorating terms of trade for primary producers was a permanent phenomenon. For the subcommittee this implied that, unless trade was diversified, and the country become able to export goods with high income elasticity in order to take advantage of the anticipated rapid economic development within Europe, Greece would not balance its external account. It would remain an underdeveloped state, obliged to permanently resort to restrictive policies. As was the case with industrial policy, ROCEP's conclusions resembled the business strategy of the traditional business sectors.

In March 1959, the FGI officially embraced Matzoulinos' report on European integration.[40] It was clear that the federation still treated the process of economic integration as irreversible and Greece's participation as inevitable. In particular, it considered that the creation of the Common Market had such a powerful influence upon the European economy that, combined with the tendency toward competitive economic and trade coalitions, reinforced internationally from political considerations, it would inevitably lead to one or

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[38] Presidency Ministry, *Interim Five-Year Economic Development Programme of the Country 1959-1963* (Athens, 1959); KKF/KKA/9A, Momferatos to K. Karamanlis, Summary data of key industries, 30 June 1959, pp. 210-6.
[39] ROCEP, *Basic Committee for Public Works, Transport and Trade: Exports,* 5 vols (Athens, March 1959), IV, Issue 4, pp. 1-41.
[40] FGI, *The Greek Industry during the year 1958* (Athens: FGI, 1959), 17-20.

other form of an economically unified Europe. The federation had accepted the political necessity, but the superiority of European industry meant that Greece should be prepared before its entry in order to eradicate business uncertainty. Thus, before its inevitable association Greece had to increase tariff protection and even to raise quotas to withstand competition. The federation's main argument, in sharp contrast to that delivered by the Deutsche Bank and German business circles, was that domestic industry could not become internationally competitive at once, bypassing the appropriate intermediate stage which was the prior conquest of the internal market. However, the federation presented some advantages that would improve its position internally, namely, the equalization of the terms of production with Europe, notably the reduction of interest rate.

More clearly in this respect were the traditional and dominant branches of consumer goods. For example, the three dominant wine companies which formed the wine cartel, had been asked by the commercial minister to intensify efforts for exports. They replied that, unless the domestic market was protected and rationalized, they could not compete with foreign industry and become able to export. High domestic costs were prohibitive of any attempt to compete not only internationally but, above all, internally.[41] Other branches stated that the protection of the domestic market was imperative because of the overproduction encouraged by imported competition. Woollen industrialists underlined that modern plants were out of business and the sector had 'abnormally high inventories'.[42] The protection of the internal market was still their priority. The same was true for the PUTI which asked for additional protection because an 'unprecedented crisis of oversupply' had affected plants with new equipment.[43] The problem of 'overproduction' which had affected newly created plants was also emphasized to Karamanlis by Katsabas.[44] The president of UCI asked particularly for additional protection either with tariffs and quotas or with higher import advances, claiming that the cotton industry was able to substitute imports of approximately $8 million. Indeed, two months

[41] GR/PIOP/FOA3/SE5/SS6/FI15, Memorandum on the promotion of exports of wine and spirits, Athens, 21 January 1959, pp. 49-54.
[42] 'Announcement of the Association of woollen industrialists of Greece, *To Vima,* 23 January 1959.
[43] 'The Full Report of the President of PUTI for the year 1958 ', *VE,* June 1959, pp. 31-5.
[44] KKF/KKA/9A, Chr. Katsabas to K. Karamanlis, 5 May 1959, pp. 64-72.

later import advances for almost all textiles were doubled.[45] As will be shown below, additional tariff protection was considered and eventually granted with the new customs tariff. This emphasis upon the protection of the internal market did not mean that exports to Europe were not on the business agenda. Instead, the cotton industry emphasized that since it enjoyed the competitive advantages of domestic raw material and cheap labour, it was able to channel to the EEC its surplus production, if assisted by the state. Consistent with the FGI's accumulation strategy since the 1920s, this presupposed the prior safeguard of the domestic market:

> We are the only cotton producer within Europe and we should, therefore, have the ambition not only to cover the internal needs for cotton products, but also to promote their export on a large scale. And this is possible only if we adopt brave and direct protectionist measures for the cotton industry. [46]

There was no doubt that traditional industry and segments of the government supported the classic path of import substitution policy which was compatible with the development of bilateral trade. This tendency was counterbalanced by the BoG, the negotiation team and the liberal business faction.

### 6.2.3 BoG: setting the limits between the alternatives

In his memo to Karamanlis, the chief negotiator underlined the reasons for which a quick association with the EEC was necessary. [47] The same arguments were repeated to the prime minister in a second memo, in view of his visit to Italy, advising him to emphasize that any delay would threaten the 'progress of Hellenic economy'.[48] Three aspects of the association were deemed indispensable for Greece's economic development which explain the urgency and elaborate upon the extent to which the association strategy was considered as an alternative to the import substitution policy. Firstly, only an association could guarantee the finance for the new developmental programme with a long term, low interest loan of approximately $300 million. This would be granted by

[45] Council of Foreign Trade, Decision No 33100, 7 July 1959.
[46] 'UCI Announcement, *OT,* 29 July 1959.
[47] YDIAEI, I (2003), I. Pesmazoglou to K. Karamanlis, Athens, 9 April 1959, pp. 291-4.
[48] YDIAEI, I (2003), I. Pesmazoglou to K. Karamanlis, Athens, 9 April 1959, pp. 295-6.

the European Investment Bank (EIB) or, preferably, from the proposed developmental Fund. Secondly, the association was considered a unique and significant opportunity to discuss and perhaps to substantially promote the issue of agricultural exports to European countries and, above all, to the Federal Republic. Thirdly, it would facilitate FDI.

The underlining rationale was elaborated by Zolotas. There is no doubt that BoG's governor considered that the formation of a regional multilateral trading system obliged industry to develop on a competitive basis. [49] Within the unfolding international crisis, this necessity was confirmed by the fact that the dominant sectors of industry already experienced an acute overproduction crisis combined with severe underutilization of their mechanical equipment. [50] This was the foundation upon which the governor based his policy recommendations. The solution promoted by the BoG was a commercial policy capable of dealing with the underutilization crisis in the long term. Greek industry had to take advantage of the big European market which promised economies of scale in order to reduce production costs. This would enable affected industries to channel their surpluses abroad and avoid liquidation. FDI, facilitated by the structure of the association regime were destined to play a substantive role in this respect as they would provide, not only the appropriate capital and technology transfers but, also, as it had been always advocated by Zolotas, organizational and administrative improvements. Even if direct geopolitical considerations were also implicitly invoked, it was on these terms that Eastern trade was rejected as an alternative: bilateral trade with uncompetitive eastern markets would increase domestic incomes and prices and hence production costs, further deteriorating competitiveness and export performance. This commercial policy was consistent with Zolotas' prioritization of monetary equilibrium which called for wage increases according to productivity gains as well as for restrictive credit and monetary policies in order to stabilize prices and to manage internal demand and investments according to the balance of payments needs. As will be explained later, the proposals for subsidies to agricultural exports were rejected by Zolotas for similar reasons. From these considerations it followed that eastern trade, significant as it could be for the

[49] BOG, *The Greek Economy during the year 1958* (Athens: BoG April 1959), pp. 11-3 and 55-60.
[50] Ibid., pp. 141-52.

disposal of agricultural surpluses and the balance of external accounts, could not develop at the expense of multilateral trade and its recent increase had to be temporal. However, the governor concluded that eastern trade could be utilized for negotiation purposes. All in all, the BoG claimed that only the substantive increase of agricultural exports to the EEC would increase import capacity on a competitive base which combined with the appropriate capital inflows, would open the road for the specialization of industry within a wide competitive market. For Zolotas, this would contribute to the solution Greece's chronic structural problems.

This was the basis of the association strategy and Pesmazoglou elaborated the appropriate steps for its realization. The same day that Karamanlis announced the provisional five-year plan, he clarified the core argument upon which Greece subsequently based its negotiation strategy. Within the framework of the association, Greece would provide preferential treatment to EEC industry, primarily for machinery and transportation equipment (SITC-7), necessary for the realization of its developmental plan. In return, it asked for preferential treatment of its agricultural exports aiming to ameliorate the already deteriorating balance of payments with the Six.[51] Yet, the association structure would advance Greece's industrial development with the stimulation of FDI. On the one hand, Greece's substantive tariff disarmament would start after a period of 10 or 12 years and the tariff burden would be gradually abolished within a total transitional period of approximately 25-30 years. Since this period would be subjected to only 10-15% of Greece's imports by the EEC, there was room for a limited import substitution policy and the protection of selected infant industries. On the other hand, the EEC would abolish tariff duties within 10 or 12 years, as agreed within the OEEC. Certainly, this structure implied a preferential treatment for industry in Greece capable of stimulating FDI from both Europe and the US.

[51] KKAFT, IV, Memorandum of I. Pesmazoglou to K. Karamanlis, 27 April 1959, pp. 38-9.

## 6.3 The Federal Republic, the general framework and the substantive strategy

### 6.3.1 Preliminary negotiations with the Federal Republic and the EEC: the general framework and the *acquis communautaire*

A distinct feature in the process of association and enlargement of the EEC and EU is the *acquis communautaire* because it is a set of law and rules which the new entrants should accept at the outset and progressively adapt to it.[52] The Greek case can illustrate upon the origin of the *acquis* because it was the first country to associate with EEC when the direction that European integration would take was open because the French pressed for deepening the customs union whereas Erhard and German big business opted instead for widening it through its multilateral association with all OEEC members. In the circumstances, the *acquis* was largely the mode of Greece's association with EEC and concerned particularly the extent to which Greece would accept CAP's future rules and the pace of tariff disarmament as specified by the Treaty of Rome. As this mode had wider implications for the direction that European integration would take because it would serve as a model for EEC's future expansion, the actors involved, mainly the European Commission and the member states along with the Greek government, were interested in shaping it. As will be argued in the remining of this section, the European Commission, which largely substantiates the supranational character of European integration, was clearly in the back seat and was the Germans, and particularly Erhard, who had largely defined Greece's mode of integration to the EEC.

In May 1960 the negotiations for the creation of the industrial European Free Trade Association (EFTA) were entering their substantive phase at Stockholm. Greece complained to London and Stockholm because, despite its endeavours, it had not been invited to these negotiations.[53] Certainly, this move was not

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[52] Wolfram Kaiser, 'Transnational networks in European governance: The informal politics of integration', in *The History of the European Union Origins of a trans- and supranational polity 1950-72*, ed. by Wolfram Kaiser and others (New York: Routledge, 1993), pp. 12-33.

[53] YDIAEI, I (2003), P. Sakefris, Permanent Under-Secretary of Foreign Ministry, to the Embassy of Stockholm, Athens, 1 June 1959, p. 297; Ibid, P. Sakefris, Permanent Under-Secretary of Foreign Ministry, to the Embassy of London, Athens, 1 June 1959, pp. 298-9.

motivated by any desire to join EFTA and it seems that it was made under Erhard's pressure and/or for tactical reasons. In any case, Christidis did not appear dissatisfied by the fact that, according to his sources, the Seven simply wanted to 'get rid' of the four underdeveloped states because of the financial burden which their inclusion implied.[54] Instead, taking advantage of this 'turmoil', he departed for Brussels to officially apply for an association of Greece with the EEC.[55] No doubt, the de-facto disruption of the unity of the Eleven had provided this long-awaited opportunity. Certainly, the coordination ministry instructed Christidis to emphasize to the Commission that the imminent formation of EFTA meant that the negotiations for the wider free trade area could not further be utilized as an excuse for the delay in Greece's association to the EEC. Instead, a quick start of the negotiations was urgent, continued the coordination ministry, because the issue had already created uncertainty and undermined economic development, threatening 'severe economic, social and other consequences of wider importance for Greece.'[56] This was precisely the basis of the application submitted to the Commission for the association.[57] The same arguments were repeated to the governments of Belgium, Netherlands, France and Italy with the adverse effects framed within the need for *bourgeois modernization*: the exclusion of Greece from the reorganization and the far-reaching reforms of the European economy which the implementation of the Treaty of Rome entailed would, in the long-term, have the serious consequences mentioned above.

These consequences were also spelt out by Karamanlis to Adenauer.[58] The road for a positive response had been paved by the Greek government which had just rejected the USSR's proposals for a neutral Balkan zone free of nuclear weapons.[59] The Chancellor, who was very interested in the establishment of intermediate ballistic missiles (IRBM) in Greece capable of carrying nuclear weapons, reassured the Greek prime minister that he would exercise his

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[54] YDIAEI, I (2003), Th. Christidis to the Ministry of Coordination, Paris, 4 June 1959, pp. 299-302.
[55] Ibid., p. 302.
[56] YDIAEI, I (2003), P. Sakefris, Permanent Under-Secretary of Foreign Ministry, to the Embassy of Paris, Athens, 8 June 1959, pp. 303.
[57] YDIAEI, I (2003), Th. Christidis, Representative to the EEC, to W. Hallstein, President of the Committee of the EEC, Paris, 8 June 1959, pp. 304-5.
[58] YDIA/1959/13/5/1, Cryptographic Telegram (1348) of the Greek Embassy in Bonn to the Foreign Ministry, 23 June 1959.
[59] KKAFT, IV, Foreign Ministry, to all Embassy, 4 June 1959, 87-9.

influence for the accomplishment of Greece's demands in respect to the EEC. However, Adenauer's position once more collided with Erhard's objectives. The finance minister opposed the exclusion of Greece and the other underdeveloped states from EFTA and reaffirmed that he expected that the new tariff reduction within the EEC would press the UK for a multilateral solution. Otherwise, Erhard warned, the consequences would be severe.

As expected, on the eve of the Council meeting to discuss Greece's application, both the business community and state agencies sent a public message to Erhard: a quick association would advance the bilateral economic and trade relations based upon the November 1958 agreement.[60] The common denominator was that only a quick association would remove business uncertainty for investments and encourage agricultural exports. It was emphasized that this would encourage Greek-German business cooperation which aimed to utilize Greece as an export base for Middle East markets and provide the means of exchange to import capital goods from the Federal Republic. Importantly, the reliance of Greece upon the Federal Republic and German business for the solution of its viability problem had been translated into a public plea for a quick integration to the EEC. Diplomatic channels confirm that this was also the case behind the scenes.

As Ypsilandis and Pesmazoglou confirmed, the fact that Scandinavian markets were far more significant for German industry than that of Greece, weighed decisively in Erhard's strategy. Not surprisingly, therefore, the Federal Republic postponed the Council meeting that would discuss Greece's application on 29 June 1959.[61] However, France's permanent delegate reassured Christidis that the EEC would finally accept the application, but negotiations would not be easy because everybody within the Community realized that this association would set a precedent. What followed is not difficult to imagine.

The foreign ministry instructed Ypsilandis to meet Erhard again and reiterate the well-known Greek arguments reminding him that West Germany and Adenauer personally, had assured Karamanlis of support with Greece's association to the

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[60] 'Greece-West Germany 1959', *OT*, Special Issue 1, 25 June 1959. It included articles from all the major business factions, except for someone close to Bodosakis.
[61] YDIAEI, I (2003), Christidis to the Ministry of Coordination, Paris, 30 June 1959, pp. 317-8.

EEC back in July 1957.[62] The same day, the foreign minister informed Ypsilandis that the Greek government was ready to discuss with Erhard during his scheduled visit to Greece in late August, the urgent necessity of an association based upon the principles agreed within the OEEC for the less developed states.[63] The response from Germany signalled a shift of attention from the multilateral dimension to the liberal framework of Greece's participation to early European integration and Turkey's application had certainly pressed in the same direction.

The foreign ministry was informed in the middle of July 1959 that Adenauer and Erhard had reached an agreement to accept Greece's application on the condition that its terms would not disturb the formation of the wider free trade area.[64] The former would be satisfied with Greece because it had decided to accept IRBM bases but the decision was not yet reportable.[65] For the latter, the recovery of the French economy after the devaluation in late 1958 implied that it might accept the multilateral solution from July 1960. This meant that, as the Greek ambassador made clear, if Greece was to join the EEC it had to amend its demands according to Erhard's suggestions during his visit to Athens.[66] The terms of Greece's association with the EEC had to be compatible with those of the planned multilateral association by the Federal Republic otherwise each underdeveloped state would have its own terms within the wider free trade area, a grotesque situation for Erhard which had to be avoided. Ypsilandis summed up the German position:

Summarizing the above, I realize that the Germans consider that the essential condition for the success of our economic policy within the framework of the Common Market is the unreserved adoption and understanding of the doctrines

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[62] Ibid., Economou-Gouras to Embassy of Bonn, Athens, 11 July 1959, pp. 323-6.
[63] Ibid., Averoff to the Embassy of Bonn, Athens, 11 July 1959, pp. 321-2.
[64] YDIA/1959/13/5/1, Cryptographic Telegram 1491, Greek Embassy in Bonn to Foreign Ministry, 17 July 1959.
[65] FRUS/1958-1960, Volume X, Part 1, Greece, eds. Daniel J. Lawler and Erin R. Mahan (Washington: Government Printing Office, 2010), Document 266.
[66] YDIAEI, I (2003), Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, 23 July 1959, pp. 328-9.

of liberal economic policy, which is [the policy] followed by the Six countries of the Common Market.[67]

As Ypsilandis reported, for Erhard this meant that Greece had, in principle, to follow the EEC's rhythm of quota reductions and tariff disarmament. Only for a limited number of industries which were not able to face competition immediately, a transition period 18 or 20 years would be granted. In any case, newly created industries had to be competitive from the very beginning. In this respect, Tsimikalis had also prepared the Greek government for Erhard's intentions during his visit to Athens, stating that import substitution industries were no longer feasible.[68] The news was equally discouraging for agricultural exports. The demand that the EEC would undertake commitments for Greek agricultural products contradicted both German liberal economic principles and GATT rules. As far as economic aid was concerned, finance would be granted only for specific projects within the framework of a long-term economic plan which was the initial position of the German side.

It was plain that the Federal Republic had now replaced almost completely the US as the principle international actor which pressed Greece to open its borders and liberalize its foreign trade. As was confirmed by German state managers, the association of Greece with the EEC was of 'German interest'. [69] The US had not yet formed a clear stance because it was waiting to see the direction which the 'Economic unification' would take.[70] In principle, the State Department recognized the necessity to assist Greece's integration to the international economy and was thus sympathetic to its association with the EEC albeit with association terms that respected both GATT rules and US's foreign economic policy. All these presaged that the negotiations would not be easy, and the Greek government and the negotiation team were prepared accordingly.

Because it was obvious that Ypsilandis had fully endorsed German liberal proposals, on 30 July 1959 Pesmazoglou reminded him that Greece aimed to

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[67] YDIA/1959/13/5/1, Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, Bonn, 30 July 1959.
[68] YDIAEI, I (2003), A. Tsimikalis to Coordination Ministry, Bonn, 10 August 1959, p. 336.
[69] GR/GL/CIT/ 092/60/3/22, Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, Bonn, 18 August 1959.
[70] YDIA/1959/13/5/1, Liatis, Ambassador at Washington, to Foreign Ministry, 24 July 1959.

start negotiations based upon the terms agreed within the OEEC and adopted by the Commission's first memorandum.[71] To leave no doubt, he stated that this was the prime minister's instructions. Indeed, the draft memo attached for Erhard reiterated Greece's well-known arguments and replied to the German proposals. It emphasized the quite adverse balance of trade between Greece and EEC countries and particularly with the Federal Republic and it emphatically stated that the trade deficit in 1955 was $10 million and in 1958 it had reached $40 million, an amount which accounted for four fifths of the state loan granted to Greece in November 1958. This state of affairs was described as a 'severe anomaly' which legitimized Greece's demands which meant that tariff disarmament would, in principle, start after 10-12 years as agreed within the OEEC, whereas the substantive increase of exports would be guaranteed.[72] The memo concluded with the principal argument, namely, that Greece would be able to provide the EEC, notably Germany, with preferential status in respect to industrial products only if the association provided the means to do so.

Indeed, in a letter to Karamanlis the chief negotiator particularized the demands according to the principles agreed within the OEEC which was the initial negotiation position.[73] Greece, in order to establish the preferential treatment for the EEC's industry, would undertake three obligations. First, it would adopt the common external tariff. Second, it was eager to accept, in principle, the complete tariff disarmament for all goods within a time frame twice that applicable to the Six. Third, it would follow the 12-year rule for a number of items, notably for capital goods and raw materials which accounted for approximately 15-20% of Greece's total imports from the EEC in 1958. Fourth, it would consolidate the liberalization of 50% of private imports according to the Code and would then follow the EEC's schedule for quota reduction. This was the general framework requested which provided room for the protection of infant industry and, in return, the EEC would undertake three obligations. First, it would automatically extend to Greece all the tariff and quota reductions applicable to the Six - the so-called equal treatment which had been requested for both industrial and agricultural products (List A). In respect to agricultural

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[71] YDIA/1959/13/5/1, I. Pesmazoglu to the Bonn Embassy, Athens, 30 July 1959.
[72] KKF/KKA/File 3A, Draft Memorandum for Mr ERHARD, August 1959, pp. 1-985-8.
[73] KKAFT, IV, Note on the basic principles, 5 August 1959, pp. 162-3.

products, it was additionally requested that, at least for those which would be treated equally, the participation of Greece in the formation of the common agricultural (CAP) and trade policies. Second, the EEC would treat, preferentially, a number of Greece's main agricultural exports (List B), primarily tobacco and cotton. Specifically, for France and Italy which retained state monopolies, there were proposed long-term contracts aiming to double tobacco exports within the following five years. For the German and Benelux markets, Greece asked for the adjustment of their internal consumption taxes for cigarettes and the appropriate increase of the EEC's common external tariff for both products. Since the penetration of US Virginia tobacco was still considerable, this was an opportunity to reverse this unfavourable trend. Third, the EEC would recognize, in principle, the need for capital inflows for infrastructural works and productive investments which had to specify the appropriate mechanisms. This demand was aimed particularly at financing the new five-year programme with $300 million.

The response from the Federal Republic was again not encouraging, whereas Turkey's application in late July 1959 had complicated the issue even more. The Federal foreign ministry warned the Greek ambassador that Turkey's problematic economic course obliged the EEC to ask for more guarantees in relation to those asked from Greece. This difference could make negotiations more complex in respect to the EEC's exchanges.[74] Simultaneously, Van Scherpenberg, reassured Ypsilandis that even if the proposed terms would not be accepted by the Federal Republic, the Greek side should not be disappointed. This was because, if the Federal Republic's interests were to be advanced by the association, the latter had to be beneficial for the Greek economy as well. It would be a win-win agreement. For this reason, Ypsilandis reiterated that Greece should align its demands to Erhard's suggestions.[75] Indeed, beyond his interest for the migration and establishment agreements along with the formation of the IDC, the Federal minister asked for the reconsideration of the commercial policy.

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[74] YDIA/1959/13/5/1, Th. Ypsilantis, Ambassador in Bonn, to the Foreign Ministry, Bonn, 5 August 1959.
[75] YDIA/1959/13/5/1, Cryptographic Telegram 1741, Greek Embassy in Bonn to Foreign Ministry, Bonn, 10 August 1959.

Firstly, Erhard recognized the necessity for reasonable tariff protection of existing manufacturing but with a customs tariff compatible with Greece's international commitments (GATT). Secondly, he rejected the protection of infant industries. Thirdly, he was dissatisfied with the apparent shift towards protectionism and bilateralism and, in this respect, he rejected the industrial ministry's proposed measure to introduce a levy upon industrial imports which would finance exports. Above all, he was dissatisfied with the measures adopted in April 1959 which had affected trade particularly with Western countries.[76] Indeed, according to Tsimikalis' information from Reinhardt, this development was very high on Germany's agenda. The 'main issue' that Erhard aimed to discuss during his trip in August 'would be the development of the commercial links between Greece and Eastern countries and their impact upon foreign trade as a whole.'[77] At the same time, however, the German side had made clear that agricultural exports to Europe would be promoted on a competitive base and state intervention, like long-term guaranteed contracts, was not compatible with the free market economy.[78]

After his visit to Athens, Erhard had warned that during the negotiations at Brussels the Greek government would become fully informed about Europe's view of Greece's association with the EEC. If it wanted to proceed, it had to adjust its developmental programme to Europe's realities.[79] Indeed, the first official contact with the Commission in the middle of September 1959 disappointed Greece's negotiation team and the government.[80] In respect of the general framework, the Commission now proposed a scheme for tariff disarmament which shared considerable affinities with the German proposals. It stated that Greece had to accept, in principle, the 12-year rule and only for products mentioned in a separate list would an additional 10-year period be granted. This list would not be fixed, and Greece could add unilaterally a

[76] 'A Change to our economic policy was suggested', *OT,* 27 August 1959; 'Economic policy should be revised', *Eleftheria*, 26 August 1959.
[77] YDIA/1959/13/5/1, A. Tsimimilis, Greek Embassy in Bonn to Ministry of Commerce, Bonn, 10 August 1959.
[78] GR/GL/CIT/092/60/3/20, Th. Ypsilantis, Ambassador in Bonn, to the Ministry of Foreign Affairs, Bonn, 10 August 1959.
[79] GR/GL/CIT/092/60/3/24, Th. Ypsilantis, Ambassador in Bonn, to the Foreign Ministry, Bonn, 15 September 1959.
[80] YDIAEI, I (2003), P. Economou-Gouras, to the Embassies of Bonn and Rome, Athens, 24 September 1959, 337-41; Ibid., Greek Government to the French Government, October 1959, 341-4.

number of new items up to a limited level, whereas escape clauses for products under the 12-year rule were applicable according to the EEC Treaty. This framework aimed at a *deep* integration of Greece to the EEC.[81] Indeed, it was consistent with the EEC's new orientation towards an acceleration of the implementation of the Treaty of Rome and perhaps the shortening of the transitional period.[82] The same response was true in respect to agriculture. On the grounds that the customs union for agricultural products was linked to the formation of the CAP, which was at the centre of the discussion within the community at the time, equal treatment for agricultural products was rejected out of hand. The special provisions asked for would be discussed by the Council later. For the moment, the priority was the agreement upon the general framework and the adjustment of agricultural exports according to the CAP's future settlement. The *acquis communautaire* had just been born.

For both Christidis and Pesmazoglou, the Commission aimed to utilize this strict framework for two purposes. The first and principal aim was to differentiate the Greek case primarily from that of Turkey and secondly from Spain and Tunisia whilst the second aim was to enable itself to press member states to accept the equal treatment for agricultural exports. It was evident that the negotiation team, which was close to the EEC's new institutions, considered that the Commission was able to work in the advance of Greece's association with the terms proposed by the Greek government. In any case, these terms resembled the Commission's own suggestions which were close to Greece's demands spelled out by Pesmazoglou.[83] Its president, Hallstein, was still under the direct influence of Adenauer and thus closer to Germany's foreign ministry rather than to the objectives of Erhard and German industry. Its vice president, Marjolin, advanced France's objectives supporting particularly the speedier implementation of the treaty and the strengthening of the EEC and thus he considered that Greece's association would enhance the prestige and the negotiation position of the Community. In addition, the Chairman of the external relations directorate general, Rey, was the former finance minister of Belgium and always sympathetic to Greek demands.

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[81] YDIA/1959/13/6/1, Th. Christidis to the Ministry of Coordination, Paris, 9 November 1959.
[82] Commission, *Third General Report,* Brussels, 9 June 1960, pp. 27-40;162-82.
[83] KKF/KKA/10A, Memo, 13 October 1959, pp. 528-30.

However, the European Council, and specifically Germany's finance minister, was not of the same opinion. Ypsilandis reported that Erhard, at the first Council meeting engaged with the evaluation of Greece's application, considered the political significance of the association and accepted that it would not serve as a 'model contract' for the formation of the wider free trade area.[84] This was not given for nothing. Firstly, this concession was made only after the Council had reassured Erhard that in case the wider trade area was formed, the association treaty would be amended accordingly. Second, Erhard posed his red lines in respect of the association terms by insisting that the transitional period was too long, and it contrasted with the new effort for shortening the time frame for the implementation of the Treaty of Rome. As far as agricultural exports were concerned, Erhard stated that the treatment of Greek agricultural products would be analogous to the settlement of CAP within the EEC and thereafter it would be amended on the same terms. Finally, finance would be restricted to specific projects already under bilateral contracts. As was proven during the course of negotiations, this was indeed the basis from which the EEC's general stance vis-à-vis Greece's association emerged.

From the very beginning, negotiations took the well-known form of Greece's post-war economic history: the provision of external finance and the promotion of agricultural exports were conditional upon the degree to which Greece would open its borders to foreign competition. Certainly, this was Greece's interpretation of the EEC's intention and it was to this challenge that it was preparing to respond. The instructions to the delegation for the EEC's proposed scheme for tariff disarmament left no doubt:

> The below mentioned new instructions constitute the maximum concessions which the Greek Delegation can provide, always under the unequivocal reservation of the complete satisfaction of Greek demands for agricultural products and tobacco as well as for the sufficient finance of Greece's economic development.[85]

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[84] YDIA/1959/13/6/1, Cryptographic Telegram 2494, Greek Embassy in Bonn to Foreign Ministry, 15 October 1959.
[85] GR/BOGHA/A2/S1/Y4/F75/T6, Negotiations of Greece with the European Economic Community, Instructions, Athens, November 1959.

With some minor amendments, the Greek government had decided to accept the EEC's proposals in respect to the general framework after explanatory negotiations in the middle of October 1959 at Athens.[86] In particular, the Greek side, always on the condition of the complete satisfaction of the other two demands, was eager to accept the 12-year rule for goods amounting to 40-50% of total imports from the Six in 1958. This percentage covered three main categories. First, capital goods not produced and not scheduled to be produced internally in the near future, primarily machinery and transportation equipment. Second, raw materials not available internally. Third, goods for which duties were levied for fiscal purposes and their tariff burden could be replaced by internal consumption taxes. An escape clause was applicable for the above arrangement. The exception list for which the 22-year period was applicable, including manufactured goods mainly produced internally. Attention was paid to the inclusion of oil, sugar and nitrogen fertilizers, all products for which production had already started or was imminent. For newly created industries, Greece would have the right to protect them unilaterally during the 12-year period and, in agreement with the EEC, for the 10 years following. With two further derogations at two critical moments during the initial stages of substantive negotiations, this was the general framework finally agreed and embodied in the Association Treaty. The characteristic of these derogations was that they curtailed the right to protect infant industries but certainly the negotiation team was ready to accept them from December 1960. Indeed, until May 1960 Greece had accepted to include in the 12-year period 52% which it considered fulfilled the principle of the customs union. Until July 1960 this amount had reached 60%. Upon the insistence of the Greek side, which resisted decisively the Council's demand for the contrary, this percentage did not include any domestic manufacturing. The latter was thus included on the 22-year list which did not include any scheduled production. Instead, the right to unilaterally protect infant industries was restricted to 9 years with the ability to apply custom duties up to 25% *ad valorem* and for products amounting to less than 10% of Greek total imports from the EEC in 1958. Indeed, the room for an import substitution policy was quite limited whereas the right to protect infant industries was abolished. As Erhard had asked, these latter industries had to be

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[86] YDIA/1959/13/6/1, Th. Christidis to the Ministry of Coordination, Paris, 3 December 1959.

competitive from the very beginning, however, he was not alone in asking for such a liberal developmental policy.

### 6.3.2 The domestic liberal business bloc

At the other end of the spectrum were domestic enclaves which were aligned with Germany's liberal economic strategy as expressed by Erhard and the BDI. It shared the latter's dissatisfaction with the FGI's refusal to accept the terms which German industry proposed for FDI in Greece and for the government's protective and autarkic commercial policy in relation to the association. It advocated that Greece pursued association aiming to find a new source to finance the development of an autarkic economy behind a long transitional period and to effortlessly export its low quality and expensive agricultural production.[87] In this category mainly fell the presidency minister, Konstantinos Tsatsos, the Greek ambassador at Bonn, Ypsilandis, supported by state managers like Georgios Kondogiorgis, who belonged to the commercial ministry and who were engaged with the negotiations. Indeed, the messages that were coming from the Federal Republic were negative for the quality of Greece's products which lacked standardization, emphasizing exporters' opportunistic practices.[88] The conclusion was that exports to uncompetitive Eastern markets reproduced and perpetuated these problems. Certainly, this argument supported by Kondogiorgis, who insisted that Eastern exports had increased domestic prices making it hard to export to core Europe.[89]

This liberal bloc was aligned to businessmen who had been detached from the FGI and cooperated with the inward-looking fraction of shipping capital. As has been shown, their leaders, Alexandros Tsatsos and Stratis Adreadis, were both active within the IDC. Certainly, the BDI and the IDC had met in January 1960 at Bonn and the Greek embassy there facilitated their cooperation.[90] Certainly, the IDC had emerged because of the dissatisfaction of German businesses and

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[87] GR/GL/CIT/ 092/60/3/28, Th. Ypsilantis, Ambassador in Bonn, to the Foreign Ministry, Bonn, 19 October 1959.
[88] GR/GL/CIT/092/60/3/30, A. Tsimimilis, Greek Embassy in Bonn to Ministry of Commerce, Bonn, 2 December 1959.
[89] KKF/GKA/208, Commercial Policy, 16 December 1959.
[90] GR/GL/CIT/ 092/60/4/69, Th. Ypsilantis, Ambassador in Bonn, to Konstantinos Tsatsos, no date.

the Federal Republic from the stance of the FGI and the NBG in respect to the terms under which Greek-German businesses would cooperate within the framework of the November 1958 bilateral agreement. Andreadis was still among the main supporters of Greece's European prospect within the industrial business community and often propagandized the benefits of the 'European Economic Union' for the economic development of Greece.[91] He considered that the stability of the Drs, along with the appropriate economic policy, would attract the much needed FDI.[92] In this respect, the IDC's future president, Tsatsos, claimed to Karamanlis that he intended to promote industrialization according to Erhard's suggestions:

> Al. G. Tsatsos declared his belief in the rapid realization of the economic unity of Western Europe as a counterforce to the Eastern bloc […] Being a loyal follower of the liberal capitalist economy, as it is enforced by the western democratic countries, Mr Al. G. Tsatsos believes in competitive firms and not those aiming to develop under protection or with subsidies.[93]

He then asked the prime-minister if the government, indeed, aimed to promote competitive companies or not. Karamanlis replied that although this was preferable, he nevertheless was eager, to the extent that they would absorb a sufficiently high number of workers, to grant protection to newly created companies. Karamanlis had distanced himself from this quite liberal doctrine which was also true for both the majority of the Karamanlis government and big businesses within the FGI. The coordination minister and the negotiation team rejected the proposals of the liberal bloc reminding them of the huge trade deficit.[94] This was the link which connected them with to the protectionist bloc.

There is no doubt that the import substitution policy, consistent with bilateral trade, was still backed by the industrial, commercial and finance ministries which were not engaged directly in the negotiations. Such demands were also supported by the main opposition EDA but with different objectives. All

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[91] Stratis Andreadis, 'Greece hopes for serious benefits from the European Economic Union', *OT,* 5 February 1959, p. 8.
[92] Stratis Andreadis, 'Favourable prospects for the Greek Economy in 1959', *OT,* 22 January 1959, p. 7.
[93] KKF/KKA/10A, Memorandum, Visiting Al. Tsatsos, 31 October 1959, 613.
[94] GR/GL/CIT/092/60/3/30, Ministry of Coordination to the Ministry of Foreign Affairs, Athens, 12 November 1959.

advocated that industry had to develop within the domestic greenhouse and proposed the connection of imports with exports as a solution to the severe export crisis.[95] These political forces essentially duplicated FGI's strategy and, undoubtedly, the name of Friedrich List was the thread which connected such divergent political and business forces.

### 6.3.3 The formal association strategy elaborated: a compromise

Elaborating on the evolving rationale of Greece's association strategy, Pesmazoglou, at the end of 1959, sketched out the reasons for which this general framework had been accepted by Greece.[96] First, it was the only means of avoiding discrimination although the anticipated increase of agricultural exports were limited and actually restricted to tobacco. Second, expectations for the long-term loan were moderate but, as indications for the utilization of Greece as an entry point for the EEC's market from multinational corporations were growing, the attraction of private capital became one of the prime objectives and it was precisely the time that the liberal business bloc had stepped in through the IDC. Third, the acceptance of this framework differentiated substantially Greek from Turkey's potential association. Indeed, Pesmazoglou claimed that Turkey was not eager to accept the 12-year rule because it was interested in flexible procurement of capital equipment not restricted to the Six alone, whereas its demands for agricultural exports were more moderate. Instead, Greek authorities estimated that machinery from the core European countries was cheaper whereas, the common external tariff, on average 15%, was not prohibitive for such imports. Yet, especially for state and public entities, there was a necessity for duty free machinery imports that would finally reduce production costs. These substantive concessions from the Greek side meant that its association was more attractive to the EEC and thus conducive to bigger exchanges by the Six. Thus, the joint negotiations which Turkey had proposed to Greece, were eventually rejected to avoid the extension of these exchanges and, additionally, to shorten the timeframe of the negotiations but the common efforts of the two countries at the political level

[95] See the speeches of the respective ministers and the general secretary of EDA, who explicitly agreed and cited each other at chambers' conference: ACCI, *Third Conference,* 53-77.
[96] KKF/KKA/8A, I. Pesmazoglou to K. Karamanlis, 23 December 1959, pp. 2165-75.

and their mutual support were meant to continue.[97] As it became clear later, these concessions to the general framework were also utilized to bypass the reservations of member states, notably Italy's and the Netherland's objections, in respect of a precedent that the association would establish for agriculture and finance provisions, not only for Turkey but for Spain too. Fourth, it was expected that business circles would not resist this settlement because all existing industry would be included in the 22-year period. Fifth, the association guaranteed Greece's substantive participation in the anticipated further integration of Europe be that in the form of deepening or widening.

### 6.3.4 The substantive strategy deployed: the traditional business sectors and the new tariff policy

By October 1959 the FGI had a clearer picture of the EEC and had clarified its strategy even more.[98] The federation considered that the elimination of the barriers to trade not only entailed the simultaneous free movement of capital and labour but it also presupposed the adoption of a set of common policies and the equalization of the production costs. These were the foundations of European integration, whereas Competition Policy and the proposed social harmonization were conceived by Drakos as secondary regulatory aspects of the process. From the whole procedure, the federation discerned both positive and negative implications for Greece. To begin with, labour outflows were presented as the great danger threatening Greece with desertification which would be eliminated only if the new European division of labour in agricultural production, awarded to Greece from the core Europe, would increase employment. Instead, capital inflows were welcomed and, undoubtedly, the great advantages expected from unification were the reduction of interest rates and the equalization of the terms for the provision of capital. Advantages were also expected from the core of negative integration, notably the unhindered and duty-free import of raw materials and machinery. From the enforcement of Competition Policy, the FGI expected the elimination of European dumping and estimated that despite the tendency towards the equalization of labour

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[97] YDIA/1959/13/6/1, Cryptographic Telegram 6094, E. Averoff to K. Karamanlis, Paris, 13 December 1959.
[98] 'The Report of the President of FGI, Mr. Georgios Drakos', in ACCI, *Third Conference*, pp. 106-11.

remuneration, the latter would continue to constitute the main competitive advantage to Greek industry. All in all, the FGI estimated that the abolition of duties and import formalities implied the improvement of the supply chain and the reduction of production costs, both of which were still quite problematic within the Athens' industrial cluster. These improvements would enable Greek industry primarily to compete internally but also to potentially take advantage of the big European market and the economies of scale attached.

The issue at stake for the federation was, therefore, to reap these potential benefits shouldering as few obligations as possible. This objective was translated into an association strategy based upon the highest possible level of protection of domestic manufacturing during the transitional period.[99] The argument utilized for the overall strategy was based upon the federation's thesis that foreign industry had reached economies of scale based, initially, on large internal markets which, thereafter, were utilized as export platforms. For the federation, foreign industries taking advantage of their large internal markets, were able to export because they would set the so-called *export prices* which did not include general and depreciation costs, or they simply utilized dump prices. These costs would then be added to production channelled to their large domestic markets. Echoing clearly the FGI's arguments back in 1929 examined at the beginning of chapter two, this analysis now resembled the successful corporate strategy utilized by the cement industry.

The vulnerable Greek industry had to face these export prices within its own small national market and this meant that it could not follow this practice unless its internal market was adequately protected to serve as an export base. The new customs tariff and the pending renewal of the antidumping law were the appropriate instruments for the realization of this strategy. It had two legs. Firstly, it aimed to increase the level of the tariff burden from which disarmament would start. Secondly, for the thorny issue of intermediate inputs produced internally, because there was no comprehensive study to indicate the effective level of tariff protection, the federation asked that the guiding principle of the new customs tariff should be the abolition of the tariff burden

[99] 'The Report of the FGI's Secretary-General, D. Papadimitriou', in ACCI, *Third Conference*, pp. 127-31.

for raw materials not produced domestically. In respect to duty free import of mechanical equipment, an old and persistent demand of the FGI, it was already a basic component of the industrial policy (Law 3949/1959). That the federation prioritized the internal market was confirmed by the fact it was satisfied with the export incentives already attached to the drawback right which covered not only the tariff duties of imported inputs but also indirect taxes as well as parafiscal and insurance charges. Thus, it did not ask for export subsidies.[100] This was in substantive agreement with the traditional and dominant sectors of industry.

At Champers of commerce conference in October 1959 the PUTI reiterated that imported competition had resulted in abnormally high inventories and low capacity utilization. This was a European phenomenon, stated its president, for the European textile industry had lost its pre-war colonial markets and was now interested primarily in protecting its internal markets.[101] Yet the European cotton industry also suffered from both labour and domestic raw material shortages which implied that the road that textiles in Greece had to follow was exports to Europe. However, exports presupposed a prior safeguard of the domestic market. It was imperative to resume full capacity utilization internally in order to reach economies of scale and to reduce general costs. It would serve as the basis for the conquest of the European markets whose industries had considerably higher wages and processed more expensive cotton. In April 1960 PUTI went a step further with this rationale asking not for special export incentives but clarifying that export promotion to the EEC had to be based first and foremost upon the equalization of the terms of production with foreign competitors. To this end, to increase the tariff burden for finished goods and to deal decisively with dumping were considered as the two first appropriate steps before the entry came into force as part of the association agreement with the EEC.[102]

This view is confirmed by the reservations expressed by the European Federation of Cotton Textiles to UCI in early 1960: the transitional period was too long and

[100] FGI, *The Greek Industry during the year 1959* (Athens: FGI, 1960), p. 16.
[101] 'The Report of the PUTI's Secretary-General, Mr. G. Megas', in ACCI, *Third Conference*, pp. 181-7.
[102] GR/PIOP/FOA3/SE5/SS5/FI1041, PUTI, Proceedings for the year 1959, Athens, 7 April 1960.

distorted integration, whereas, the protective measures had affected intra-European trade. It stated that if the Greek government retreated from these two practices, negotiations would be facilitated, and, in the end, it called the UCI's president to discuss these two problems.[103] Katsabas replied that Greece asked for a 22-year transitional period when the more superior European industrial states had agreed to a 12-year period. Within this short time-frame Greek industry had to overcome low technical education and the lack of both capital and export experience. Above all, Katsabas stated that domestic manufacturing was obliged to catch up with European industry. Thus, the ex-president of the FGI concluded that the timeframe was not long but it was instead a sacrifice undertaken because:

> This sacrifice was made consciously by Greek industrialists to assist the problem of agricultural exports to a wider European community because the bulk of our exports are agricultural.[104]

Subsequently, he explained that the low export performance undermined employment and the domestic standard of living, utilizing the main argument of the negotiation strategy by encouraging Germans to:

> Buy our agricultural products in order to enable us to purchase your industrial products, and especially mechanical equipment, in order to improve employment and consequently the standard of living, thus becoming importers and consumers on a wider scale of the incessantly discovered and produced new goods which cover now the needs of the rich people.[105]

Of course, agricultural income was still the major source of internal demand and the FGI had attributed the crisis in industry during 1958 and 1959 to several reasons 'the principal of which was the reduction of agricultural income.'[106] The increase of such income would undoubtedly advance the accumulation strategy advanced by the FGI because it additionally provided the internal basis for exports.

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[103] GR/PIOP/FOA3/SE5/SS5/FI1041, Leon H. Dupriez to Chr. Katsabas, Ghent, 11 January 1960, pp. 54-57.
[104] GR/PIOP/FOA3/SE5/SS5/FI1041, UCI, 4 March 1960, pp. 57-65.
[105] Ibid.
[106] FGI, *The Greek Industry during 1959* (Athens: FGI, 1960), p. 27.

A prime example that illustrates this strategy was the way that the cotton industry attempted to boost exports. In March 1961, the UCI decided that its members would contribute with a levy charged on raw cotton processed from each member firm to a fund that exclusively subsidised cotton product exports.[107] In this way, the internal market was destined to finance exports and to provide the room for the utilization of the 'idle productive capacity'.[108] It aimed to duplicate foreign industries' practices which was the dominant business practice supported by the FGI, and the government was eager to promote it within the limits posed by the rule of money and the law.

The instructions of the finance ministry for the formulation of the new customs tariff were clear having a double aim that left no doubt that its rationale followed FGI's strategy as had been elaborated by Matzoulinos in December 1958 and repeated thereafter.[109] First, it aimed to increase protection primarily for finished goods. For semi-finished intermediate inputs, the new tariff burden had to be calculated in relation to the ability for protection of the final product. In principle, as the European Council had asked because of the Federal Republic's reservations, the tariff burden would not exceed 50% *ad valorem* although instructions clarified that, if necessary, tariffs would exceed even this level. Second, it had to provide duty free imports for raw and subsidiary materials as well as for machinery. In order to be able to achieve the first aim, tariff reductions for raw materials and machinery would be moderate so as to be utilized later to provide both the appropriate exchanges within the GATT and the room for manoeuvre at the negotiations with the EEC. This priority was indeed defended within GATT when the Greek delegate asked for the implementation of the new customs tariff before the beginning of the official negotiations within the organization.[110] If tariff disarmament was to start from a higher level, this ability was necessary. Indeed, when negotiations entered the substantive phase in April 1960, the new customs tariff was in place and negotiations within GATT had been postponed until September of that year. For the structure of the new customs tariff and the level of protection, coordination

[107] GR/PIOP/FOA3/SE5/SS5/FI547, EDFO, Study: Cotton Industry – Market conditions, Athens, 12 March 1962, 31-42.
[108] Ibid.
[109] KKF/KPA, Unclassified Material; Notice on the guidelines for the work of the Customs Revision Committee, no date. These instructions were given probably in September or October 1959.
[110] GATT/SR.15/11, Summary Record, Tokyo, 6 November 1959.

ministry had considered the proposals of the BoG, the industrial ministry and the revision committee which had officially consulted BIAs and big industries.[111] As a rule, the tariff burden for finished goods increased from 50% to even more than 100% whereas, for intermediate inputs, it did not change significantly. Instead, tariffs for raw materials and machinery were reduced moderately. As the finance ministry clarified, this tariff structure was dictated by the fact that domestic industry suffered from 'organic deficiencies' and particularly from 'high production costs' and the problematic 'supply chain'.[112] Until June 1960, antidumping legislation had also been amended. The normal price was now calculated according to PUTI's suggestion, simplifying and facilitating the specification of dumping practices from both eastern and western countries. Until that time, Greece had agreed to include 52% to the 12-year rule and was ready to increase this percentage to 60%, on the condition that 'all domestic manufacture would be exempted'. [113] Negotiations within GATT took place in September 1960 and their outcome confirmed Greece's aims in respect to exchanges.[114] It was clear that the formal association strategy was just a part of Greece's overall European strategy and the adaptation of the protection regime was a substantive component.

### 6.3.5 Industrial exports

Yet another basic component of this strategy was the promotion of exports. Since 1955 industrial exports were already subsidized with the extended drawback right but it had become plain that it was not enough to boost such exports. For this reason, at least from early 1959, the commercial ministry considered granting them additional fiscal and credit incentives.[115] Since the export problem was acute, initial proposals included the extension of the abolition of fiscal and parafiscal charges to agricultural exports as well. Comparisons were made particularly with EEC countries in respect to subsidies

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[111] KKF/KPA, Unclassified Material, For Coordination Minister, 29 March 1960. The document lists the proposals of each side for the main items of the new customs tariff.
[112] Finance Ministry, *Customs Importation Tariff* (Athens: NPO, 1960).
[113] GR/BOGHA/A2/S1/Y4/F79/T6, I. Pesmazoglou to the President of the Government, Paris, 12 May 1960.
[114] Finance Ministry, *Circular 138/1962* (Athens, 1962).
[115] Konstantinos G. Karamanlis Foundation, Georgios Kontogeorgis Archive (hereafter KKF/GKA) 208, Incentives for Industrial Investments, 3 February 1959.

and the institutional arrangement which promoted exports.[116] The proposals for subsidies to agricultural exports were rejected for fiscal and monetary reasons by the BoG but incentives for industrial exports were deemed by Zolotas to be indispensable for the promotion of an export led growth and the concomitant specialization. Certainly, Zolotas expected that the rationalization of production within the competitive big European market was the only solution in the long-term but, until this organic solution, he proposed particularly to 'privilege' export-oriented industry.[117] As expected, the BoG was the institution which specified and calculated the fiscal burden for the state's heavy artillery to promote industrial exports.[118] This was made within a proposed framework for the overall institutional reorganization of exports by the BoG.[119] Once the terms of the association had been specified, the BoG's main proposals for fiscal and credit incentives were incorporated into legislation and their logic accompanied the development of industrial exports during the next decades.[120] Certainly, the subsidization logic could not be different from that of UCI: internal production, and consequently internal consumption was levied in order to subsidise industrial exports.[121] Since 1963, for a company that could channel half of its sales abroad both the direct annual tax and the interest rate could be more than halved. To this picture, should be added two more sets of export incentives. First, the privileges granted to all FDI which were, in principle, more efficient and capable to export than domestic producers. Second, the additional special ad hoc provisions for export oriented FDI. A prime such example was Pechiney which in order to be internationally competitive from the very beginning, beyond the availability of abundant raw material and cheap labour, energy costs were substantially lower than those granted to domestic energy consuming industries.

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[116] KKF/GKA/208, The Fiscal burdens and the export trade of our country, December 1959. Fiscal and parafiscal charges were estimated that constituted on average 5.4% of export prices of nine main exportable agricultural products. The respective percentage for industrial products was higher.
[117] BOG, *Bank of Greece Governor's Annual Report for the year 1958* (Athens: BoG, April 1959), pp. 55-60
[118] GR/BOGHA/A2/S1/Y4/F29/T2, BoG, Analysis suggested in a report on tax measures for exports, July 1960.
[119] GR/BOGHA/A2/S1/Y4/F29/T1-2, BoG, Basic Proposals of an Examination Research Report, July 1960.
[120] For a comprehensive synopsis see: PUTI, *The Existing export aid measures in Greece* (Athens: PUTI, 1963).
[121] KKF/GKA/208, 'Contract for the 'Creation of a Special Account'', 19 March 1962.

## 6.4 The settlement of agriculture and finance. State-business relations and the geopolitical reasoning revisited

The general framework of the association had been essentially agreed since December 1959 according to German demands. At the time, there was a sense that negotiations would conclude very soon and the EEC would provide an early relief to Greece's politico-economic problems mainly with the revival of agricultural exports and capital inflows. However, this did not happen. Instead, until mid-1960 Greece had well exceeded the maximum concessions initially envisaged in respect of the general framework as it had abolished the right to protect infant industry.[122] At the same time, exchanges by the EEC were still deemed quite limited and Pesmazoglou had frequently utilized the word 'colony' in the past, to describe how he evaluated the EEC's treatment of Greece.[123] Certainly, Karamanlis and Averoff utilized the same word to the ambassadors of the Six to Athens in March 1960.[124] The problem for the Greek side was that the EEC proposals for agriculture and finance fell short of its initial demands and expectations, as they had been framed and agreed during the negotiations for an FTA in 1957 and 1958.

The endeavour to overcome these difficulties has been largely depicted as an act of leadership of the Karamanlis government with an emphasis upon the invoking of geopolitical reasoning.[125] Certainly, Karamanlis had highlighted that the communist 'threat' was fed by unemployment and poverty asking for the generous stance of European countries and specifically from Adenauer and De Gaulle. However, there are two dimensions missing from this picture. The first is the involvement of Greek business to Karamanlis' endeavour to approach the Germans and French. The second is the way that Greek state agencies dealt with the demands of European business interests as these were mediated by their national government during the negotiations.

Italy was the state which continued to pose difficulties because its agricultural exports, primarily vegetables and citrus fruits for which the anticipated demand

[122] KKF/KKA/13A, Th. Christidis to the Ministry of Coordination, 27 July 1960, pp. 2168-73.
[123] KKF/KKA/8A, I. Pesmazoglou to K. Karamanlis, 4 December 1959, pp. 2176-83.
[124] KKAFT, IV, pp. 264-6.
[125] Minotou, 'The European', pp. 305-18.

was high, would be affected especially if Spain was to join the EEC and granted a status analogous to Greece This policy materialized with the so-called Italian 'safe clause' which aimed to pose an upper limit on Greece's respective exports to the EEC, above which, the provisions of the association treaty for equal treatment would be suspended.[126] It is not coincidental that Karamanlis' first trip to ask for the support of Greece's demands in respect to the association terms, particularly for agricultural exports, was made in November 1959 in Italy.[127] In return for Italy's support, the Greek prime-minister proposed the participation of Italian industry in the new developmental plan. However, the Italians were already dissatisfied with Greece because their industry was excluded from the construction of sugar and nitrogen fertilizer plants as well as from the Achelous hydroelectric facilities thus Italy was not among Greece's allies. As expected, what mattered to the Greek side in this respect was the stance primarily of the Federal Republic and secondly of France.

What emerges from the Greek archives is that German support was also conditional upon the opening of the Greek market and the participation of German businesses to economic development. As we have seen, the president of the IDC participated in the Greek delegation to Bonn in January 1960 which asked for German support for the EEC and attempted to settle the issues of Greek-German economic and business relations. During the negotiations the government's vice president Kanellopoulos reported that:

> Three moments during the meeting were especially difficult for me, actually when Mr Erhard, who had otherwise shown an excellent mood, pinpointed three issues, as had also the deputy foreign minister in the morning. The first issue was the measures for the restrictions of imports and the scheduled increase of tariffs, secondly the issue of public procurement of telecommunication material from Czechoslovakia and, thirdly, the issue of Achelous and essentially the exclusion of German businesses from its construction.[128]

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[126] GR/BOGHA/A2/S1/Y4/F79/T6, I. Pesmazoglou to the President of the Government, Paris, 12 May 1960.
[127] KKAFT, IV, Proceedings of Greek-Italian talks, 10 November 1959, pp. 195-9.
[128] YDIA/1960/8/3, Cryptographic Telegram 67, Embassy at Bonn to Foreign Ministry, Bonn, 13 January 1960.

The salient feature of this trip was that the Germans had conditioned their stance to Greece's demands in relation to the EEC on the above three issues, namely protection, bilateral economic and commercial relations with the Eastern bloc and the participation of German business to Greece's energy programme and in general economic development. Indeed, there is evidence that the reservations of the Federal Republic for Greece's protectionist commercial policy resembled those of its own affected business interests. As suggested in the previous section, German cotton textile industrialists had reacted through their business organization to Greece's protectionism, and especially the April 1959 measures, warning that such policies would have consequences in respect to the outcome of the negotiations with the EEC. The reason for this reaction is obvious; in 1959 fabric textile imports had fallen by 17%. German state managers employed the same strategy using identical arguments. Indeed, in November 1959 Reinhardt sent three letters to the Greek government expressing Germany's business discomfort about both the high import advances for textiles as well as for the April 1959 measures. At the same time, he continued to press Greece regarding coal imports.[129] Utilizing diplomatic channels, he warned that the reform of Greece's 'economic and commercial policies' according to the German demands was a precondition for the continuation of its support for the EEC.[130] It seems that economic reasons can explain this pressure. In 1959 imports from the Eastern bloc were already about 10% and its members pressed for their participation in the five-year plan and the adoption of trade relations on an 'equal' basis.[131] This prospect was made even clearer in mid-1960 when Greece agreed to exchange tobacco for coal and refrigerator wagons with China and East Germany, respectively. Simultaneously, Dertilis travelled to the peripheral states of the bloc in search of similar agreements and in February 1960 Greece had signed an agreement with Czechoslovakia for the procurement of telecommunication material in exchange for tobacco. Even if these initiatives were limited in scope, the German side was clearly not satisfied with them. In January 1960, Erhard and Siemens AG had pressed for the latter's participation in the Achelous

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[129] 'The eighth Additional Greek-German Agreement', *ACCI Bulletin*, November 1959, 44-6.
[130] YDIA/1959/13/6/2, Cryptographic Telegram 20121, I. Touloupas, Greek Embassy of Bonn, to the Ministry of Foreign Affairs, Bonn, 27 November 1959.
[131] 'East Germany submitted to the Greek government a long-term plan', *OT*, 01 September 1960.

hydroelectric facilities and the procurement of telecommunication material from OTE and the Greek minister of industry proposed to the same company the production of telephones in Greece.[132] For Ypsilands, the settlement of these issues where inextricably related to the German stance, illustrating the relationship between the political reasoning of the association and the consolidation of German business interests in Greece. In March 1960, he wrote to Konstantinos Tsatsos that:

> I am very concerned about the issue of the intercity telephone network. During his stay here, Mr. Kanellopoulos gave an explicit promise both to the officials and to Siemens that this work would be entrusted to this firm […] In case that Germans lose, beyond the Achelous, and this project - to which admittedly they are alone in having such experience – then we cannot expect their support, because the foreign ministry will invoke in vain political reasons which are necessary for such a support.[133]

Certainly, the political reasoning of the association was intertwined with the interests of economic and social forces which was to become clear once more with Italy. As the participation of its industry in Greece's economic development was limited, the Italian stance was rigid and, after the Council meeting in May 1960, the 'safe clause' shadowed the course of negotiations. This was the main reason for which Greece, in July 1960, had accepted the 12-year rule for 60% of its imports from the EEC, guaranteeing that Spain's future association terms would not be the same. This was because it was estimated that Spain was not able to accept such a strict framework.[134] Certainly, Karamanlis was particularly distressed about this outcome and the fact that Italy's support for the association was conditional upon satisfying of the demands of Italian industry.[135] Particularly, as the prime minister had highlighted to the Italian ambassador in Greece, Italy 'had conditioned its attitude in Brussels' from the 'establishment

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[132] YDIA/1960/8/3, Cryptographic Telegram 67, Embassy at Bonn to Foreign Ministry, Bonn, 13 January 1960; 'The participation of Siemens to Achelous works is discussed', *Imerisia*, 15 January 1960.
[133] GR/GL/CIT/092/60/4/23, Th. Ypsilantis, Ambassador in Bonn, towards Kon. Tsatsos, Bonn, 22 March 1960.
[134] KKF/KKA/77A, Cryptographic Telegram of Filon to the Foreign Ministry, Paris, 3 January 1961, pp. 270-5.
[135] KKAFT, IV, Memo, 4 July 1960, pp. 336-7.

of a plant for radio items.'[136] It was clear that Greece needed further support to overcome these difficulties and the attitude of France played a decisive role.

In July 1960 Karamanlis travelled to France aiming to ask support for agricultural exports, especially for the equal treatment of wine, for Greece's participation in the finance scheme within EEC and its assistance to overcome Italy's reservations.[137] However, that this was a coordinated effort by businessmen and state agencies is beyond any doubt as the IDC leadership had travelled to Paris in late May 1960 to discuss the cooperation of France and Greek business along with the prospects of the 'common market'.[138] Until June, Alexandros Tsatsos and Adreadis had framed the agreement with Pechiney for the aluminium plant and had secured the minority participation of Niarchos and IDC in the project.[139] Certainly, Tsatsos did not act autonomously but he cooperated with the prime minister. For example, he contacted him directly regarding the crucial issue of the energy cost for the aluminium plant asking him to press the PPC to clarify its position for the project.[140] Furthermore, Alexandros Tsatsos and Andreadis mediated the takeover of HEAP by PPC. This was a precondition for the agreement with Pechiney, for HEAP was the biggest customer of PPC and enjoyed the most favoured customer clause. This meant that HEAP could buy energy from the PPC at the -low- price agreed with Pechiney, which was certainly out of question. Beyond this, the IDC had already signed contracts for technical cooperation and research with French companies. It was within this framework that Andreadis considered the joint production of superphosphate fertilizers and the processing of citrus fruit, both of which were materialized the following year. The rival of Andreadis within the domestic market was not out of the picture as Bodosakis had already initiated preliminary discussions for cooperation with Saint-Gobain, which belonged to the same business group as Pechiney, for the joint production of the second plant for superphosphate fertilizers.[141] This project also materialized. Moreover, in late May 1960, the state, as part of its oil policy, granted the France Oil Institute both research and

[136] Ibid, p. 337.
[137] KKF/KKA/13A, I. Pesmazoglou to K. Karamanlis, 10 July 1960, Paris, pp. 2061-4.
[138] 'There are conditions for the cooperation of Greek and French capitalists', *OT,* 31 May 1960; 'French economic managers', *OT,* 9 June 1960.
[139] GR/NBGHA/1/2/26/246, IDC, *Board Report for the year 1960,* Athens, 11 March 1961.
[140] KKF/KPA/7/1/4, Alexandros Tsatsos, IDC, to Konstantinos Karamanlis, Athens, 20 April 1960.
[141] KKF/KKA/12A, Minutes, 14 June 1960, p. 1831.

drilling rights.[142] All of this had been accomplished before Karamanlis' visit to Paris and Greece's ambassador to Paris was working toward the same direction, preparing the field for economic cooperation with France which he proposed to name the 'Paris agreements' presenting it to the Greek people as analogous to the 'Bonn agreements'.[143] After all, Karamanlis was clear to Debreu proposing the participation of French capital in the five-year plan. Indeed, this prospect was welcomed by the French prime minister.[144] It was within this context that the next day, as requested by Adenauer, the Greek prime minister was ready to present to De Gaulle Greece's support for the Algerian issue at the United Nations.[145] It was indeed a stance which France's president 'recognized and appreciated'.[146]

However, the French attitude was not enough to bend neither Italian resistance nor the Netherlands' refusal to finance Greece's economic development. Indeed, in August 1960, Pesmazoglou considered that Greece had gained little for either agriculture or finance.[147] The view that exchanges were limited was also shared among business circles close to the ACCI which had backed the association strategy from the very beginning. The Chamber claimed that the association was desirable only if its terms would advance economic development and now it estimated that those agreed at the time would not do so.[148] In September 1960 the distance between Greece and the EEC was still too wide and the government, along with the negotiation team, agreed that the terms of the association were unacceptable because they were loss-making for the Greek economy.[149] Karamanlis' initiative in November 1960 to personally contact separately each member at the highest level in order to remind them of the political significance of Greece's association was motivated precisely by these results. The argument was clear cut. The association was meaningful only if it

[142] KKAFT, IV, p. 307.
[143] KKF/KKA/13A, Telegram 766, Filon to Prime-minister, 09 July 1960, Paris, pp. 2053-5.
[144] KKF/KKA/13A, Meeting minutes, 12 July 1960, pp. 2102-15.
[145] KKAFT, IV, Note, Greek-French Relations, 14 June 1960, 339-40.
[146] KKF/KKA/13A, Meeting minutes, 12 July 1960, pp. 2102-15.
[147] GR/BOGHA/A2/S1/Y4/F79/T7, I. Pesmazoglou to K. Karamanlis, Athens, 29 August 1960.
[148] 'Memorandum of the Chamber for the association', *ACCI Bulletin*, October 1960, 44-5.
[149] GR/BOGHA/A2/S1/Y4/F79/T9, Main disagreements, Athens, 4 January 1961; KKAFT, IV, pp. 394-6;400-2.

would provide the means for an *organic* solution to Greece's politico-economic problems within the framework of the Western European economy.[150]

For agriculture, the main difficulties were the EEC's refusal to accept Greece's participation in the formation of the CAP for the main agricultural products and the ability of each member state to suspend equal treatment at the European level when it considered that its interests were affected. The structure that Greece had accepted in the middle of 1960 implied the annual preferential treatment of approximately $130 million of imports from the EEC at the expense of trade with third, primarily eastern, countries. The latter would decrease their agricultural imports from Greece accordingly, exacerbating the already difficult situation with the tobacco surpluses which, meanwhile, were growing dangerously.[151] Given that the total exports of Greece in 1959 were $205 million and, to the EEC alone $80 million, the issue had crucial implications.

For finance the situation was equally difficult. At the time, the UK and the IBRD pressed for the settlement of the pre-war public debt and the Netherlands was willing to mediate. The reason was that it was afraid that the EEC's contribution would set yet another precedent and insisted that the US should share the burden for the financing of Greece's economic development.[152] Thus, during the first substantive round, it linked EEC's loans with the settlement of the public debt and wiped out any prospect for the Fund asked by Greece and even questioned a loan by the EIB.[153] Despite the efforts and further concessions in respect to the general framework in May 1960, both France and the Federal Republic had refused to increase their contribution beyond $125 million and declared that the EIB would provide the additional amount asked for. The problem was that the EIB had also conditioned Greece's finances precisely on the settlement of the public debt.[154] Once negotiations with the creditors for this settlement collapsed in August 1960 the financing of Greece's economic development by the EEC was further complicated. At the time, Greece, frustrated and reluctant though it was, had compromised with this amount

150 KKAFT, IV, pp. 451-5.
151 KKF/KKA/13A, Note on the tobacco situation, 25 July 1960, pp. 2155-9.
152 YDIAEI, I (2003), Minutes of Talks, 27 April 1960, pp. 357-9.
153 KKAFT, IV, I. Pesmazoglou to the President of the Government, 25 May 1960, pp. 309-13.
154 KKF/KKA/13A, Th. Christidis to the Ministry of Coordination, 27 July 1960, pp. 2168-73.

derived from the EIB but channelled through an EEC special agency.[155] The Netherlands now threatened that unless the Greek side resumed negotiations and committed itself to concluding these negotiations within the following five years, it intended to veto even the granting of the $125 million.

The third severe difficulty emerged in the second half of 1960, infuriating the chief negotiator because the EEC changed its position on the general escape clause for industrial products.[156] The EEC's new position was to extend its own right for the application of the general escape clause for Greece's industrial exports for a period which exceeded that of the completion of the Six's customs union. With this provision, the EEC could, essentially, suspend the equal treatment of industrial exports, annihilating the immediate advantages expected from FDI which targeted the EEC market. The EEC's new demand coincided with the growing interest of UK companies, such as the conglomerate ICI, in using Greece to gain access to the common market.[157] This was an unpredicted development for Greece's negotiation team.

All these issues were resolved during the first three months of 1961. As will be argued, the Council's decision in December 1960 to proceed with a closed and protectionist market for agriculture, the stance of the new Kennedy administration for the EEC's external tariff for tobacco, the growing signs that the UK could apply for its accession to EEC, had all contributed to the successful conclusion of the negotiations. However, the decisive force in this outcome was the agreement between De Gaulle and Adenauer in early 1960 to assist Greece on the condition that it would soften its own attitude.[158]

Indeed, in January, Greece made a step back in respect to the Italian safe-clause but Italy's industrial circles remained dissatisfied. Certainly, Karouzo remained firm that, in view of the association, he expected a solution in respect

[155] GR/BOGHA/A2/S1/Y4/F79/T7, I. Pesmazoglou to K. Karamanlis, Athens, 29 August 1960.
[156] GR/BOGHA/A2/S1/Y4/F79/T10, Note on the continuing difficulties, Athens, 10 January 1961.
[157] YDIAEI, I (2003), G. Seferiades, Ambassador in London, to the Ministry of Foreign Affairs, 6 October 1960, pp. 362-3.
[158] KKF/KKA/77A, Cryptographic Telegram of Filon to the Foreign Ministry, Paris, 3 January 1961, pp. 270-5; Ibid., Adenauer to Karamanlis (translation), 28 January 1961, pp. 458-60.

to the utilization of the war-time reparations.[159] Finally, after mutual concessions, the agreement with Italy was reached in February. Representative of the realities accompanying bilateral negotiations for the association, the agreement for the third sugar refinery was signed with an Italian company only days after the conclusion of the negotiations with the Commission.[160]

The final agreement for agriculture was clearly below the initial expectations and far from the August 1959 negotiation position but, certainly, Greece avoided discrimination. With respect to common policies, Greece would participate in the formation of the CAP's for tobacco only. Equal treatment for agricultural products of secondary export importance, listed in Annex II of the Treaty, would be granted after Greece had harmonized its agricultural policy with the CAP. Instead, for the main exportable agricultural products, listed in Annex III of the Treaty, equal treatment was granted before harmonization. For this latter category there were exceptions mainly in the form of two escape clauses, the first applicable to the EEC and the second to member states. To begin with, equal treatment for citrus fruits, grapes, peaches and wine, all of which had high income elasticity and were produced within the EEC, would be suspended by the EEC when Greece's respective exports affected those of any member state. This right was applicable only for quantities above a certain limit which was above Greece's respective exports to the EEC at the time (Protocol No 18). This settlement reflected the insistence, particularly of Italy and the Netherlands, not to disturb the agreed division of labour within the community for these products. With respect to tobacco, raisins, olives, resin and turpentine, which constituted the bulk of Greece's exports to the EEC and were not produced within the community, member states would grant tariff quotas (*Contingent Tarifaires*) to third countries. Greece would block this clause only for quantities above a certain limit which, for tobacco, was below the respective exports to the Community. Special treatment for tobacco and raisins was equally limited. For tobacco the association treaty guaranteed exports to the state monopolies at the average level of the previous three years. For both tobacco and raisins, it was granted a limited preferential tariff status. The US was

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[159] KKF/KKA/77A, Cryptographic Telegram 245, Greek Embassy in Rome to Foreign Ministry, 28 January 1961, pp. 336-7;
[160] KKAFT, V, p, 17.

responsible for this latter settlement having repeatedly intervened throughout 1960 to lower the external tariff of the customs union, the aim of which was to protect its Virginia tobacco exporters and its cigar industries within the Federal Republic. It was only the new Kennedy Administration which, in early 1961, finally gave the green light for a higher external tariff.[161]

However, Greece was obliged to channel agricultural surpluses not absorbed by Europe to Eastern markets. To avoid being threatened by the Soviet bloc for this reason, even more so because agricultural exports to Eastern states in 1960 had increased dramatically, the government insisted on increasing the tonnage for the application of the two safe clauses for agriculture mentioned earlier.[162] But to leave the way open for such exports, Greece was simultaneously obliged to ask the EEC for tariff quotas for industrial imports to be able to match these increasing exports.[163] This problem was difficult for the government, and the foreign ministry highlighted the inability of the Greek market to absorb goods from Eastern countries corresponding to respective rapidly growing exports.[164] This issue casts light upon the role played by the Federal Republic, illuminating the forces which enabled the creation, and not diversion, of the machinery trade within the EEC and the political reasoning of the association. Importantly, this dimension was not restricted to the locomotive of European integration alone.

To evaluate the import capacity added by this settlement, much depends upon the base year. In any case, until 1964 the customs union had not provided the anticipated exchange earnings and certainly tobacco exports were almost stagnant until that time and thereafter they dropped.[165] With respect to food-stuffs (SITC-0), exports until 1964 had increased as rapidly as expected but similar imports from the EEC increased at the same, if not at a higher rate. By the end of the 12-year period this had improved only slightly but since the early 1980s agricultural trade with the EEC had become deficient which was an unforeseen development.

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[161] KKAFT, IV, pp. 465-7.
[162] GR/BOGHA/A2/S1/Y4/F79/T8, Note by I. Pesmazoglou to the Minister of Foreign Affairs, Athens, 2 January 1961.
[163] KKAFT, IV, F. Filon to E. Averoff, 22 October 1960, p. 428.
[164] KKAFT, IV, pp. 258.
[165] Appendix 1, table 10.

The provision of finance was also far below initial demands, though the settlement pressed Greece to compromise with its pre-war debtors and to finally re-access international finance markets after thirty years. In particular, the EEC did not form the Fund asked emphatically by Greece from 1957. Instead, in February and March 1961 both the Federal Republic and France pressed the Netherlands to compromise and eventually Greece was granted $125 million loans on the condition that it would declare publicly its intention to resume negotiations over the pre-war debt.[166] Indeed, Greece complied very soon, and in 1962 it reached an agreement with debtors which opened the road for new public loans. Moreover, the proposal for a general safe-clause that could discourage multinationals from investing in Greece in order to jump the EEC's external tariff did not materialize.[167]

These final arrangements were discussed with the Commission in Athens from 9 to 14 January and in Paris from 23 to 25 January. However, as their settlement was dependent on the member states, it was the Council meetings on 31 January and 23 February 1961 which were decisive for the final agreement. Here, the stance of the Federal Republic and France weighed considerably. The mechanism at work behind the scenes had been described by Yspilandis and it is clear that Greece had responded accordingly. In order to accept the German proposals made in Brussels, the Italians and the Dutch asked from the Germans 'exchanges' which were politically feasible only if Greek-German economic and business relations were improved according to the will of German businesses.[168] Indeed, the Greek side replied that it 'understood the German government's delicate position vis-à-vis industrial circles.'[169] It is within this framework that, as we have seen in section four of the previous chapter, the government approached the Germans in early January 1961 asking them to undertake, beyond the thermoelectric plants at Megalopolis, the additional hydroelectric facilities at Achelous which were necessary due to the energy needs of Pechiney. And it was in this setting that Karamanlis and Averoff on 17 February 1961 visited Paris and asked once again that the French participate in the energy

[166] KKF/KKA/77A, Cryptographic Telegram 573, Pesmazoglou to Karamanlis, Paris, 12 March 1961, 514-6.
[167] KKF/KKA/77A, Ioannis Pesmazoglou report to Alex. Sgourdaios, 2 February 1961, pp. 359-63.
[168] YDIA/160/8/3, Cryptographic Telegram 44082, Th. Ypsilandis, Ambassador at Bonn, to Foreign Ministry, Bonn, 14 September 1960.
[169] YDIA/160/8/3, Cryptographic Telegram 018202, Tsatsos to Bonn Embassy, 24 September 1960.

programme following which De Gaulle supported Greece in the EEC council. In particular, after explaining the need to overcome the difficulties which Italy and Netherlands still posed for the conclusion of the association, the prime minister was clear enough in associating once more the France stance with its participation in the energy programme:

> The President of the Government subsequently explained to the French for the supplement of the energy programme of the Greek Government and he mentioned that there are positive assurances that the Germans will undertake within the framework of the granted aid about ¾ of the projects, amounting to 120 million dollar and expressed his wish that France can participate for the remaining part; on the one hand because he wants to see the development of Greek-France economic cooperation and on the other because he estimates that the monopolization of such a significant project from only one big european country is not in the interest of Greece for many and obvious reasons and asked the French Government to facilitate the contribution of French industry to the execution of these projects.[170]

Evidently, the support of Greece's entry to the EEC with geopolitical criteria alone is not confirmed by the sources consulted for this study. A mere look at trade statistics casts light upon the underlying reasons. Following the April 1959 measures, machinery and transportation equipment (SITC-7) imports from the Six were stagnant for two consecutive years and particularly from the Federal Republic they had dropped by 15% in 1959 and 3% in 1960 whereas during the previous two years they had grown by 35% annually. The issue was significant for Greek standards as the five-year plan estimated that such imports (SITC-7) would increase annually thereafter by more than 15%. For the period 1960-1969 it was estimated that they could amount to $2,400 million, a calculation that was proved to be accurate.

These inflows assisted the restructuring of the economy which was already on track. Indeed, from about 11% of GDP which the manufacturing industry had accounted for in 1948, by 1960 it had reached about 17% and in 1970 21%. Moreover, the share of the traditional branches within manufacturing, such as

[170] KKF/KKA/77A, F.A. Filon, Greek Embassy at France, to Foreign Ministry, Paris, 20 February 1961, pp. 493-8.

textiles, had been reduced considerably.[171] By 1970 industrial exports (SITC5-8) had skyrocketed, accounting for more than one third of the total exports for that year.[172] From 1958 they had increased by about twelve times and exports had eventually diversified but the problem was essentially displaced. On the one hand, chemicals accounted for 14% and manufacturing for 83% of this increase. Capital intensive industries covered more than half of manufacturing exports, with Pechiney to figure at the top.[173] As scheduled, industrial exports grew more rapidly within the EEC than globally but on the other hand, machinery and transportation exports (SITC-7) accounted for less than 3% of this increase and in 1970 this SITC alone accounted for about 58% of the total trade deficit. It remained the least complete sector of Greek manufacturing but to what extent the abolition of infant industry protection was responsible for this development is of course a historical counterfactual. The reality is that, despite Japan's astonishing industrial boom, the respective imports (SITC-7) from the EEC to Greece grew over time.[174] Among EEC countries, Italian industry gained considerably at the expense of the UK, whereas German industry was still able to dominate the field. Unequal partners had been integrated within the EEC, but their asymmetrical relations had not been abolished. Rather, they had been reproduced on a different scale.

## 6.5 Conclusion

It has been argued in this chapter that in early 1959 there was an internal consensus between businessmen and state agencies that the association with the EEC would promote the November 1958 Greek-German economic agreement, upon which, Greece had based its expectations for the solution of the imbalance problem. It has also been shown how, during the years 1959-1962, Greece's substantive European strategy unfolded, establishing the main patterns of Greece's developmental model. Moreover, it has been argued that this strategy is conceived only through state-business relations.

[171] Appendix 1, Table 5.
[172] Appendix 1, Table 9.
[173] Within manufacturing industry, processed furs accounted for 8%, textiles and clothing for 16%, iron and its main products for 26%, whereas aluminium alone accounted for 20%.
[174] Appendix 1, Table 13.

This was obvious with the association regime and the basic paraments for the development of Greek industry. Tariff disarmament was postponed for about ten years within the EEC but only for existing manufacturing whereas the customs tariff was revised upwards once more and the law for antidumping was updated. Thus, domestic industry would retain, for some more years, its preferential access to internal market in order to utilize its productive capacity and to form a base for future exports. Instead, for items not manufactured at the time, notably machinery and transport equipment (SITC-7), the FGI was happy to open the borders and to abolish the right to protect infant industries. Actually, this was a constant demand by the federation and a main component of its accumulation strategy since the 1920s which aimed to improve the supply chain and to reduce input costs by duty free import of raw materials, intermediate goods and mechanical equipment. There is no doubt that the abolition of the protection of infant industries and the tariff free importation of machinery was in harmony with the priorities of German industry and the Federal Republic. If to these insights we add the input of the FGI to the formulation of the industrial and developmental policies, as discussed in the previous chapter, there is a comprehensive picture of the influence which traditional industry had exercised upon Greece's European strategy.

Equally important to the formulation and implementation of this strategy were businesses centred around shipping capital. These businesses had counterbalanced the influence of the FGI and had supported both directly and indirectly one of the main aims of the formal association strategy, perhaps the most important, namely the attraction of FDI. Indeed, the involvement of business was multidimensional and had many implications.

During the negotiations, as it became clear to the Greek side, a decisive factor for the position of the EEC's states towards Greece's main demands was the extent to which their domestic industry cooperated with Greek businesses and /or participated in the Greek developmental plan. Italy and the Federal Republic had clearly stated that this cooperation was indeed related to their ability to support Greece's entry to the EEC with political criteria as it had been asked by Karamanlis. The Achelous project and the continuous interest of Siemens AG cast light upon this dimension. Similar considerations prevailed during bilateral negotiations with France in mid-1960. Certainly, the role of the IDC and the turn of Bodosakis to French industry illustrates the involvement of big business to the turn of Greece to France in mid-1960. Moreover, the Federal Republic and German industry was anxious that Eastern trade may jeopardize their position in Greece and its potentiality to bridge their expansion to the Balkans and the Middle East, revealing how geopolitical considerations were inextricably linked to economic forces and business strategies.

# Chapter 7 **Conclusion**

The aim of this thesis was to examine Greece's participation in early European integration through the lens of the interaction between big business and state agencies. The evidence presented here supports the view that the course of Greece toward Europe was a complex politico-economic process influenced considerably by big business and its interests. Certainly, the involvement of Greece in European integration can be traced back to the US intervention and the Marshall plan period. The US aid had assisted European economies to revive and had linked them commercially within the EPU framework and, indeed, Greece was no exception to this general trend. Simultaneously, the US had promoted the economic leadership of the Federal Republic which, very soon, became the locomotive of European integration. Within this framework, based upon the links which had been forged during both the inter-war and occupation periods, Greece and the Federal Republic restored the patterns of their pre-war economic, business and commercial relationships. In turn, considered by contemporaries as indispensable to the solution of the country's viability problem, these relationships played a substantive role in the participation of Greece in the process of European integration and the formulation of its European strategy. Certainly, the fear of exclusion from the common market was mainly a fear that these bilateral relationships would be disturbed. Equally, participation implied the adaptation and consolidation of these relationships and this became clear from early 1957. Finally, Greece negotiated the terms of its association with the EEC primarily with the Federal Republic.

This complex course had not been guided exclusively from above, as the bulk of Greek literature has argued. Instead, the evidence that this thesis has provided suggests that both BIAs and individual big business had considerably influenced Greece's road to Europe at all the above stages. The participation of businessmen in the process which ended with the official call for US intervention, is a prime example that state agencies had not acted autonomously but in close cooperation with big business. Indeed, the argument utilized by Greece to ensure the flow of funds from the US in 1946, namely that the main obstacle for reconstruction was the lack of capital, emanated from business and was the cornerstone of the FGI's proposals in 1945. Even more clearly, was the significance of businessmen to the rehabilitation of Greek-German economic and business relationships. This study has confirmed Pelt's suggestion of the importance of the Bodosakis group in this respect.[1] Yet it has also shown that Greek-German business relationships were not restricted to Bodosakis alone. Evidence suggests that various businessmen were in contact with their German counterparts and were cooperating well before 1953, as was the case with the industrialist Gertsos and the prominent shipowner Onassis. In many cases, as the background of both the 1950 and 1953 Greek-German agreements demonstrates, state agencies were guided by the initiatives of such businessmen. The fact that forms of Greek-German business and economic relations during the Nazi occupation continued after 1944, confirms the suggestion that there were 'darker continuities at stake' which indicate that the 'standard story' of liberal forces pursuing a united Europe should be 'complicated'.[2]

The formulation and deployment of Greece's European strategy has been equally influenced by business interests. During the years 1948 and 1949, the rejection of the customs union and the proposal for a European Fund within any future liberalization scheme, were based upon considerations for the consequences of free trade upon the *tariff dependant industries*. Certainly, Greece's European policy reflected the internal consensus between businessmen and state agencies with respect to the appropriate solution to the imbalance problem; the first coherent response to the early plans for a European economic 'Union' emerged in 1949 from a committee composed of state agencies, on the one hand, and the vice president of the FGI and the head of ACCI on the other. State agencies had reiterated Zolotas' analysis of the imbalance problem and businessmen highlighted the need for capital inflows. In contrast to what Greek literature has claimed, the core of Greece's formal European strategy had been formed by 1949 and was the outcome of the interaction of big business and key state agencies.

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[1] Pelt, *Tying,* 63-81.
[2] Kiran Claus Patel and Wolfram Kaiser, 'Continuity and Change in European Cooperation during the Twentieth Century, *Contemporary European History*, 27-2 (2018), pp. 165-82 (175).

The economic reforms in 1953, which marked the high point of US direct influence in the formulation of core economic policies, framed Greece's economic development and its European stance during the following years. Indeed, trade liberalization in 1953 increased the competitive pressure upon industry whereas the law for FDI privileged not only foreign investors but also Greek shipowners interested in investing in Greece. In response, tariff disarmament within the OEEC was rejected, the protection regime was reformed and the first investment incentives, particularly for domestic industry, appeared. It has been argued in Part II, that this stance and public policies were the outcome of state-business interaction and had not been decided and implemented unilaterally by state agencies. The analysis of business interests within the Permanent Tariff Committee (PTC) and of business demands for a new developmental policy after 1953, substantiate this claim.

When European integration gained momentum and Greece was pressed to respond in late 1956, the FGI initiated and led, for the business side, a process which formalized state-business relations at the highest level. As the examination of ROCEP has shown, this initiative resulted in the adaptation of industrial and commercial policies as part of Greece's European strategy. From 1957 onwards, the complementarity of the developmental and commercial policies with the negotiation aims was consolidated, showing that Greece would retain substantial aspects of its distinctive model. The main examples here are the new investment incentives to big business and the fact that the tariff policy and the demands for a long transitional period were fused and became part of a single strategy. The FGI's report on European integration in late 1958 is indicative of the rationale of this fusion.[3] In particular, the federation's rationale was that Greek industry had to emulate the developmental path of European industry which had, in the pre-war era, utilized closed markets to reach economies of scale and after the war it overproduced and, for this reason, dumped its surplus production abroad and pursued the creation of the customs union. At the same time, the head of the BoG, Zolotas, and its economic adviser who was simultaneously Greece's chief negotiator, Pesmazoglou, in consultation with big businesses, adapted Greece's formal European strategy to the

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[3] See chapter six, section one.

circumstances based upon the assumption that the customs union would inevitably increase the productivity gap between Greek and European industry. Greece's initial response for an FTA was framed within the BoG and was not guided by the government. This dimension has been neglected even from studies which have considered the BoG's history.[4] The evidence suggest that Greece's European strategy was not solely driven from above. It is also evident that development policies were not simply state-driven either, as Pagoulatos has argued.[5] This is especially true if it is considered that post-war shipping policy was also the outcome of the interaction between shipowners and state agencies.[6] Certainly, the above is an indication that geopolitical reasoning is inseparable from business activity. Similarly, as the last section of chapter six has argued, the members states weighed the geopolitical demands of Greece with the interests of their domestic business.

For the identification of business influence the thesis considered four major business factions and confirmed Rollings' suggestion of the necessity to go 'beyond' the analysis of 'peak-level business' representation.[7] Evidence presented throughout the thesis supports this claim. The endeavour to adopt heavy industry, which is among the main features of Greece's post-war economic and business history, is not comprehensible with the analysis of the FGI's strategy alone. Instead, this endeavour makes sense only if the Marshall Plan and the November 1948 developmental plan are analysed in relation to Bodosakis' plans and his cooperation with German business. Equally, the government's cautious stance within the OEEC for tariff disarmament until early 1956, is illustrated by the accumulation strategy promoted by textile BIAs and not by the FGI's attitude which, at the time, was pro-European and supported instead an export led-growth model. Even more significant for the appropriate evaluation of Greece's European strategy was the cooperation between prominent industrialists and shipowners which took place beyond the FGI framework. Greek historiography on European integration has ignored the decisive role of this business alliance which was consolidated through the IDC in late 1959 and substantiated one of the main components of the government's

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[4] Psalidopoulos, *History*, pp. 42-3;220-1.
[5] See Introduction, section two.
[6] Harlaftis, *Greek Shipowners*, pp. 160-7.
[7] Rollings, *British*, p. 262.

formal association strategy, the policy for the attraction of FDI. This analysis thus failed to establish the continuities of Greece's contemporary economic and business history which has highlighted the significance of shipowners for Greece's economic development, at least since the 1860s.

Moreover, in contrast to what Moravcsik has claimed for business in Europe,[8] this thesis has presented evidence supporting the view that, as was the case with the UK which has been analysed by Rollings,[9] big businesses did not consider their commercial interests alone. Rather, as Harvey's geographical political economy indicates, they considered the broader conditions that would safeguard their position within the evolving division of labour in Europe.[10] These broader aims enabled big business to overcome its fragmentation and to influence Greece's European strategy through a relatively coherent business accumulation strategy. In the first place, big businesses were always interested not only in the procurement of intermediate goods and machinery free of charges, but also for capital and technology inflows. These were among their main corporate interests and they were aware that the customs union would improve the ability to modernize by emulating European industry. The main examples here are Bodosakis and Andreadis, who had repeatedly underlined the necessity for cooperation between domestic businesses and foreign companies, targeting not only capital inflows but, above all, the utilization of much-needed technology. Secondly, and related to this, was the endeavour to *bridge* German business interests to Middle East markets. Indeed, the cooperation with German businesses aimed not only to modernize but also to jointly export to these markets; it was deemed that this cooperation would increase capacity utilization and substantiate the FGI's accumulation strategy pursued since the 1920s. Certainly, these were prime incentives and informed the FGI's position towards an FTA in 1957 and 1958. But it was not only these corporate interests which informed big business attitudes. The complementarity between domestic public policies and the negotiation aims, supported by evidence throughout this thesis, highlights the common denominator of the different business sectors, namely the reduction of the production costs by the state. The need for the

[8] Moravcsik, *The Choice*.
[9] Rollings, *British*, p. 265.
[10] Harvey, *The New*.

'Europeanization' of production costs had united businessmen from all factions who asked for state intervention, reinforcing one of the main characteristic of Greek capitalism which marked its distinct developmental path. Last but not least, business action was framed by political and wider class interests. The significance of this dimension, which has been neglected by the Greek studies which considered Greek business during the 1950s,[11] is explained by Greek politics.

The main political characteristic of the period under discussion was anticommunism which had framed state-business relations. Thus, there was a virtually general agreement between businessmen and state agencies with respect to the *imbalance problem* and the attached 'communist danger'. At the same time, the proposed solutions diverged - sometimes considerably. On the one hand, the communist threat or danger, as it had been named by contemporaries, became the glue which united businessmen, politicians and state managers, constituting the grounds for a substantive community of interest between them. On the other hand, there were different corporate strategies and conflicting interests. Importantly, fragmentation existed only in respect to the means which were appropriate to achieve the main aim which was to remain within the capitalist bloc, not for the aim as such. State agencies were concerned with this vital political dimension and existing historiography has highlighted its significance. This thesis has confirmed this significance but it has also shown that businessmen were also motivated by such concerns. This was plain not only during the civil war and the call for US economic and military aid. Significantly, at a critical moment in 1957 the communist threat forced almost all the main business factions to overcome their fragmentation and unite to back the government's strategy for an FTA. This was the *a priori* political reasoning, a suggestion that businessmen acted as a capitalist class considering their corporate interests within the broader political conditions that would safeguard their property rights in the long-term. Certainly, Greek businessmen were not alone in Europe to have such concerns. For example, anticommunism was among

[11] Moussis, *Greek;* Lavdas, *The Europeanization.*

the ‘strong’ motivations of German big business to support European integration.[12]

As the FGI was at pains to emphasize, anticommunism in Europe framed the endeavour of businessmen and state agencies to deal with the surpluses generated within the national economies; for the federation, it was this endeavour that had ultimately entailed the creation of the EEC. Certainly, the FGI’s understanding of the process of European integration can be explained by Harvey’s analytical framework. Greek-German relationships can cast light upon this point. During the 1950s, enjoying exceptionally high productivity in relation to its European counterparts, German industry heavily invested in manufacturing and was able to utilize, on average, 90% of its productive capacity.[13] The high rate of investment was sustainable because export outlets provided not only the field for economies of scale accruing to German industry, but also because, as Harvey’s analysis indicates, they removed the possibility of an overaccumulation crisis within the Federal Republic. Indeed, during this decade, the Federal Republic registered massive surpluses in its external accounts.[14] As the Greek case shows, a portion of these surpluses were utilized by German business for guaranteed finance primarily of exports and secondarily of investment abroad. A mere look at the bilateral treaties between the two countries and the Greek-German business cooperation during the 1950s, confirms this claim. However, the reduction of barriers to trade, which the Federal Republic and German big business pursued in order to realize their objectives, presupposed, in turn, shifts in the geographical distribution of both capital and employment. The forces at play behind these shifts are exemplified by the demands of the Greek side and its aims; the important dimension here is that imported competition altered the terms for the solution of the imbalance problem. This was a mixed blessing for Greek big business because it could withstand increasing competition only with further utilization of German capital and technology upon which it was already dependant. Certainly, since the late 1940s it was clear that the inflow of German capital and the outflow of Greek labour ‘surpluses’ were the issues at stake for Greece; during the negotiations with the Federal Republic, this became

[12] Buhrer, ‘German Industry’, pp. 94.
[13] Robert Brenner, *The Economics of Global Turbulence* (London: Verso, 2006), p. 70.
[14] Milward, *The European*, p. 117.

explicit. In any case, since 1949 these were among the main expectations of Greece from an economically integrated Europe. Indeed, these flows intensified during the following years. With the formal association of Greece to the EEC, these increasing cross-border exchanges were not institutionalized smoothly at the European level, prescribing a one-way road to supranationalism.[15] In other words, their institutionalization would not simply 'trigger processes that generate movement toward increased supranational governance'.[16] Instead, as Harvey's political economy has implied, countervailing tendencies had also been released: because these exchanges were between unequal partners, the relationships between business and the state in Greece were strengthened and redefined, informing Greece's substantive European strategy, which, in turn, marked its distinctive developmental path. The direction that the European edifice, and its relationships with Greece, would take in the future was thus open.

The Asia Minor debacle in 1922 and the Great Depression in 1929 had strengthened state-business relations and privileged import substitution industrialization, a model constantly pursued by the traditional faction of Greece's propertied classes. These close relations survived the occupation period and were thereafter informed by anticommunism. However, as the survival of post-war Greek capitalism was proven impossible without external aid, since early 1947 the US intervened and its mission questioned the existing close state-business relationships because they reproduced a speculative character in the economy and thus it took the major decisions in respect to core developmental and commercial policies without officially consulting the FGI or the wider business community. During the Marshall Plan the state organized the financial system and planned industrialization though it did not invest itself in industry but, in this respect, it followed liberal policies leaving such investment entirely to the private initiative. It is characteristic that the state nationalized telecommunications (OTE) and founded the Public Power Corporation (PPC) in 1950 only because it was pressed to do so by the US mission. Subsequently, the

[15] Wayne Sandholtz and Alec Stone Sweet, 'Integration, Supranational Governance, and the Institutionalization of the European Polity', in *European Integration and supranational Governance*, ed. by Wayne Sandholtz and Alec Stone Sweet (Oxford: Oxford University Press, 1998), pp. 1-26.
[16] Ibid., p. 2.

PPC absorbed the entire private energy sector because of its inability to undertake major infrastructural projects, as was the case with Bodosakis and the Ptolemais facilities. After the liberal measures in 1953, the general picture is that the FGI progressively regained its position in the formal decision-making process. At the same time, Greek shipowners re-entered the domestic economic and political scene and those who cooperated with the domestic liberal faction utilized the IDC to pursue its plans for participation in manufacturing.

The above considerations can frame an overall evaluation of the association agreement and Greece's path to Europe in the long-term. Seen from this perspective, there is no doubt that the association agreement signalled a new era. Indeed, by 1962 the patterns of the politico-economic developments in Greece had been largely established. The environment for the solution of the perceived substantive problems of Greece's politico-economic edifice since the 1920s, namely overpopulation and capital scarcity, along with the balance of payments constraint, had been radically modified. Significantly, the association terms and participation in the customs union had also framed the future development of domestic industry thereby resolving an old dilemma.

To begin with, the so-called imbalance between population and land which had been exacerbated after 1922 was essentially addressed by the migration agreement signed between Greece and the Federal Republic in 1960. It was an admission of the fact that industrial policy had failed to fulfil its main task and that the state could not invoke the 'allegiance' of its citizens along the lines suggested by Milward.[17] Instead, mass emigration underlined Greece's dependence upon the process of integration, as it was exemplified by its relations with the Federal Republic. The second problem was mainly dealt with by two developments. On the one hand, it was the settlement of the pre-war public debt, another neglected dimension of Greece's participation in early European integration which was a by-product of the negotiations with the EEC since 1959. From 1962, the Greek state could again access foreign capital markets. On the other hand, it was the privileged treatment of FDI which the association had particularly advanced. This policy, with the simultaneous abolition of infant industry right, which German industry had insisted upon and

[17] Milward, *The European*, p.3.

which the FGI was more than eager to accept, had resolved the old disagreement with respect to the feasibility of the adoption of heavy industry and the concomitant development of machinery production. It would be left to foreign investors and producers thus resolved within the division of labour and specialization prescribed by the customs union which was indispensably dominated by German industry. The third problem was resolved only with the increasing invisible earnings accruing from migration remittances, shipping and tourism, covering the trade deficit which continued to grow uncontrolled. The Greek diaspora, along with international shipping activity, had provided the balance of payments defence for industrial investment and the consumption of imported consumer durables, marking the specificity of Greek capitalism in relation to core Europe. Again, this development resembled the structure of capital inflows of the period before the Great Depression. It was this *deus ex machina* which increased import capacity.

Certainly, the association to the EEC and the subsequent attraction of foreign capital which were supportive to the establishment and development of export-oriented industry, was marked by the return of shipowners to domestic economic activity after three decades. However, the FGI was not satisfied with the privileged treatment of foreign owned industries. It did not hesitate to align with KEPE's vision, and particularly with that of Andreas Papandreou, the future dominant figure of the socialist experiment in Greece during the 1980s, who in 1962 called for the alternative strategy of import substitution.[18] As expected, his conclusion that an 'efficient export sector cannot be grafted upon an inefficient economy' had been embraced by the FGI because it implied that the 'modernization' of domestic oriented industry 'should be equally assisted'.[19] The reasons for which the FGI opposed these privileges were thus clearly stated, showing that the Greek *developmental model* would be a hybrid one, lying in a grey zone between import substitution industrialization and export-led growth.

The road to Europe was not free from economic and political complications. In the early 1960s the FGI was dissatisfied with raised social aspirations and the subsequent increase of labour remuneration as well as with the new fiscal and

[18] Andreas Papandreou, *A Strategy for Greek Economic Development* (Athens: KEPE, 1962).
[19] 'Greece's appropriate Industrial Policy', *FGI Bulletin*, 1 December 1962, p. 15-6.

parafiscal charges which added to production costs.[20] There was an indication that if the competitive advantages of domestic industry were challenged, above all cheap labour, Greece's integration into the customs union would be disturbed. Beyond the rationalization and specialization of industry, the transition period implied the reduction of production costs, not the opposite. This being the case, given that the drachma was pegged to the dollar and the bulk of the private sector was already indebted and uncompetitive, Greece could follow one of two paths. It could relapse towards either a more autarchic and suppressive regime, as it was during the ensuing dictatorship (1967-1974), aiming to curtail demands for higher labour remuneration while privileging capital or it could opt for a redistributive model, such as the one tentatively introduced in the country from the late 1970's and established after 1981 with the victory of PASOK, that would induce production costs and overturn the fiscal and external accounts. In this latter case, the subsequent increase of private and public debt would lead inevitably, soon or later, to internal asset devaluation. The multilateral competitive path toward a 'golden age' could be necessary to save Greek capitalism but it would not be unclouded.

This thesis has not provided definitive answers to the main questions that have been raised with respect to Greece's trajectory to Europe. In any case, this would be impossible within the confines of a single study. However, this study has illustrated neglected dimensions of Greece's involvement in European integration and has tentatively outlined the directions that future research in the field might take. Firstly, it has shown that there is a need to consider Greece's European path in the long-term. In this respect, it has been argued that the identification of patterns of continuity and change between the post-war era and both the pre-war and the occupation periods, is a prerequisite for an adequate historical explanation of Greece's participation in the process of European integration. Secondly, the incorporation of business in the analysis and its interaction with the concerns and the priorities of state agencies is equally important. It has been argued here that business, and especially big businesses below the peak level, have considerably influenced Greece's path to Europe, overcoming the one-sided emphasis on the role of state agencies and providing a

[20] 'The increase in cost factors is worrying the industrial world', *FGI Bulletin*, 1 November 1962, p. 6.

long-term and what is a more rounded picture of Greece's turbulent economic and political relationships with Europe.

# Appendix 1

**Table 1 Percentage participation of external and internal savings to the finance of internal investments (Drs, current prices)**

| | 1948-1952 | 1953-1957 | 1958-1962 |
|---|---|---|---|
| External | 70.1 | 15.9 | 13.3 |
| Internal | 29.9 | 84.1 | 86.7 |

*Source:* Coordination Ministry, *The Course of Investments in Post-War Greece 1948-1962* (Athens: National Printing Office, 1964), p. 26.

**Table 2 Ratio of increased gross fixed capital to increased gross national income per sector and period, 1948-1962 (Drs, current prices)**

| | 1948-1951 | 1952-1955 | 1956-1959 | 1959-1962 |
|---|---|---|---|---|
| Agriculture | 0.83 | 0.49 | 1.88 | 1.76 |
| Manufucture | 2.19 | 1.10 | 1.93 | 1.60 |
| Energy | 8.20 | 10.40 | 11.10 | 8.70 |
| Housing | 14.72 | 10.86 | 10.05 | 10.55 |

*Source:* Coordination Ministry, *The Course of Investments in Post-War Greece 1948-1962* (Athens: National Printing Office, 1964), p. 5.

## Table 3 Total gross Investments in Drs and public-private investments per sector as percentage of Gross Domestic Product, 1948-1970 (1958 prices, million Drs)

| Sector | **1948** | **1949** | **1950** | **1951** | **1952** | **1953** | **1954** | **1955** | **1956** | **1957** | **1958** | **1959** | **1960** | **1961** | **1962** | **1966** | **1970** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total private and public investments, Drs | | | | | | | | | | | | | | | | |
| All Sectors | 6,256 | 7,072 | 10,674 | 9,530 | 8,967 | 9,467 | 10,335 | 10,973 | 13,283 | 13,321 | 17,768 | 20,478 | 26,528 | 26,015 | 25,196 | 39,882 | 57,497 |
| | Public Investments % of the GDP | | | | | | | | | | | | | | | | |
| Agriculture | 0.64 | 1.18 | 1.78 | 1.31 | 0.53 | 0.52 | 0.49 | 0.36 | 0.49 | 0.66 | 0.97 | 1.05 | 1.73 | 1.94 | 1.78 | 1.28 | 1.69 |
| Mines-Quarries | 0.00 | 0.01 | 0.00 | 0.25 | 0.27 | 0.17 | 0.04 | 0.02 | 0.01 | 0.01 | 0.02 | 0.01 | 0.01 | 0.03 | 0.03 | 0.05 | 0.14 |
| Manufucture | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.09 | 0.40 | 0.43 | 0.04 | 0.34 | 0.34 | 0.77 | 0.81 | 0.06 | 0.03 |
| Energy | 0.00 | 0.02 | 0.11 | 1.05 | 1.46 | 1.46 | 1.50 | 1.30 | 1.20 | 0.80 | 1.27 | 1.64 | 1.37 | 1.31 | 1.74 | 2.04 | 2.23 |
| Trans.-Comm. | 3.20 | 1.74 | 2.65 | 1.34 | 1.18 | 0.65 | 0.68 | 0.75 | 0.94 | 1.15 | 1.82 | 2.02 | 2.77 | 2.75 | 2.62 | 3.19 | 3.85 |
| Ship | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Housing | 1.87 | 1.62 | 2.30 | 0.67 | 0.08 | 0.54 | 0.52 | 0.96 | 1.15 | 0.75 | 0.75 | 0.44 | 0.33 | 0.19 | 0.24 | 0.52 | 0.37 |
| Public Adm | 0.51 | 1.00 | 1.26 | 0.13 | 0.78 | 0.71 | 0.40 | 0.36 | 0.33 | 0.31 | 0.12 | 0.25 | 0.32 | 0.24 | 0.22 | 0.26 | 0.41 |
| Other | 0.27 | 0.78 | 0.61 | 0.57 | 0.32 | 0.32 | 0.52 | 0.34 | 0.32 | 0.31 | 0.40 | 0.63 | 0.53 | 0.64 | 0.56 | 0.68 | 0.85 |
| Total public | 6.49 | 6.36 | 8.72 | 5.33 | 4.62 | 4.38 | 4.15 | 4.17 | 4.84 | 4.43 | 5.38 | 6.38 | 7.39 | 7.85 | 7.99 | 8.10 | 9.57 |
| | Private Investments % of the GDP | | | | | | | | | | | | | | | | |
| Agriculture | 0.63 | 0.44 | 0.71 | 0.97 | 1.04 | 0.68 | 0.85 | 0.90 | 1.11 | 1.54 | 1.95 | 2.09 | 2.24 | 1.83 | 1.54 | 2.01 | 2.07 |
| Mines-Quarries | 0.10 | 0.02 | 0.23 | 0.49 | 0.20 | 0.04 | 0.13 | 0.11 | 0.22 | 0.26 | 0.30 | 0.11 | 0.11 | 0.12 | 0.14 | 0.26 | 0.27 |
| Manufucture | 2.67 | 2.09 | 4.22 | 3.40 | 3.31 | 1.89 | 1.59 | 1.55 | 1.49 | 1.68 | 2.48 | 1.85 | 1.71 | 1.51 | 1.83 | 3.15 | 3.52 |
| Energy | 0.24 | 0.42 | 0.52 | 1.12 | 0.02 | 0.22 | 0.16 | 0.28 | 0.86 | 0.27 | 0.18 | 0.24 | 0.25 | 0.10 | 0.14 | 0.10 | 0.05 |
| Trans.-Comm. | 0.60 | 0.86 | 1.31 | 0.40 | 0.19 | 0.37 | 0.61 | 0.78 | 0.97 | 1.18 | 1.47 | 1.12 | 1.55 | 1.61 | 1.84 | 2.92 | 2.93 |
| Ship | 0.60 | 0.21 | 0.16 | 0.10 | 0.28 | 0.24 | 1.29 | 0.63 | 0.89 | 1.02 | 2.53 | 4.74 | 8.56 | 5.65 | 2.78 | 2.55 | 2.53 |
| Housing | 3.11 | 3.18 | 4.11 | 4.68 | 5.42 | 6.09 | 5.87 | 5.98 | 6.10 | 5.17 | 6.21 | 5.87 | 6.24 | 6.17 | 6.83 | 8.35 | 8.93 |
| Public Adm | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 0.49 | 0.59 | 1.13 | 1.03 | 1.26 | 1.44 | 1.49 | 1.72 | 1.88 | 1.46 | 1.76 | 2.32 | 2.82 | 2.44 | 2.95 | 3.43 | 4.39 |
| Total private | 8.44 | 7.80 | 12.40 | 12.19 | 11.73 | 10.98 | 11.99 | 11.94 | 13.51 | 12.59 | 16.86 | 18.35 | 23.48 | 19.43 | 18.06 | 22.78 | 24.69 |

*Source*: National Statistical Service of Greece, *National Accounts of Greece, 1948-1970* (Athens: National Printing Office, 1972), table 24.

## Table 4 Sectoral allocation of reconstruction plans and loans granted to private entities (US $, current prices)

| | Reconstruction Plans of the Secondary Sector, US $ Portion only | | | | | CLC and EDFO Loans, including $ and Drs Portions | | |
|---|---|---|---|---|---|---|---|---|
| | RO (2nd/47) | FGI[a] (12th/47) | Nevros[b] (9th/48) | ECA (11th/48) | ASA Revision (1st/50) | CLC (Until 6th/54) | EDFO (7th/1954-1958) | EDFO[c] (1959-1962) |
| Energy total | 146,129 | 0 | 0 | 86,500 | 66,600 | 10,032 | 0 | 153 |
| Hydro Electric | 70,886 | 0 | 0 | 55,000 | 33,970 | 0 | 0 | 0 |
| Thermo Electric | 75,242 | 0 | 0 | 31,500 | 32,630 | 10,032 | 0 | 153 |
| Ptolemais Facilities[d] | 10,553 | 8,000 | 0 | 14,200 | 12,000 | 0 | 13,836 | 1,300 |
| Manufucture total | 200,208 | 65,766 | 101,796 | 136,269 | 95,075 | 51,160 | 11,868 | 26,712 |
| Metallurgy[e] | 50,070 | 0 | 0 | 26,200 | 20,695 | 4,808 | 2,500 | 5,483 |
| Metalworking | 12,266 | 9,098 | 14,000 | 20,390 | 9,530 | 9,035 | 428 | 7,480 |
| Construction | 9,824 | 9,050 | 6,500 | 5,000 | 4,500 | 7,163 | 1,366 | 1,770 |
| Textile | 21,073 | 29,750 | 30,380 | 4,690 | 900 | 3,689 | 3,775 | 3,921 |
| Foodstuff[f] | 33,076 | 1,800 | 0 | 40,589 | 18,250 | 10,206 | 2,216 | 1,684 |
| Chemicals | 73,899 | 14,444 | 46,166 | 36,550 | 38,050 | 12,574 | 683 | 75 |
| Leather industry | 0 | 0 | 2,000 | 0 | 0 | 685 | 132 | 0 |
| Paper industry | 0 | 1,625 | 2,750 | 400 | 0 | 373 | 60 | 6,200 |
| Clothing | 0 | 0 | 0 | 200 | 0 | 0 | 0 | 0 |
| Wood industry | 0 | 0 | 0 | 0 | 0 | 144 | 0 | 0 |
| Tobacco industry | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recearch/Other | 0 | 0 | 0 | 2,250 | 3,150 | 2,483 | 707 | 100 |
| Mines | 51,125 | 23,800 | 0 | 13,535 | 11,400 | 4,322 | 0 | 45 |
| Total Secondary | 408,014 | 97,566 | 101,796 | 250,504 | 185,075 | 65,515 | 25,704 | 28,210 |

a. It was included to the Plan of the Marshall Plan Committee

b. The plan included $24,960 million to existed industry

c. Include the approved loans

d. The EDFO Loan to Ptolemais in 1955 was allocated: Mines $5,52 -Briquette plant: $3,53 -Coke plant: $1,13 and Energy plant: $3,46

e. The FGI had calculated that half of investments at foodstuffs were agricultural

*Sources*: RO, *Reconstruction Program of the country* (Athens: RO, 1947), 245-85; FGI, *The Greek Industry during 1947* (Athens: FGI, 1948), pp. 72-97; NIRSEV/SVA/226/28/138, Report to ASA by K.I. Nevros, September 1948; ECA/G, *Four-Year Reconstruction Plan for Greece* (Athens: ECA, 1948), table 1;GR/PIOP/FOA3/SE1/SS4/FI4, EDFO Calculations, 14 March 1959, pp. 95-104; GR/PIOP/FOA3/SE6/SS1/FI1, CLC-EDFO General Recapitulation, 31 December 1958, pp. 1-73; GR/PIOP/FOA3/SE6/SS7/FI72048/SFL18, AEEXPL Application, p. 62.

## Table 5 GDP in Drs and in percentages per sector and percentages per branch within Manufacturing industry, 1948-1970 (1958 Prices, million Drs)

| | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1966 | 1970 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | GDP - million Drs | | | | | | | | |
| All sectors | 44,144 | 52,591 | 53,342 | 56,861 | 60,442 | 64,250 | 69,228 | 70,920 | 75,180 | 80,943 | 82,955 | 86,529 | 89,238 | 98,698 | 100,833 | 129,172 | 167,859 |
| | | | | | | | | | Sector allocation % | | | | | | | | |
| Agriculture | 28.5 | 33.0 | 28.6 | 30.3 | 27.0 | 31.8 | 33.1 | 30.4 | 29.2 | 30.7 | 27.7 | 27.8 | 25.0 | 27.7 | 25.1 | 21.9 | 18.1 |
| Mines | 0.3 | 0.4 | 0.5 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 | 1.1 | 1.1 | 1.1 | 1.1 | 1.2 | 1.1 | 1.1 | 1.2 | 1.4 |
| Manufucture | 10.8 | 11.1 | 13.7 | 13.6 | 12.9 | 13.6 | 14.1 | 15.1 | 15.8 | 15.6 | 16.6 | 16.2 | 17.3 | 16.8 | 17.3 | 19.0 | 20.8 |
| Electricity-Gas-Water | 0.8 | 0.8 | 0.8 | 0.8 | 0.6 | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 | 1.2 | 1.4 | 1.4 | 1.5 | 1.6 | 2.1 | 2.5 |
| Construction | 4.0 | 3.7 | 4.9 | 4.2 | 4.7 | 4.4 | 4.1 | 4.6 | 5.0 | 4.8 | 5.5 | 6.1 | 6.9 | 6.7 | 6.7 | 7.5 | 8.1 |
| Services | 55.6 | 51.0 | 51.4 | 50.5 | 53.9 | 48.4 | 46.9 | 48.0 | 47.8 | 46.6 | 47.9 | 47.4 | 48.2 | 46.3 | 48.1 | 48.3 | 49.2 |
| | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | | | | | | | | | Allocation within manufucturing industry % | | | | | | | | |
| Foodstaff-Tobacco | 25.1 | 25.6 | 23.7 | 27.6 | 27.5 | 27.3 | 28.8 | 27.4 | 28.3 | 26.2 | 25.1 | 26.0 | 22.6 | 22.4 | 21.9 | 22.5 | 18.4 |
| Textiles | 19.4 | 19.8 | 20.9 | 20.3 | 16.8 | 18.9 | 18.1 | 19.4 | 17.6 | 17.8 | 17.7 | 15.8 | 16.7 | 15.9 | 16.3 | 14.9 | 15.5 |
| Clothing and Footwear | 22.6 | 20.9 | 21.0 | 20.4 | 21.9 | 17.7 | 17.7 | 16.2 | 16.0 | 16.5 | 16.1 | 13.8 | 13.4 | 13.2 | 12.3 | 9.9 | 6.4 |
| Wood and furniture | 5.5 | 5.5 | 5.8 | 5.2 | 3.8 | 4.7 | 4.7 | 5.1 | 5.3 | 5.9 | 5.9 | 6.0 | 6.0 | 6.1 | 6.0 | 5.8 | 6.4 |
| Paper | 3.1 | 3.1 | 3.4 | 3.4 | 5.7 | 3.9 | 3.4 | 3.7 | 4.0 | 3.8 | 4.1 | 4.2 | 4.2 | 4.3 | 4.5 | 4.9 | 4.9 |
| Chemicals | 4.4 | 4.3 | 4.5 | 4.9 | 4.9 | 5.1 | 5.3 | 5.7 | 5.9 | 6.3 | 6.7 | 8.9 | 10.4 | 9.5 | 9.1 | 10.7 | 13.6 |
| Non metallic minerals | 6.2 | 5.9 | 6.6 | 5.1 | 5.1 | 5.8 | 5.2 | 6.3 | 7.1 | 6.6 | 6.3 | 6.2 | 6.5 | 6.5 | 7.0 | 7.5 | 7.3 |
| Metallurgy Basic | 0.5 | 0.6 | 0.6 | 0.6 | 0.5 | 0.7 | 1.0 | 1.0 | 1.1 | 1.3 | 1.4 | 1.6 | 2.1 | 2.1 | 2.2 | 4.1 | 8.8 |
| Metalworking-Machines | 7.9 | 9.7 | 9.4 | 9.9 | 10.1 | 11.3 | 11.2 | 10.7 | 10.3 | 11.1 | 12.0 | 12.1 | 12.9 | 14.0 | 14.3 | 14.2 | 13.6 |
| Transportation | 2.1 | 1.7 | 1.4 | 1.3 | 1.4 | 2.2 | 2.3 | 2.3 | 2.2 | 2.1 | 2.3 | 2.6 | 2.7 | 3.5 | 3.8 | 3.4 | 3.0 |
| Other Manufucture | 3.3 | 3.0 | 2.6 | 1.3 | 2.2 | 2.5 | 2.3 | 2.2 | 2.2 | 2.3 | 2.4 | 2.7 | 2.5 | 2.6 | 2.7 | 2.2 | 2.0 |
| | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Evagellos Prontzas, 'National Accounts', in *Economic History of the Greek State* , ed. by Thanasis Kalafatis and Evagellos Pontzas, 3 vols (Athens: Piraeus Bank Group Cultural Foundation), III, pp. 185-6.

**Table 6 Estimated Labour Force: Total and in Manufacture (thousand people)**

| Year | Total | Manufacture and Handicraft (2) | 2/1 |
|---|---|---|---|
| 1928 | 2,603.6 | 368.4 | 14.1 |
| 1940 | 2,995.0 | 434.4 | 14.5 |
| 1945 | 3,065.0 | 439.0 | 14.3 |
| 1951 | 3,189.4 | 450.4 | 14.1 |
| 1955 | 3,374.0 | 462.2 | 13.7 |
| 1961 | 3,671.4 | 484.4 | 13.2 |

Source: Coutsoumaris, *The Morphology*, p. 368.

**Table 7 Finance of main projects on the base of the Greek-German agreement of November 1953(DM, current prices)**

| Project | Million DM |
|---|---|
| Ptolemais | 113,475 |
| Larymna | 18,397 |
| Oil Refinery | 59,910 |
| Telecommunication material | 11,641 |
| Megdovas Hydroelectric Facilities | 25,170 |
| Other electrical equipment | 11,030 |
| Total | 239,623 |

Source: YDIA/1956/10/3/2, S. Kapetanidis to Foreign Ministry, Bonn, 27 March 1956.

**Table 8 GDP, Exports and Imports, 1938-1974 (Million Drs, Current prices)**

| Year | GDP | Imports (M) | Exports (X) | M-X | X/M (%) | M/GDP (%) | X/GDP (%) | M-X/GDP (%) |
|---|---|---|---|---|---|---|---|---|
| 1938 | 67 | 15 | 10 | 5 | 68.75 | 22.03 | 15.15 | 6.88 |
| 1948 | 18,864 | 1,823 | 450 | 1,373 | 24.69 | 9.66 | 2.39 | 7.28 |
| 1949 | 25,139 | 2,024 | 576 | 1,449 | 28.44 | 8.05 | 2.29 | 5.76 |
| 1950 | 29,589 | 2,142 | 451 | 1,691 | 21.07 | 7.24 | 1.53 | 5.71 |
| 1951 | 35,793 | 5,974 | 1,526 | 4,448 | 25.55 | 16.69 | 4.26 | 12.43 |
| 1952 | 37,245 | 5,198 | 1,798 | 3,400 | 34.59 | 13.96 | 4.83 | 9.13 |
| 1953 | 48,744 | 7,156 | 3,396 | 3,760 | 47.46 | 14.68 | 6.97 | 7.71 |
| 1954 | 56,137 | 9,902 | 4,556 | 5,346 | 46.01 | 17.64 | 8.12 | 9.52 |
| 1955 | 64,512 | 11,465 | 5,484 | 5,981 | 47.83 | 17.77 | 8.50 | 9.27 |
| 1956 | 74,706 | 13,911 | 5,698 | 8,213 | 40.96 | 18.62 | 7.63 | 10.99 |
| 1957 | 79,598 | 15,734 | 6,588 | 9,145 | 41.88 | 19.77 | 8.28 | 11.49 |
| 1958 | 84,414 | 16,916 | 6,953 | 9,962 | 41.11 | 20.04 | 8.24 | 11.80 |
| 1959 | 86,448 | 17,010 | 6,127 | 10,882 | 36.02 | 19.68 | 7.09 | 12.59 |
| 1960 | 92,460 | 21,051 | 6,096 | 14,955 | 28.96 | 22.77 | 6.59 | 16.17 |
| 1961 | 104,339 | 21,422 | 6,700 | 14,722 | 31.28 | 20.53 | 6.42 | 14.11 |
| 1962 | 110,390 | 21,038 | 7,503 | 13,534 | 35.67 | 19.06 | 6.80 | 12.26 |
| 1966 | 166,354 | 36,686 | 12,180 | 24,506 | 33.20 | 22.05 | 7.32 | 14.73 |
| 1970 | 239,586 | 58,750 | 19,276 | 39,474 | 32.81 | 24.52 | 8.05 | 16.48 |
| 1974 | 507,328 | 132,181 | 60,891 | 71,290 | 46.07 | 26.05 | 12.00 | 14.05 |

*Sources:* Coordination Ministry, *National Income and Investements in Greece during the years 1945-1949* (Athens: ASA, 1950); *National Statistical Service of Greece, National Accounts of Greece, 1948-1970* (Athens: National Printing Office, 1972); *National Statistical Service of Greece, Monthly Bulletin on the Special Trade of Greece with Foreign Countries, various issues; National Statistical Service of Greece, Foreign Trade of Greece*, various years.

## Table 9 Percentages of imports and exports per year and sector, 1948-1974 (Drs, Current prices)

| SITC | | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1966 | 1970 | 1974 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Imports | | | | | | | |
| 0 | Food | 21.77 | 23.25 | 16.77 | 21.29 | 22.06 | 19.23 | 16.83 | 16.21 | 14.62 | 15.28 | 12.63 | 14.48 | 12.17 | 11.16 |
| 1 | Beverage and tobacco | 0.01 | 0.03 | 0.04 | 0.04 | 0.04 | 0.05 | 0.06 | 0.07 | 0.07 | 0.07 | 0.08 | 0.12 | 0.16 | 0.22 |
| 2 | Crude materials, inedible except fuels | 16.75 | 14.30 | 14.88 | 12.51 | 11.95 | 13.15 | 11.50 | 10.69 | 12.75 | 11.19 | 10.75 | 11.86 | 10.61 | 9.65 |
| 3 | Mineral fuels and lubricants | 14.92 | 16.50 | 14.04 | 14.05 | 12.11 | 13.31 | 11.69 | 10.93 | 10.21 | 8.92 | 8.19 | 8.00 | 8.67 | 22.66 |
| 4 | Animal and vegetable oils and fats | 0.18 | 0.82 | 0.13 | 0.46 | 2.09 | 1.18 | 0.50 | 0.13 | 0.18 | 1.25 | 0.48 | 0.19 | 0.86 | 0.32 |
| 5 | Chemicals | 6.55 | 6.47 | 9.23 | 8.61 | 7.86 | 8.09 | 10.04 | 10.71 | 10.56 | 10.45 | 11.17 | 10.20 | 10.21 | 9.09 |
| 6 | Manufactured goods, | 17.91 | 19.32 | 23.82 | 21.53 | 21.78 | 22.47 | 22.31 | 23.02 | 24.08 | 23.10 | 23.09 | 19.85 | 19.74 | 18.13 |
| 7 | Machinery and transport equipement[1] | 19.07 | 15.93 | 17.34 | 18.29 | 18.97 | 19.77 | 24.27 | 24.84 | 24.18 | 26.50 | 30.14 | 31.65 | 33.87 | 26.21 |
| 8 | Miscaleneous manufactured articles | 2.53 | 2.92 | 3.57 | 3.20 | 3.12 | 2.73 | 2.79 | 3.37 | 3.33 | 3.22 | 3.46 | 3.61 | 3.69 | 2.55 |
| 9 | Miscaleneous | 0.32 | 0.46 | 0.18 | 0.02 | 0.03 | 0.02 | 0.02 | 0.03 | 0.02 | 0.02 | 0.02 | 0.04 | 0.02 | 0.01 |
| | | | | | | | | Exports | | | | | | | |
| 0 | Food | 23.82 | 27.97 | 24.96 | 22.23 | 23.62 | 25.60 | 23.48 | 30.19 | 25.60 | 24.35 | 26.55 | 31.75 | 22.92 | 19.31 |
| 1 | Beverage and tobacco | 46.43 | 41.12 | 42.77 | 44.03 | 35.96 | 44.44 | 44.55 | 34.67 | 37.12 | 38.50 | 30.04 | 29.25 | 17.48 | 9.75 |
| 2 | Crude materials, inedible except fuels | 18.47 | 17.78 | 15.68 | 23.17 | 29.09 | 19.22 | 22.76 | 26.90 | 25.18 | 26.29 | 29.75 | 18.69 | 16.90 | 10.60 |
| 3 | Mineral fuels and lubricants | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 | 0.02 | 0.01 | 0.23 | 0.85 | 1.00 | 9.00 |
| 4 | Animal and vegetable oils and fats | 0.94 | 3.55 | 6.72 | 3.18 | 2.67 | 4.32 | 2.42 | 1.12 | 2.12 | 0.10 | 2.36 | 1.52 | 0.77 | 1.45 |
| 5 | Chemicals | 2.96 | 3.77 | 3.38 | 3.10 | 3.83 | 2.46 | 2.41 | 2.88 | 4.14 | 4.01 | 2.46 | 1.81 | 7.18 | 4.99 |
| 6 | Manufactured goods, | 6.28 | 4.92 | 5.36 | 3.52 | 4.22 | 3.08 | 3.33 | 2.91 | 4.06 | 4.38 | 5.61 | 12.46 | 28.57 | 34.59 |
| 7 | Machinery and transport equipement | 0.88 | 0.46 | 0.71 | 0.29 | 0.19 | 0.26 | 0.29 | 0.48 | 0.87 | 1.42 | 1.97 | 1.72 | 1.49 | 2.67 |
| 8 | Miscaleneous manufactured articles | 0.23 | 0.43 | 0.43 | 0.46 | 0.42 | 0.58 | 0.69 | 0.74 | 0.88 | 0.95 | 1.02 | 1.95 | 3.68 | 7.64 |
| 9 | Miscaleneous | 0.00 | 0.00 | 0.00 | 0.02 | 0.01 | 0.05 | 0.06 | 0.07 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

1. Ships are not included.

*Source*: National Statistical Service of Greece, *Monthly Bulletin on the Special Trade of Greece with Foreign Countries*, various issues;National Statistical Service of Greece, *Statistical Yearbook of Greece*, various years;

## Table 10 Tobacco exports in metric tons and percentages per country, 1938-1974

| Year | Metric Tons | EEC | West Germany | UK | USA | Italy | France | USSR | Other |
|---|---|---|---|---|---|---|---|---|---|
| 1938 | 48,894 | 60.09 | 52.81 | 1.03 | 20.35 | 2.88 | 0.44 | | 22.50 |
| 1948 | 18,319 | 33.80 | 12.39 | 0.26 | 25.31 | 15.99 | 5.40 | | 40.65 |
| 1949 | 27,686 | 37.63 | 16.24 | 9.62 | 23.03 | 4.93 | 14.54 | | 31.64 |
| 1950 | 25,487 | 43.32 | 25.06 | 1.97 | 20.25 | 5.62 | 11.89 | | 35.20 |
| 1951 | 31,441 | 56.51 | 24.96 | 2.32 | 15.70 | 8.02 | 22.83 | | 26.18 |
| 1952 | 41,397 | 61.39 | 33.60 | 2.26 | 15.13 | 1.69 | 14.22 | | 33.10 |
| 1953 | 48,958 | 45.78 | 32.21 | 3.56 | 12.30 | 3.24 | 9.09 | | 39.60 |
| 1954 | 52,446 | 51.29 | 32.82 | 2.14 | 12.37 | 8.21 | 9.19 | | 35.27 |
| 1955 | 54,868 | 55.66 | 34.32 | 2.59 | 18.73 | 6.37 | 11.02 | | 26.97 |
| 1956 | 48,549 | 48.59 | 28.74 | 1.10 | 19.76 | 5.18 | 9.73 | | 35.49 |
| 1957 | 69,000 | 55.30 | 36.15 | 1.24 | 19.46 | 7.49 | 7.35 | 4.45 | 23.87 |
| 1958 | 62,371 | 48.96 | 31.61 | 0.02 | 22.34 | 5.69 | 7.58 | 8.59 | 24.17 |
| 1959 | 54,914 | 51.53 | 29.47 | 0.30 | 21.55 | 7.66 | 9.25 | 6.58 | 25.19 |
| 1960 | 58,990 | 43.04 | 28.38 | 0.22 | 21.75 | 4.68 | 6.71 | 12.96 | 25.31 |
| 1961 | 65,912 | 35.46 | 25.21 | 0.21 | 24.23 | 0.09 | 6.09 | 9.70 | 34.48 |
| 1962 | 47,408 | 49.58 | 26.03 | 0.41 | 9.62 | 11.07 | 8.77 | 9.20 | 34.89 |
| 1966 | 73,217 | 49.17 | 35.68 | 0.00 | 17.41 | 3.97 | 6.26 | 7.81 | 28.87 |
| 1970 | 63,154 | 46.58 | 34.05 | 0.00 | 7.91 | 2.90 | 5.27 | 15.27 | 34.60 |
| 1974 | 67,169 | 40.08 | 25.79 | 0.00 | 11.66 | 3.96 | 4.56 | 9.77 | 44.25 |

Sources: National Statistical Service of Greece, *Statistical Yearbook of Greece*, various years.

## Table 11 Percentages of imports, exports and trade deficit per region/country and year, 1938-1962 (Drs, Current prices)

| | 1938 | 1948 | 1949 | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Import share % | | | | | | | | |
| OEEC | 54 | 30 | 41 | 48 | 51 | 60 | 67 | 69 | 62 | 61 | 62 | 62 | 59 | 51 | 57 | 65 |
| EEC | 37 | 14 | 20 | 24 | 31 | 41 | 44 | 47 | 41 | 36 | 41 | 43 | 38 | 34 | 38 | 43 |
| W. Germany | 29 | 5 | 4 | 8 | 9 | 12 | 13 | 16 | 17 | 16 | 19 | 20 | 19 | 16 | 18 | 19 |
| France | 2 | 2 | 5 | 4 | 5 | 8 | 7 | 7 | 6 | 5 | 6 | 5 | 4 | 5 | 6 | 8 |
| Italy | 3 | 5 | 4 | 6 | 9 | 12 | 17 | 16 | 11 | 9 | 10 | 9 | 7 | 6 | 6 | 8 |
| UK | 13 | 8 | 9 | 12 | 10 | 10 | 11 | 11 | 11 | 14 | 11 | 10 | 12 | 10 | 11 | 12 |
| USA | 7 | 47 | 41 | 33 | 30 | 22 | 16 | 14 | 18 | 17 | 16 | 14 | 10 | 14 | 11 | 10 |
| Middle East | 4 | 7 | 5 | 5 | 4 | 1 | 1 | 1 | 2 | 3 | 2 | 2 | 6 | 4 | 5 | 4 |
| East Countries | 21 | 2 | 1 | 0 | 0 | 1 | 3 | 4 | 5 | 7 | 8 | 10 | 10 | 11 | 10 | 9 |
| Other | 14 | 14 | 13 | 15 | 15 | 16 | 13 | 12 | 13 | 13 | 12 | 13 | 15 | 21 | 17 | 12 |
| | | | | | | | | Export share % | | | | | | | | |
| OEEC | 61 | 61 | 65 | 62 | 68 | 76 | 68 | 68 | 71 | 65 | 63 | 56 | 54 | 49 | 46 | 54 |
| EEC | 50 | 28 | 31 | 33 | 43 | 48 | 45 | 48 | 53 | 48 | 47 | 42 | 39 | 33 | 30 | 35 |
| W. Germany | 38 | 3 | 10 | 20 | 20 | 30 | 26 | 24 | 25 | 20 | 26 | 20 | 20 | 19 | 19 | 18 |
| France | 3 | 6 | 11 | 5 | 11 | 9 | 6 | 7 | 9 | 13 | 7 | 13 | 7 | 5 | 5 | 5 |
| Italy | 5 | 15 | 7 | 5 | 9 | 6 | 9 | 13 | 15 | 11 | 8 | 6 | 7 | 6 | 3 | 8 |
| UK | 8 | 22 | 21 | 15 | 15 | 16 | 12 | 13 | 10 | 9 | 9 | 8 | 9 | 9 | 8 | 10 |
| USA | 17 | 15 | 19 | 17 | 14 | 13 | 12 | 10 | 13 | 12 | 14 | 14 | 13 | 13 | 14 | 8 |
| Middle East | 3 | 7 | 4 | 5 | 5 | 3 | 6 | 4 | 4 | 3 | 5 | 3 | 1 | 4 | 3 | 3 |
| East Countries | 12 | 9 | 1 | 1 | 2 | 1 | 10 | 9 | 8 | 13 | 15 | 20 | 22 | 26 | 29 | 27 |
| Other | 7 | 8 | 11 | 16 | 11 | 8 | 4 | 9 | 4 | 7 | 3 | 7 | 10 | 8 | 8 | 8 |
| | | | | | | | | Trade deficit % | | | | | | | | |
| OEEC | 38 | 20 | 31 | 44 | 46 | 52 | 67 | 70 | 53 | 58 | 61 | 66 | 61 | 52 | 62 | 71 |
| EEC | 8 | 9 | 15 | 22 | 27 | 37 | 44 | 45 | 30 | 28 | 36 | 43 | 37 | 34 | 42 | 48 |
| W. Germany | 8 | 5 | 1 | 5 | 6 | 3 | 2 | 9 | 9 | 13 | 14 | 20 | 19 | 15 | 18 | 20 |
| France | -1 | 0 | 2 | 3 | 3 | 7 | 8 | 6 | 4 | 0 | 5 | 0 | 2 | 4 | 7 | 9 |
| Italy | -1 | 1 | 3 | 7 | 9 | 15 | 24 | 18 | 9 | 8 | 11 | 11 | 7 | 6 | 8 | 7 |
| UK | 23 | 3 | 4 | 12 | 8 | 7 | 10 | 10 | 12 | 18 | 13 | 11 | 13 | 19 | 23 | 13 |
| USA | -14 | 58 | 49 | 37 | 35 | 27 | 20 | 17 | 23 | 20 | 18 | 14 | 9 | 14 | 10 | 11 |
| Middle East | 6 | 7 | 5 | 4 | 3 | 0 | -4 | -2 | 0 | 3 | 0 | 1 | 8 | 5 | 5 | 4 |
| East Countries | 41 | 0 | 1 | 0 | 0 | 1 | -3 | 0 | 2 | 2 | 4 | 3 | 4 | 4 | 1 | 0 |
| Other | 30 | 15 | 14 | 14 | 16 | 20 | 21 | 15 | 22 | 17 | 18 | 16 | 18 | 25 | 22 | 15 |

*Source*: National Statistical Service of Greece, *Monthly Bulletin on the Special Trade of Greece with Foreign Countries*, various issues;National Statistical Service of Greece, *Statistical Yearbook of Greece*, various years.

**Table 12 Total Machinery imports and shares per country and year, 1938-1953 (US $, 1938 prices)**

| Year | Thousand US dollars | West Germany | UK | USA | Italy | Other |
|---|---|---|---|---|---|---|
| 1938 | 7,854 | 69.64 | 5.73 | 12.41 | 1.86 | 10.36 |
| 1948 | 10,228 | 26.49 | 17.41 | 38.24 | 4.70 | 13.16 |
| 1949 | 11,968 | 7.33 | 27.26 | 48.49 | 3.79 | 13.13 |
| 1950 | 20,777 | 14.38 | 27.42 | 33.73 | 9.56 | 14.91 |
| 1951 | 16,025 | 21.95 | 20.54 | 34.98 | 8.83 | 13.70 |
| 1952 | 15,845 | 33.60 | 17.53 | 25.83 | 10.88 | 12.16 |
| 1953 | 9,625 | 31.36 | 17.74 | 18.08 | 18.48 | 14.34 |

Source: Petros Floros, 'Post-war Mechanical Equipement Imports', *Imerisia*, 5 January 1954

**Table 13 Percentages of machinery and transportation (SITC-7) imports per country and year, 1956-1974 (Drs, Current Prices)**

| | EEC | Federal Republic | France | Belgiou m-Lux | Netherl ands | Italy | UK | USSR | US | Other |
|---|---|---|---|---|---|---|---|---|---|---|
| 1956 | 48.36 | 35.86 | 3.26 | 2.02 | 1.84 | 5.38 | 28.77 | 0.31 | 10.92 | 11.64 |
| 1957 | 54.55 | 40.98 | 3.15 | 1.46 | 2.06 | 6.89 | 17.10 | 0.48 | 11.95 | 15.92 |
| 1958 | 57.53 | 45.00 | 2.92 | 1.12 | 2.45 | 6.03 | 13.56 | 0.97 | 13.73 | 14.21 |
| 1959 | 56.70 | 41.05 | 3.35 | 1.70 | 2.09 | 8.52 | 12.91 | 1.47 | 12.38 | 16.54 |
| 1960 | 57.76 | 37.61 | 6.25 | 1.38 | 3.12 | 9.41 | 18.19 | 1.10 | 11.26 | 11.68 |
| 1961 | 59.18 | 40.28 | 7.05 | 1.50 | 1.76 | 8.58 | 12.83 | 0.97 | 10.99 | 16.03 |
| 1962 | 60.17 | 37.50 | 9.54 | 1.55 | 1.91 | 9.67 | 15.61 | 1.60 | 7.90 | 14.73 |
| 1963 | 57.20 | 37.84 | 5.22 | 1.34 | 2.07 | 10.73 | 16.76 | 0.89 | 10.61 | 14.54 |
| 1964 | 56.71 | 35.95 | 6.09 | 2.08 | 1.82 | 10.77 | 15.13 | 1.16 | 11.66 | 15.34 |
| 1965 | 59.90 | 32.97 | 10.39 | 2.43 | 1.64 | 12.46 | 13.35 | 1.74 | 10.77 | 14.25 |
| 1966 | 56.84 | 33.01 | 5.49 | 1.71 | 1.72 | 14.91 | 13.74 | 1.15 | 14.96 | 13.31 |
| 1966 | 56.65 | 32.88 | 5.39 | 1.71 | 1.71 | 14.96 | 13.82 | 1.16 | 14.75 | 13.62 |
| 1970 | 64.25 | 36.19 | 8.04 | 2.95 | 1.46 | 15.61 | 9.83 | 1.44 | 7.41 | 17.07 |
| 1974 | 64.45 | 34.77 | 9.92 | 1.90 | 2.00 | 15.87 | 5.78 | 0.78 | 7.50 | 21.49 |

*Note*: Ships are not included

Source: National Statistical Service of Greece, *Statistical Yearbook of Greece*, various years; National Statistical Service of Greece, *Foreign Trade of Greece*, various years

## Table 14 Asset and liability structure of corporate industry in thousand Drs and percentages (Current prices)

| | FGI Survey | | | | | | | ESYE Census |
|---|---|---|---|---|---|---|---|---|
| Year | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 |
| Firms Surveyed | 435 | 394 | 391 | 421 | 447 | 461 | 571 | 1,139 |
| | | | | Million Drs | | | | |
| Fixed Capital | 3,956 | 3,988 | 4,411 | 4,330 | 5,194 | 5,928 | 8,680 | 12,591 |
| Circulating Capital | 5,086 | 6,062 | 6,917 | 7,388 | 9,247 | 10,742 | 13,323 | 25,583 |
| Total Assets | 9,042 | 10,050 | 11,328 | 11,718 | 14,441 | 16,670 | 22,003 | 38,175 |
| Equity Capital | 3,397 | 3,428 | 3,555 | 3,710 | 4,403 | 4,962 | 7,038 | 10,067 |
| Foreign Capital | 5,645 | 6,623 | 7,774 | 8,008 | 10,038 | 11,708 | 14,966 | 28,098 |
| Total Liabilities | 9,043 | 10,050 | 11,328 | 11,718 | 14,441 | 16,670 | 22,003 | 38,165 |
| Retained Profits | n.a | 40.9 | 37.6 | 92.4 | 209.9 | 195.0 | 406.8 | n.a |
| Distributed Profits | n.a | 140.1 | 158.6 | 178.8 | 255.9 | 221.1 | 251.6 | n.a |
| Net Profits | n.a | 181.0 | 196.2 | 271.2 | 465.8 | 416.1 | 658.4 | n.a |
| | | | | % | | | | |
| Fixed Capital | 43.8 | 39.7 | 38.9 | 37.0 | 36.0 | 35.6 | 39.4 | 33.0 |
| Circulating Capital | 56.2 | 60.3 | 61.1 | 63.0 | 64.0 | 64.4 | 60.6 | 67.0 |
| Total Assets | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Equity Capital | 37.6 | 34.1 | 31.4 | 31.7 | 30.5 | 29.8 | 32.0 | 26.4 |
| Foreign Capital | 62.4 | 65.9 | 68.6 | 68.3 | 69.5 | 70.2 | 68.0 | 73.6 |
| Total Liabilities | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Retained Profits | n.a | 22.6 | 19.2 | 34.1 | 45.1 | 46.9 | 61.8 | n.a |
| Distributed Profits | n.a | 77.4 | 80.8 | 65.9 | 54.9 | 53.1 | 38.2 | n.a |
| Net Profits | n.a | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | n.a |

Source: FGI, *The Greek Industry*, various years; ESYE, *Annual Industrial Survey for the Year 1963* (Athens: National Printing Office, 1967), table 20.

## Table 15 Asset and liability structure of selected companies in percentages (current prices)

| | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | **AEEXPL** | | | | | | |
| Fixed Capital | 52.5 | 58.0 | 63.8 | 62.5 | 59.2 | 40.7 | 41.5 | 38.1 | 34.4 | 32.1 | 32.5 | 37.0 |
| Circulating Capital | 47.5 | 42.0 | 36.2 | 37.5 | 40.8 | 59.3 | 58.5 | 61.9 | 65.6 | 67.9 | 67.5 | 63.0 |
| Total Assets | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Share Capital | 14.4 | 12.6 | 7.8 | 12.0 | 16.1 | 17.8 | 18.8 | 17.3 | 19.3 | 20.1 | 21.6 | 22.8 |
| Capital Reserves | 5.0 | 4.4 | 2.7 | 2.3 | 2.4 | 6.5 | 4.1 | 3.0 | 3.4 | 3.7 | 4.9 | 5.8 |
| Long term Liabilitie | 53.8 | 50.8 | 56.2 | 43.3 | 43.5 | 37.7 | 29.8 | 26.9 | 28.2 | 26.9 | 37.7 | 37.3 |
| Short term Liabilitie | 26.8 | 32.2 | 33.2 | 42.5 | 38.0 | 38.0 | 47.3 | 52.8 | 49.1 | 49.3 | 35.9 | 34.1 |
| Total Liabilities | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | | | | | | **Izola SA** | | | | | | |
| Fixed Capital | n.a. | n.a. | 44.0 | 32.0 | 35.6 | 31.5 | 20.8 | 12.5 | 8.1 | 8.7 | 11.1 | 12.7 |
| Circulating Capital | n.a. | n.a. | 56.0 | 68.0 | 64.4 | 68.5 | 79.2 | 87.5 | 91.9 | 91.3 | 88.9 | 87.3 |
| Total Assets | n.a. | n.a. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Share Capital | n.a. | n.a. | 4.8 | 3.3 | 3.7 | -1.4 | 14.5 | 7.7 | 5.7 | 3.9 | 15.4 | 12.9 |
| Capital Reseves | n.a. | n.a. | -2.9 | -1.1 | 11.7 | 11.7 | 2.0 | 2.2 | 3.2 | 4.2 | 1.0 | 2.0 |
| Long term Liabilitie | n.a. | n.a. | 67.9 | 48.3 | 43.5 | 53.1 | 44.4 | 24.1 | 17.3 | 10.0 | 7.1 | 9.0 |
| Short term Liabilitie | n.a. | n.a. | 30.1 | 49.4 | 41.1 | 36.6 | 39.1 | 66.0 | 73.7 | 81.9 | 76.5 | 76.0 |
| Total Liabilities | n.a. | n.a. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | | | | | | **P-P** | | | | | | |
| Fixed Capital | n.a. | n.a. | n.a. | 20.5 | 41.3 | 57.8 | 46.5 | 42.2 | 40.5 | 37.7 | 33.6 | 32.2 |
| Circulating Capital | n.a. | n.a. | n.a. | 79.5 | 58.7 | 42.2 | 53.5 | 57.8 | 59.5 | 62.3 | 66.4 | 67.8 |
| Total Assets | n.a. | n.a. | n.a. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Share Capital | n.a. | n.a. | n.a. | 6.9 | 12.0 | 14.4 | 11.3 | 10.2 | 8.3 | 8.1 | 12.8 | 11.4 |
| Capital Reseves | n.a. | n.a. | n.a. | 14.0 | 10.3 | 11.7 | 5.5 | 5.4 | 4.4 | 4.6 | 4.5 | 4.2 |
| Provisions | n.a. | n.a. | n.a. | 18.7 | 12.2 | 10.3 | 7.9 | 6.8 | 5.3 | 5.2 | 2.3 | 4.4 |
| Long term Liabilitie | n.a. | n.a. | n.a. | 10.9 | 26.4 | 38.6 | 37.7 | 43.7 | 39.5 | 34.2 | 20.9 | 18.2 |
| Short term Liabilitie | n.a. | n.a. | n.a. | 49.5 | 39.1 | 24.9 | 37.5 | 33.8 | 42.5 | 48.0 | 59.4 | 61.8 |
| Total Liabilities | n.a. | n.a. | n.a. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

**Source: GR/PIOP/FOA3/SE6/SS3, Varioius documents**

## Table 16 Structure of production costs in percentages for selected companies, 1952-1962 (current prices)

| | 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | **AEEXPL** | | | | | |
| Industrial costs | 81.89 | 76.25 | 78.15 | 64.72 | 69.48 | 63.25 | 60.36 | 59.42 | 67.74 | 71.21 | 66.22 |
| Distribution | 0.00 | 0.00 | 0.00 | 11.49 | 11.39 | 12.59 | 20.84 | 17.05 | 16.45 | 14.24 | 9.88 |
| General costs | 8.58 | 6.19 | 7.07 | 6.04 | 4.91 | 4.71 | 3.61 | 3.24 | 3.61 | 6.05 | 16.13 |
| Interest | 3.46 | 8.13 | 4.79 | 3.81 | 2.57 | 2.14 | 3.02 | 3.69 | 2.72 | 3.03 | 3.87 |
| Depreciation | 6.07 | 9.43 | 9.99 | 13.94 | 11.64 | 17.31 | 12.18 | 16.61 | 9.48 | 5.49 | 3.91 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | **Halivourgiki SA** | | | | | |
| Industrial costs | n.a. | 76.62 | 77.98 | 82.21 | 84.10 | 84.69 | 89.44 | 82.16 | 86.65 | 85.07 | 81.50 |
| Distribution | n.a. | 0.41 | 1.04 | 1.55 | 1.32 | 1.76 | 1.32 | 1.20 | 2.39 | 2.75 | 2.93 |
| General costs | n.a. | 9.59 | 4.58 | 4.44 | 3.63 | 2.16 | 2.20 | 1.88 | 1.52 | 3.17 | 4.15 |
| Interest | n.a. | 7.51 | 4.12 | 2.65 | 2.87 | 1.51 | 2.67 | 1.63 | 1.03 | 1.55 | 5.08 |
| Depreciation | n.a. | 5.87 | 12.28 | 9.15 | 8.07 | 9.89 | 4.37 | 13.14 | 8.42 | 7.46 | 6.34 |
| | n.a. | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | **Izola SA** | | | | | |
| Industrial costs | n.a. | n.a. | 79.93 | 77.79 | 75.34 | 73.13 | 69.26 | 65.92 | 71.52 | 69.23 | 67.69 |
| Distribution | n.a. | n.a. | 0.00 | 0.00 | 1.79 | 7.48 | 8.74 | 10.61 | 10.36 | 11.30 | 9.91 |
| General costs | n.a. | n.a. | 9.56 | 12.16 | 7.45 | 6.95 | 9.36 | 10.09 | 7.11 | 6.77 | 7.57 |
| Interest | n.a. | n.a. | 6.61 | 6.38 | 8.46 | 6.18 | 7.43 | 7.58 | 7.43 | 9.62 | 11.03 |
| Depreciation | n.a. | n.a. | 3.90 | 3.67 | 6.96 | 6.27 | 5.20 | 5.80 | 3.57 | 3.07 | 3.81 |
| | n.a. | n.a. | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | **P-P** | | | | | |
| Industrial costs | n.a. | n.a. | 88.16 | 89.67 | 85.24 | 83.26 | 79.62 | 77.26 | 77.18 | 79.08 | 81.66 |
| General costs | n.a. | n.a. | 4.59 | 4.20 | 4.55 | 3.55 | 4.22 | 5.62 | 5.55 | 5.51 | 5.33 |
| Interest | n.a. | n.a. | 3.35 | 3.77 | 4.95 | 7.15 | 10.68 | 14.50 | 12.27 | 10.20 | 7.30 |
| Depreciation | n.a. | n.a. | 3.90 | 2.36 | 5.27 | 6.04 | 5.48 | 2.62 | 5.00 | 5.21 | 5.71 |
| | n.a. | n.a. | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

**Source: GR/PIOP/FOA3/SE6/SS3, Varioius documents**

## Table 17 Structure of iron and steel industry, 1953-1959 (thousand tons)

| | Reinforcing Bars | | | Sheet steel[1] | | | Wire | | | Total | | | Origin of internal raw steel production | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Product ion (P) | Imports (M) | Import Penentra tion[2] (%) | Producti on (P) | Imports (M) | Import Penentra tion[2] (%) | Product ion (P) | Imports (M) | Import Penentr ation[2] (%) | Producti on (P) | Imports (M) | Import Penentra tion[2] (%) | Imported semi-finished steel | Scrap |
| 1953 | 36 | n.a. | n.a. | 2 | 25 | 92 | n.a. | n.a. | n.a. | 41 | 107 | 72 | n.a. | n.a. |
| 1954 | 56 | n.a. | n.a. | 8 | 18 | 70 | n.a. | n.a. | n.a. | 67 | 104 | 61 | n.a. | n.a. |
| 1955 | 59 | 32 | 35 | 8 | 17 | 68 | 6 | 1 | 7 | 73 | 133 | 65 | 22 | 51 |
| 1956 | 68 | 36 | 35 | 8 | 19 | 69 | 4 | 10 | 71 | 80 | 164 | 67 | 25 | 55 |
| 1957 | 67 | 31 | 31 | 12 | 20 | 63 | 1 | 12 | 92 | 80 | 174 | 69 | 26 | 54 |
| 1958 | 76 | 49 | 39 | 14 | 24 | 62 | 9 | 16 | 64 | 99 | 198 | 67 | 46 | 53 |
| 1959 | 81 | 32 | 29 | 18 | 22 | 55 | 9 | 13 | 60 | 108 | 183 | 63 | 50 | 58 |

1. Sheet steel imports included items not produced internally

2. Import penentration is calculated as the ratio of imports to total consumption M/(P+M)

*Sources*: GR/PIOP/FOA2/SE2/SS3/FI32012/SFL22, Elliniki Chalivourgia SA to EDFO, Athens, 17 January 1961, p. 30; EDFO Technical Survey, 27 February 1961, pp. 237-40.

## Table 18 Machinery Equipment of P-P (1959)

| Plant | Spindle machines | | | Weaving machines | |
|---|---|---|---|---|---|
| | Before 1930 | 1951/1952 | 1956 | Before 1930 | 1950/1951 |
| A. Patras | 14,504 | - | - | 93 | 56 |
| D. N. Peramos | 2,720 | 22,692 | 17,488 | - | - |
| E. Patras | - | - | - | 376 | - |
| B. Kallithea | - | - | - | 225 | 3 |
| Total | 17,224 | 22,692 | 17,488 | 694 | 59 |

*Source:* GR/PIOP/FOA3/SE6/SS3/FI33263/SFL10, Auditors' Report, 2 March 1962, table 3.

## Table 19 Machinery equipment at textile industry according to its oldness (%)

| Machinery | Cotton Industry | | | | Woollen Industry | | | |
|---|---|---|---|---|---|---|---|---|
| | Before 1930 | 1931-40 | 1950-60 | Total | Before 1941 | 1942-49 | 1950-56 | Total |
| Spindles | 40.00 | 19.00 | 41.00 | 100.00 | 56.20 | 4.80 | 39.00 | 100.00 |
| Weavings | 30.75 | 22.00 | 47.25 | 100.00 | 65.40 | 8.40 | 26.20 | 100.00 |

*Note:* The EDFO had calculated that in 1960 40 percent of the mechanical equipment at cotton industry was automatic, whereas the respective numbers for the EEC and the UK were 49 and 58 percent respectively.

*Source:* GR/PIOP/FOA3/SE5/SS5/FI547, EDFO, Study: Cotton Industry – Market conditions, Athens, 12 March 1962, p. 9; NBG, *Developments and Problems of Greek Industry: B' Woollen Industry* (NBG, July 1960), p. 20.

## Appendix 2

**Konstantinos Karamanlis (1907-1998).** He studied Law serving as minister to the post-war governments in 1946-1949 and in 1952-1955. He was prime minister in 1955-1963 and in 1974-1980 then President of the Hellenic Republic (1980-1985). He was a conservative politician and leader of the Right after 1955. He is known for his pro-European stance and his influence is compared to that of Charles de Gaulle in France and Konrad Adenauer in Federal Republic.

**Xenophon Zolotas (1904-2004).** Professor of Economics in 1928-1967 and Governor of the Bank of Greece in 1944–1945, in 1955–1967 and in 1974–1981. He was actively engaged with internal economic policy from 1944. He represented Greece at several international organizations, including the International Monetary Fund and the Economic and Social Council of the United Nations. He was a liberal minded economist, known for his emphasis upon the stabilization of the currency as a precondition for long-term economic development and his preference for supply side economic policies.

**Kyriakos Varvaressos (1884–1957).** Professor of Economics and economic advisor to the National Bank of Greece (1924–1933). He was minister of finance (1932), Deputy Governor of the Bank of Greece (1933–1939) and Governor (1939-1945) and again the minister of finance (1941–1943). He was also deputy prime minister, minister of coordination and minister of supply (1945). He represented Greece at the UNRRA Conference (1943), Bretton Woods (1944) and San Francisco (1945). He was Executive Director and then Advisor in International Bank for Reconstruction and Development (1946–1957). He was known for his Keynesian economic ideas, influenced by the 'New Deal'.

**Ioannis Pesmazoglou (1918-2003).** Professor of Economics in 1950-1967, general secretary of the coordination ministry (1951-1955), economic advisor to the Bank of Greece (1955-1960) and vice president (1960-1967). He was also the minister of economics (1974). He was Greece's chief negotiator for the Free Trade Area (1957-1958), the Association (1959-1961) and the Accession (1975) with the EEC. He was known for his Keynesian economic ideas and his preference for macroeconomic programming.

**Dimitrios Helmis.** He studied Law and was deputy minister of finance (1933-1935) and minister of finance (1946-1949), coordination minister (1956-1958). He was governor of the National Bank of Greece (1958-1964), a conservative politician with a strong pro-business attitude.

**Spyros Markezinis (1909-2000).** He studied Law and Political and Economic Sciences. He was coordination minister (1952-1954) and prime minister (1973). He was a right-wing politician with liberal economic ideas, supporting trade liberalization in 1953 and the full accession of Greece to the EEC in 1957.

**Panagis Papaligouras (1917-1993).** He studied Law and International Relations. He was deputy trade minister (1952-1953) and trade minister (1953-1954), coordination minister (1954-1955), minister of trade and industry (1956-1958), coordination minister 1961-1963 and in 1974-1977. He was also foreign minister in 1978 and governor of the Bank of Greece (1974). He was known for his liberal economic ideas adapted to Greek realities, described as ‘Realistic Liberalism’. He was influenced by Ludwig Erhard and ordo-liberalism. He was among the main supporters of Greece’s integration to the EEC.

**Evangelos Averoff (1910-1990).** He studied law and economics in Lausanne. He was minister of supplies (1949), minister of national economy and supplies (1950), deputy minister for foreign affairs (1951) and minister of agriculture (1956). He was also minister of aoreign affairs 1956-1963 and again in 1977-1980 and the minister of defence (1974-1977). He participated in the negotiations of Greece for an association to the EEC.

**Leon Makkas (1892-1972).** Diplomat and politician. He was minister of the presidency (1932), General Governor of the Ionian Islands (1944-45), marine minister (1950), minister of industry (1951) and minister of commerce (1954-55). He was Greece’s Permanent Representative to The Council of Europe, a conservative politician with a pro-business stance who had reservations regarding Greece’s participation to an FTA.

**Leonidas Dertilis (1904-1980).** Economist and politician. He was deputy finance minister (1955-1956) and minister of commerce (1958-1961). He supported the protection of industry and the adoption of moderate economic relationships with the USSR.

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