

**GREECE'S ACCESSION TO THE EU AND ITS
INTEGRATION PROCESS**

**The Institute of Economics and Social Sciences
of
Bilkent University**

by

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**IN PARTIAL FULFILLMENT OF
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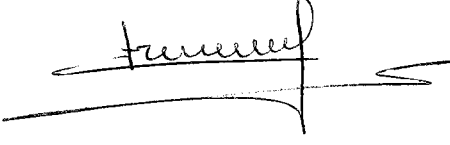
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September 2004

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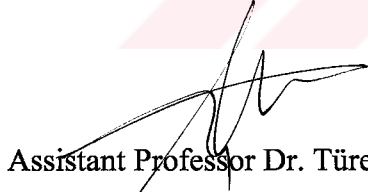
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ABSTRACT

GREECE'S ACCESSION TO THE EU AND ITS

INTEGRATION PROCESS

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European integration has affected regions in various ways and it has created economic winners and losers. Reform of European regional policy and the creation of the Structural Funds have drawn countries more closely into the EU policy process. Countries have formed a queue to enter the EU and get a share of the structural funds that EU gives out to member countries. This thesis examines Greece's experience as a member of the European Union (EU). While evaluating the Greek experience within the EU, we derive three significant policy lessons that apply both to similar countries, in particular Turkey, now on the queue to join in the club. First, countries that enter the EU must improve the structural deficiencies of their economies before entry in order to minimize the impact of increased competition after the removal of trade protection and trade barriers. In addition, they should follow domestic policies that maintain and promote their comparative advantage within the EU. Second, the 'Convergence Criteria' have proven to be a successful mechanism for countries with a poor policy record to achieve macroeconomic stability, as shown in the case of Greece when it demonstrated a clear will to join the European Monetary Union (EMU). This suggests that if there is a motivation the government can indeed better the macroeconomic balances of a certain country. Third, common EU policies can be very helpful in facilitating structural reforms in small economies. Yet, these policies must be continuously evaluated and improved so that their effectiveness could be maximized because conditions change and nothing remains the same in this rapidly changing world.

Keywords: Greece-EU relations, Greece and the EU, Turco-Greek Dispute, EMU and Greece, Greece and Europeanization.

Özet

Avrupa Birliđi'nin genişleme sürecinde kazançlı ve kaybeden bölgeler oluşmuştur. Avrupa Birliđi reform paketi içerisindeki fonlar birçok ülkeyi Avrupa Birliđi'ne girme çabası içerisinde sokmuştur. Bu tez Avrupa Birliđi'nin bir üyesi olan Yunanistan'ın entegrasyon sürecini incelemektedir. Yunanistan örneđini incelememizin nedeni Avrupa Birliđi'ne girmek isteyen Balkan ülkeleri ve Türkiye Yunanistan'a yapısal olarak benzemektedirler. Yunanistan'ın entegrasyon süreci incelenirken üye olmak isteyen ülkelerin dikkat etmesi gereken üç husus bulunmaktadır. İlk olarak Avrupa Birliđi'ne girmek isteyen ülkelerin kendi ekonomilerini yeterince güçlendirmeleri ve açık pazar ekonomisinde rekabet edebilmeleri gereklidir. Çünkü artık Yunanistan'ın ekonomisini ayakta tutan fonlar olmayacaktır. Ayrıca Kopenhag kriterleri bir yönden üye olmak isteyen ülkeler için bir şekilde makro ekonomik dengelerini düzeltmeleri için bir zorunluluk oluşturmaktadır. Son olarak ortak Avrupa Birliđi politikaları Avrupa Birliđi'ne girmek isteyen ülkelerin legal ve politik yapılarını değiştirmekte faydalı olabilir. Bu tez Yunanistan'ın AB'ye entegrasyon sürecini ve mevcut durumu mukayeseli bir şekilde anlatmaktadır.

Anahtar kelimeler: Yunanistan-Avrupa Birliđi ilişkileri, Yunanistan ve Avrupa Birliđi, Türk Yunan ilişkileri, Euro ve Yunanistan.

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I hope I treated them all in fairness and in good instinct.

List of Abbreviations

CAP	Common Agricultural Policy
CFSP	Common Foreign and Security Policy
EC	European Communities
EEC	European Economic Community
EMS	European Monetary System
EMU	European Monetary Union
EP	European Parliament
EPU	European Political Union
ERDR	European Fund for Reconstruction and Development
ESDI	European Defense and Security Identity
EU	European Union
FYROM	Former Yugoslavian Republic of Macedonia
GDP	Gross Domestic Product
GNP	Gross National Product
IMP	Integrated Mediterranean Programme
NGOs	Non-Governmental Organizations
NTB	Non-Tariff Barrier
OECD	Organization for Economic Cooperation and Development
PASOK	Pan Hellenic Socialist Party
QMV	Qualified Majority Voting

RDF	Regional Development Fund
R&D	Research and Development
SEA	Single European Act



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INTRODUCTION

This thesis attempts at analyzing the Greece's integration and accession to the EU. The reasons for which Greece chose full accession to the Community will be summed up in a historical order. The Greek accession and the integration process is a worthwhile example for the Balkan countries and Turkey who are in the queue to join the European club. The Greek case will give us an understanding of how difficult it is to become a EU state and also we will have an idea of how it is to be a European member state. The advantages and disadvantages of becoming a member will be grasped. In this context it will be easier to make a cost and benefit analysis for the candidate countries that are so willing to enter the EU, in particular for Turkey. Particular attention will be paid to the impact Greece's accession process with the EU on Turkey's security relationship with Europe. The thesis will analyze the relations during the Cold War era and then it will discuss the reasons why we have seen a transformation in the fundamental parameters of the dispute in the 1990s, as the EU has turned out to become the new 'platform' for solution of the dispute of the Cyprus conflict.

In formulating our view it is better to go back to history and make a thorough analyzes of how the EU came about and what was the motivation behind the making of it. Then it is better to move on to analyze and understand the Greek motivation behind the decision to become a full member of the EC. The first chapter will dwell

on the long process of accession, so as not to miss any of the important aspects of this accession process. This chapter will start from Karamalis's decision to apply to the EEC in July 1959. From the beginning of Greece's relations with the EEC, signing of the Athens Treaty in July 1961 and afterwards will be studied. Further the relentless struggle and the military coup in 1967 and the relations between Greece and the EU will be studied. The change in relations with Greece and the EU with the change of the Greek political structure will also be tackled in detail. Then the Greek accession to the EU in 1981 and the PASOK era will be analyzed.

The second chapter will dwell upon the aftermath of the Cold War and it will mainly analyze how the parameters have changed. The effects of the transformation will be analyzed in depth. For instance, the new pace of the EU relations with Greece after the Cold War will be explained. In this chapter the Kostas Simitis era is quite significant and will be thoroughly analyzed and the change of policies and attitudes will be taken into account. There will also be a section in which transformed relations between Greece and EU will be explained. Hence, the beginning of a new era between Greece and the EU will be better understood when the decisions undertaken are carefully examined.

Having studied the accession process of Greece into the EC, the third chapter will deal with the integration process that was slow and came about gradually into the agenda of Greek government. This integration process, especially, started increasing its pace during the Simitis government. First and foremost the macroeconomic effects of Greece's accession to the EU will be studied in this chapter. Secondly, contemporary changes in government policy will be handled. Thirdly, the Customs

Union and its effects on the Greek Economy will be examined in great depth so as to understand its positive and negative effects on the Greek economy. Fourthly, trade in manufacturing and agricultural products and the implications of accession will be looked in depth in this chapter. Finally, the rough road to the Euro will be looked at. Various implications of Greece's entry into European Monetary System (EMU) will also be examined in detail.

In the fourth chapter the nature of the Europeanization process, firstly the contradictions between policies and, secondly, the performance will be questioned and studied. In this chapter the Greek Europeanization will be assessed in a three-fold process, namely the governmental adaptation, political adaptation and strategic adaptation. In addition, the new problems created by Europeanization mainly, the redefinition of the imperatives, norms and logic will be studied. Later the limits of the Europeanization process, first clientelistic system, second the political culture will be tackled. Moreover, the Europeanization of Greece; interest politics and the crises of integration will be reconsidered.

The fourth chapter concentrates on the foreign policy and security issues of the Greek integration process. In this chapter, the changes in Greece's foreign policy after it became a EU member will be analyzed. The EU-Greece-Turkey triangle will be assessed and the consequences of being a EU member will be handled. After covering the most significant foreign policy issues for Greece then the thesis will deal with the security aspect of Greece's EU membership. In this context, the Common Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP) issues will be dealt with.

In conclusion, the admission of Greece and its integration process will be studied in this thesis and finally the lessons learned from the Greek case will be explained. The Greek case will be a basis for comparison for countries that desire to be a full member of the EU in, particular, Turkey. The comparison will be made bearing in mind the continuous changes in the conditions, thus the evaluation will be made in line with the changing conditions of the world. In other words, the study will not neglect the fact that the conditions when Greece became an EC member were different from today.



CHAPTER I: BEGINNING AND DEVELOPMENT OF GREECE'S RELATIONS WITH THE EUROPEAN UNION

1.1.The Making of the EU: The union of Coal and Steel and Afterwards

After the First World War the irreversible Communist revolution in Russia occurred and, later after the Second World War, Britain and France became dependent economically and militarily on the US. Thus, the original aims of the EEC lie in history. It came about gradually, firstly, through union of Coal and Steel¹ and then the EU was constructed stage by stage into today's EU. It was believed that mutual interest sharing would lead to a desired 'end product' and create peace and prosperity in Europe that was mostly craved for after the two destructive world wars.

The destination of the union at the start gave a mixed impression whether it was to be a union to solve the Alsace-Lorraine problem between Germany and France or advance to a higher degree of economic and institutional integration, including a monetary union and a common defense force, eventually leading to a political union. Twofold motivation was clear, firstly, to contain Germany and minimize the risk of a

¹ Treaty Establishing the European Coal and Steel Community, Art 1. The treaty signed April 18, 1951, and was written in French. The English translation does describe "objective" or "purposes" as such. Article 2 states that the "mission the Community is "to contribute to the expansion of the economy, the development of employment and improvement of standards of living in participant States, of a common market as defined in Article 4". The " common market there defined negatively by declaring what is abolished and prohibited: import export duties quotas; practices discriminating among producers, buyers tending to divide or exploit the market. Article 3 specifies market goals- the regularity of supply, equality of access, lowest prices commensurate with necessary amortization and normal return, and rational development of resources. For general analysis of the treaty, see Gerhard Bebr, "The European Coal and Steel Community a Political and Legal Innovation", 63 Yale Law Journal 1 (1953).

rearmed and economically powerful Germany to arise again. Secondly, a basic factor was to integrate the divided Europe into a single economic and political entity, although it was not openly discussed at that time. In the 1960s, all the political and economic objectives seemed to be on the right course. "Military power had been not only eliminated but forgotten as means of settling disputes within the Community"².

Germany and France had found ground for new means of settling disputes with each other and animosity between these countries seemed have ended. The Treaty of Rome³ had indeed managed to integrate the economy between the member countries. By establishing trade protection where appropriate against non-member countries by way of common tariff, the members of the club managed to create the "other", and by so doing they could create an outsider, eliminating animosities among themselves. The political leaders of the Six, namely France, Germany, the Benelux countries, had already agreed on crucial issues and reached a final draft. Not only were the issues of conflict were resettled in Europe between member countries but also Soviet territorial expansion had been contained. There is no way of judging how much the attainment of these objectives was due to the Treaty of Rome. "Economic growth had accelerated to fast rates before the Community was founded"⁴. Thus, the attained level of prosperity could well be thanks to the US assistance to Europe that were dropped from the US aid lorries, as was democracy after the Second World War⁵. Nevertheless, the economic progress was facilitated by the continued expansion of the world economy as well as through a heavy inflow of laborers from the

² Seers Dudley & Vaitsas Constantine, *The Second Enlargement of the EEC*, p.11.

³ Treaty of Rome which was effective on April 15 1960 aimed to achieve a single integrated market possessing the following features; free movement between Member State of goods unimpeded by customs duties and quantitative restrictions, freedom of labour, freedom of services, freedom of capital, and trade protection where appropriate against non-member countries by way of common tariff. For more details see, Alex Roney, "EC/EU Fact Book", Clays Ltd. (1990).

⁴ Ibid, p. 13.

⁵ Norman, Stone, *Bilkent Magazine*, p. 9 (2004).

Mediterranean. Economic growth was fast and this in turn raised living standards well above the pre-war levels. Community's Common Agricultural Policy (CAP) raised the degree of self-sufficiency in food, and it reduced community's dependence on the outside world. Some maintain that, "much of the credit for the success of the EEC should be attributed to 'background' factors: the member countries share the same European tradition, have a sizeable Catholic population, are in a similar stage of economic development, have a similar stage of economic development, have a similar civilization, and so forth"⁵.

Beginning from the 1950s with the Treaty of Paris (1952) and the emergence of the European Coal and Steel Community (ECSC), the two Treaties of Rome (1958) set up the European Economic Community (EEC) and the establishment of the Euratom. The European Coal and Steel Community, the European Atomic Energy Community and the European Economic Community all shared the same institutions in common, which consisted of the Council of Ministers that takes the Community's decision, the Commission, the European Parliament and the Court of Justice. It is clear that the community had not only an economic objective but it had also a political goal right from the start. Furthermore, all these institutions paving the way to the European Union, indeed, created willingness for other countries to join in. The second enlargement came about when the countries such as Great Britain, Denmark and Ireland wanted to join the club.

In the mid 1970s there seemed no great difficulty about expanding even further and accepting the unequal partners into the EEC. The so-called unequal partners, namely

⁵ This article was written while the author was a research associate of the Institute of War and Peace Studies at Columbia University. For more information see, Amitai Etzioni, *European Unification a Strategy of Change*, p. 32 (1963).

Greece, Portugal and Spain showed a desire to apply to the community. Greece as well as the other two countries wished to join an association that reflected a level of institutional development beyond a certain limit that these countries had achieved⁶.

First, the three Southern European countries appeared to possess comparative advantage in activities that were declining and problematic in the rest of the Community, namely textiles, clothing, steel and shipbuilding. Second, the Community desired to add the field of agricultural structural surpluses of south to the existing surpluses of northern products. Third, all Southern European countries had had fast growing and seemingly sustainable economic basis. However, there were some qualifications: got the better of economic worries. Many believed that the divergent development patters of underdeveloped countries such as Greece would put a brake on the economic growth process of the EEC. The third enlargement received enough support from the six who decided to enlarge the union by integrating the new comers into the Community, in a step-by-step process. Nevertheless, based on the economic consequences of enlargement of the unequal partners there were some doubts.

⁶ Keith R. Legg, John M. Roberts, *Modern Greece*, p. 200 (1997).

1.2. Karamanlis decision to apply to the EEC in July 1959

Today, almost all Greeks seem to approve fuller integration of Greece to the European Union. However, at the time when Constantinos Karamanlis decided to apply to the EEC in July 1959 there were many who opposed it. Many industrialists rejected the idea on the grounds that they were accustomed to the protective shield of tariffs and quotas. They did not want to shift to the more competitive conditions and risk their potential markets by joining the EEC. Public feelings were not similar; on the one hand, there were those that did not consider themselves as part of Europe because they considered themselves on part of Hellenic civilization. The others symbolized the country's advance from the Balkan backwardness to European sophistication⁷.

Karamanlis viewed Greece as a bridge, in his words 'linking –what was then- the Common Market to the Mediterranean'⁸. He could see what sort of benefits Greece would have if they moved closer to the Community. In that respect, "Karamanlis was one of the great European visionaries of the past century"⁹. His primary objective was to gain associate status that would be accompanied by a long period of adjustment. In those days, Greece could not hope to become a full member of the

⁷ D. George Kousoulas, *Modern Greece*, p. 249 (1987).

⁸ Speech of Constantinos Karamalis at the signing of the Accord admitting Greece to the EEC, for the quotation see the address by the president of the European People's Party Dr. Wilfried Martens at the inauguration of the Constantinos Karamalis hall in the European Parliament, p. 1, (2003).

⁹ Karamanlis's address at the European Parliament for the quotation see the address by the president of the European People's Party Dr. Wilfried Martens at the inauguration of the Constantinos Karamalis hall in the European Parliament, p. 1, (2003).

community because it lagged behind the six EEC partners in terms of economic and social development. Karamanlis recognized that Greece was an unequal partner, therefore, considerable efforts were needed to modernize Greek industry, and structural reforms were necessary in not only the public sector but also the private sector through the Greek economy was not in bad shape and was rapidly developing since the 1950s¹⁰.

Becoming a close partner of Europe promised the country's emancipation from the monopoly of Anglo-American influence, which was not greatly inspired by the Greeks. After the Second World War, the US had assisted the Greek economy as it did many others to get back on its own feet. However, the Greeks did not appreciate this, nor was American assistance very much appreciated by other European countries that decided to get together and form a Community. In this sense, it was seen by several Greek pro-Marketers to look to the Community for some sort of defense and security identity protecting them from the US¹¹.

The six signed the Treaty of Rome¹² establishing the European Economic Community (EEC) and European Atomic Energy Commission (EURATOM) in 1957. Right after this treaty was signed in 1959 Karamanlis applied to become an associate member in the Community because of the reasons stated above. Not long after this application Karamanlis reached his goal and the treaty granting association membership was signed in Athens on July 10, 1961.

¹⁰ The Times, 11Dec. 1979.

¹¹ Carol and Kenneth J. Twitchett, Building Europe: Britain's Partners in the EEC, p. 232 (1981).

¹² http://europa.eu.int/eur-lex/en/treaties/selected/livre2_c.html

1.3. Signing of the Athens Treaty in July 1961 and Afterwards

Four agreements of association with non-member states were concluded since the establishment of the three European Communities, namely the European Coal and Steel Community in 1952 and the European Economic Community and the European Atomic Energy Community in 1958¹³. The Associate Agreements of the European Community was first signed by the ECSC and the United Kingdom on December 21 1954¹⁴. The other associate agreement s was signed with Greece in 1961, with a number of newly established African states and with Turkey in 1963.

These association agreements had economic and even political implications on the external relations of both member states and non-member states that needed to be tackled. First, the existing pattern of international trade was likely to be altered by some of these agreements. Second, with the new agreements a shift in the distribution of power in the international arena was expected to come about. Third, the legal base of the agreement and the long range and intermediate term objectives needed to be explored.

¹³ For the texts of the ECSC, EEC and the Euratom Treaties, see Treaty Establishing the European Coal and Steel Community (Luxembourg: High Authority, n.d.); Treaty Establishing the European Economic Community (Brussels: Secretariat of the Interim Committee for the Common Market and Euratom, n.d.); and the Treaty Establishing the European Atomic Energy Community (Euratom) (Brussels: Secretariat of the Interim Committee for the Common Market and Euroatom n.d.). The member states are France, West Germany, Italy, the Netherlands, Belgium and Luxembourg.

¹⁴ For the text of the ECSC-United Kingdom Agreement, see Publications Department of ECSC, Agreement Concerning the Relations between the European Coal and Steel Community and the United Kingdom of Great Britain and Northern Ireland (Luxembourg, n.d.) (Hereinafter cited s the ECSC-United Kingdom Agreement).

The legal foundation of the Association Agreement stated in these accords is Article 238 of the EEC Treaty¹⁵. In addition, the negotiations of rights and obligations stipulated in Article 238 were in the hands of the EEC Commission, as in EU today, but it was the Council of Ministers that acted by means of a unanimous vote and after consulting the European Parliament, it concluded the agreement¹⁶. The member states are contracting parties to the Greek Association Agreement despite the fact that for Article 238 authorizes the Community, as an international legal person¹⁷. The necessity for the joint venture was because of the Greek Associate Agreement that the accord to be useful and effective it had to contain an undertaking on the part of the Community that might in some respect lie outside its competence as stipulated by the EEC Treaty¹⁸.

What were the objectives of the Association Agreements then? The Association Agreement is nothing more than a conclusion of a trade or commercial accord; however, it did not cover the acquisition of full membership¹⁹. The Three Treaties formed by the EEC does not give a specific definition of objectives of the

¹⁵ See Article 238 of the EEC Treaty, this Article stipulates that the Community “ may conclude with a third country, a union of States or an international organization agreement creating an association embodying reciprocal rights and obligations, joint actions and special procedures”.

¹⁶ See Article 228 of the EEC Treaty. The requirement of consultation must not be understood to mean that the Council is bound by the advice of the Parliament. The Council in fact did not consult the Parliament before concluding the Greek Agreement. Yet, in order to comply at the spirit of Article 238 a reservation was added to the Council representative’s signature that declared that the Community would be obligated by either of the agreements only after “the procedures described by the EEC Treaty, particularly the consultation of the European Parliament, had been completed”. The Parliament strongly objected to this method of applying Article 238. See *Europäisches Parlament, Sitzungsdocumente 1961-1962, Document 61, September 18, 1961, p. 4, 5*; and also the resolution of the Parliament approving the Turkish Agreement in *Amtsblatt der Europäischen Gemeinschaften* (hereinafter cited as *Amtsblatt*), December 12, 1963 (Vol. 6), p. 2906/63-2908/63. In support of the Council’s procedures, see Thomas Oppermann, “ Die Assoziierung Griechenlands mit Völkerrecht, 1962 (Vol. 22, No.3), p. 498-502.

¹⁷ See Article 210 and 211 of the EEC Treaty. For discussions of the meaning of these two Articles and problems connected to it with the international legal personality of the Community, see Werner Feld, “The Association Agreement of the European Communities”, p. 225 (1965).

¹⁸ For example, especially for the financial aid undertakings see Article 228 (1). The problem of who would be the

¹⁹ Werner Feld, *The Association Agreements of the European Community*, p.227 (1985).

Association Agreement. There are therefore just assumptions that base it on an objective. It is said to most probably be to extend to a notion stating that it is a union desiring to include the associated members, for those European associates to join the Community, as full members. For those states that are willing but are not able to fulfill the economic conditions of accession, the customs union was considered as a secondary alternative while getting prepared for the full membership²⁰. Another objective that is been defined by some scholars is that the Association Agreement was to create a free trade area, where customs duties between the Community and the associate member would be abolished, yet no common external tariffs would be established²¹.

The provisions of the EEC and Euratom Treaties stating the principle between the rights and obligations of the association partner are also significant. The associated state not only enjoys the benefits of eliminating interior customs duties and the external tariffs but it has to comply with certain restrictive rules of the EEC Treaty such as the regulations on competition considered to guarantee a fair market in the Community's boundaries.

The long-term objective of the Agreement with Greece was "to promote a continuous and balanced strengthening of commercial and economic relations between the contracting parties with full consideration of the need to ensure the accelerated development of the economy of Greece (Turkey) as well as the elevation of the level

²⁰ Only European states may become members of any of the Communities (Article 98 of the ECSC Treaty, Article 237 of the EEC Treaty, Article 205 of the Euratom Treaty).

²¹ Werner Feld, *The Association Agreements of the European Community*, p.227 (1985).

of employment and of the living standards of the Greek (Turkish) people”²². In this respect the objectives of the two associated members, namely Greece and Turkey were put in the same category, however, these countries were more far reaching than those of the ESCS Agreement with the United Kingdom²³. In this end, the associated members had to establish customs union with the EEC and to harmonize their economic policies. “A tentative long-range objective of both Agreements is the accession of Greece and Turkey to full membership in the Community”²⁴. Nevertheless, since the levels of economic development in Greece and Turkey were considered to be different, in turn, the regulations of the customs union were not the same. In the Agreement as the Agreement was in force, the then customs duties would be abolished gradually²⁵. Nonetheless, there existed exceptions to this principle; firstly, the member states were required to cut their tariffs immediately on imports from Greece to the level already attained by the Community. Secondly, Greece was allowed to apply new duties during the first twelve years in order to protect its young industries. Thirdly, Greece was permitted to “space out” its tariff reductions for a number of productions over 22 years²⁶.

Last but not least, in order to protect some of the agricultural products that is vital for the Greek economy, for instance, the tobacco, raisins, olives, rosin and some other products, the Community agreed not to change these without the consent of Greece²⁷. The fundamental principle of such a process of harmonization of agricultural policies

²² Articles 2(1) of both the Greek and Turkish Agreements for more information see Werner Feld, *The Association Agreements of the European Community*, p.230 (1985)..

²³ Werner Feld, *The Association Agreements of the European Community*, p.230 (1985)..

²⁴ Articles 2 (2) and 72 of the Greek Agreement and Articles 4 (1) and 28 of the Turkish Agreement for further information see *ibid.* p. 230. .

²⁵ The Association Agreement covers all trade between Greece and the Community except coal, steel, coke, iron, ore, and scrap, Articles 6 and 69 of the Greek Agreement see *ibid.* p. 230.

²⁶ Articles 12, 15, and 18 and Annex I of the Greek Agreement see *ibid.* p. 230.

²⁷ Article 20 (1-2) and Protocol 10 of the Greek Agreement see *ibid.* p. 231.

was to assure equal treatment of similar products of member states and Greece within the Community's markets²⁸. Furthermore, with regard to economic policy, there were some detailed arrangements made²⁹. The coordination effort was to be directed by the general principles of the EEC Treaty and to construct a "sound basis for Greece's balance of payments". The Greek Agreement had detailed provisions listed as stated above³⁰.

1.4. The relentless struggle and the military coups in 1967 and the relations between Greece and the EU

On April 21, 1967, the military assumed political leadership and the relations between Greece and EEC "froze" when military coups dominated Greek politics from 1967 to 1974 until democracy was restored. Yet, what prompted the military to intervene in Greek politics? What was the rationale of the military coup of 1967? In order to answer these questions it is necessary to understand Greek history and politics and then examine the conditions under which the military took an active role in Greek politics. On the other hand, it is, also, significant to explore the factor that deterred the military from the politics of Greece.

²⁸ Article 32 and 33 of the Greek Agreement, Articles 34-43 and Annexes 2 and 3 provide the detailed regulations for the harmonization process, see *ibid.* pp. 232.

²⁹ For details, see Article 58-64 of the Greek Agreement. An interesting provision concerning the harmonization of the foreign trade policies of the Community and Greece deals with the case of a third country applying to join the Community either as an associate member or a full member. In such an event the Community and Greece are to consult each other in order to settle jointly the new relations between Greece and the future associate or member with full consideration of both Greek and EEC interests. This provision was applied when the agreement with Turkey was being negotiated, may cause difficulties should the Community want to conclude additional association agreements with other Mediterranean countries, see *ibid.* pp. 232.

³⁰ The Turkish Agreement lacks the detailed provisions of the Greek Agreement regarding the gradual establishment of the customs union because these details cannot be spelled out until it is determined that Turkey is ready for the introduction of the customs union and because the necessary provisions must take into consideration the economic and legal situation that will exist at that time, for details see *ibid.* pp. 232.

The old quarrels in Greece had always been between Venizelists and anti-Venizelists, in other words, it was between the supporters of the republic and the monarchy. This picture had gradually changed but had been overlaid by an even more significant division that was between the communists and anti-communists³¹. The Russian regime was starting to influence the Greek domestic politics as well. The Russian regime had also quite an effect on the Balkan countries domestic politics and these countries became a Socialist country one by one in due time.

Resources were devoted to military to the containment of 'the enemy within' rather than to repairing the ravages of war and occupation. In turn, by 1949 Greek military and security forces were approximately a quarter of a million. The American aid had not been spent on economic development and "channeled instead to military objectives"³². Military obtained a significant power and the Greek military was willing and able to intervene into politics when demanded.

It is necessary to mention American dominance in Greek politics, where there were claims that only "few major military, economic or, indeed, political decisions could be taken without American approval".³³ For instance, the result of the elections in 1951, when the Greek Rally headed by Marshal Papagos, the commander in chief during the later stages of the civil war, replaced the People's Party and United Democratic Left, which was an outlawed communist party, got some of the votes, upset the American ambassador, who did not hesitate to "publicly threaten a reduction in US aid, (of which Greece had been the recipient of almost billions of

³¹ Clogg, Richard, *A Concise History of Greece*, pp. 145 (1939).

³² *Ibid.* pp. 146.

³³ *Ibid.* pp. 146.

dollars over previous five years), unless the voting system was to be changed from proportional to majority”³⁴. It was no secret that the Greek economy was heavily dependent on the US aid. It soon was apparent that the primary objective of Greek government was the containment of communism both at domestic and international levels.

There were reasons behind such an American policy; in fact, countries that had fallen under communist control surrounded Greece: Albania, Yugoslavia and Bulgaria were under the communist regime now. Therefore, in 1952, both Greece and Turkey were admitted to NATO. In 1958, the communist party emerged as the main opposition party, the United Democratic Left had exploited widespread resentment over the Cyprus issue when NATO allies did not back the Greek case as much as the Greeks wished. This worried both the US administration and Karamanlis, who was declared as King Paul’s successor and who had won the elections in 1956 and in 1958 and increased his majority in parliament³⁵.

Nonetheless, Karamanlis did not face too much trouble until his luck changed when the centre parties managed to come together under one party, namely the umbrella of the Centre Union lead by Georgios Papandreou. Papandreou had achieved his objective to cut down United Democratic Left but he could not replace Karamanlis. In 1958 Papandreou attained a narrow victory over Karamanlis. Papandreou’s economic policies threatened price stability that achieved during the first Karamanlis era. Moreover, the army began to regard it as the protector of the national values and decided to protect the country from dangerous left wing influences.

³⁴ Ibid. pp. 147.

³⁵ Ibid. pp.151.

When things were getting worse, Papandreou decided to exert full political power over the armed forces. Yet he could not attain his goal when his own defense minister thwarted him. “The crisis reached a climax in July 1965 when the prime minister sought royal assent to taking over the ministry of defense in addition to the premiership”³⁶. The King Constantine, who was the son of King Paul, refused his request. The political turmoil continued and uncertainty served a group of junior officers to execute a coup that faced no organized resistance.

The coup was lead and engineered by Papadopoulos whom had set up a secret organization called the Union of Greek Officers (EENA)³⁷ and assumed power in 1967. He managed to become the dictator of Greece between 1967 and 1973 even though the military junta faced some trouble in justifying its action. The army’s rationale for intervention was that it was grounded not on the social and political milieu of that country but within the regional and international political and ideological struggle³⁸. The officers tried to justify their action by stressing the inability of the politicians and the king to take necessary measures in order to solve the political and national crises in the mid 1960s³⁹. The new regime was authoritarian⁴⁰: not only did the military assume constitutional, executive, and legislative powers but also issued a number of legislative degrees. “Promising the

³⁶ Ibid. pp.161.

³⁷ A. Papandreou, *Democracy at Gunpoint* (London, 1971), pp. 189-190. This union (EENA) was opposed to IDEA, a secret organization of officers set up in 1945.

³⁸ G. A. Kourvetaris, *Studies on Modern Greek Society and Politics*, pp. 137 (1999)

³⁹ Ibid. pp.138.

⁴⁰ S.G. Xydis, “Coups and Countercoups in Greece, 1967-1973”, *Political Science Quarterly*, (89) 3 (1974) pp.508.

regeneration of the 'Greece of the Greek Christians' it chose as its symbol the phoenix rising from its ashes, with a soldier at attention in its breast"⁴¹.

The 1952 constitution was replaced in 1968, which constitution did not overrule the powers of the king, but limited royal powers. It increased the powers of the armed forces and "it vested the armed forces with the role of guardians of the constitution and of the political and social status quo"⁴². Martial law was lifted in 1971 from the rural areas and it remained limited to Greater Athens in 1972.

In 1973 Papadopoulos reserved powers not only in defense sectors but also in foreign affairs and public order. In addition, he shared legislative powers with the Parliament. The period of the Revolution of April 21, 1967 was officially declared to have come to an end. The new constitution allowed a multiparty system; it also called for its implementation by the end of 1974. These were optimistic signs that an all-civilian cabinet was about to take over in Greece again⁴³.

On November 25, 1973, a military coup under the leadership of Brigadier-General Dimitrios Ioannidis who was the leader of ESA, in other words the military police, was carried out and another military officer replaced Papadopoulos. However, this time he enjoyed limited powers through a return to the "Revolution of April 21, 1967" was proclaimed with this military coup. The election plans were cancelled and a new political struggle broke out among the members of the former Union of Young

⁴¹ Ioannis Kapodistrias, the first President of Greece, had used the phoenix as a symbol of free Greece. He also had invoked the precept of *salus populi suprema lex esto* when setting aside the constitution of Troezen (1827) and establishing in 1828 a quasi-dictatorship.

⁴² S.G. Xydis, "Coups and Countercoups in Greece, 1967-1973", Political Science Quarterly, (89) 3 (1974) pp.508.

⁴³ Ibid. pp.509.

Greek Officer⁴⁴. Once again the coup was extended to civil life and a need for the coup to justify itself politically and beneficial ties to the society⁴⁵. The change of junta coincided with a deterioration of relations with Turkey. This was when Turkish side claimed for the right to prospect for oil found in the Greece's claimed continental shelf, in parts of the Aegean Sea. After this event took place Greece and Turkey began mobilizing, however, Greek mobilization did not prove to be serious due to the fact that there was serious trouble in attaining command and order relationship in newly formed junta. The military commanders refused to obey Ioannidis's orders to attack Turkey⁴⁶. It is, yet, significant to mention here that during the same year the Cyprus issue came to the forefront and the Turkish intervention in Cyprus took place. This intervention was actually one of the main reasons that forced the old military junta to collapse and the ensuing chaos came to an end where Mr. Karamanlis who was in exile came back and restored democracy to Athens. Thus, the junta came to an end because there was no domestic support within and not a friend without. The old military leaders had no choice but to call on Konstantinos Karamanlis to establish democracy in Greece. On 24 July 1974 Karamanlis came back and restored democracy for good in Greece.

As he assumed power the Greek and EEC relations began normalizing. Normalization of relations with Greece and the EU began with the change of Greek political structure. Karamanlis did indeed manage to ensure a remarkable transition

⁴⁴ Ibid. pp.509.

⁴⁵ A. Roberts, "Civil Resistance to Military Coups", Journal of Peace Research, (12) 1 (1975) pp. 19.

⁴⁶ R. Clogg, *A Concise History of Greece*, pp. 168 (1992)

from dictatorship to democracy. The political system functioned more effectively than ever before for the next seven years. This progress made it possible for Greece to join the EEC in 1981. Thus, Karamanlis had achieved its aims to be the part of the club with some delay. Karamanlis for long believed that "Greece belongs to the West", on the other hand, Andreas Papandreou, stated, "Greece belongs to the Greeks"⁴⁷. These two opposing statements were significant in demonstrating the future relations between the EEC and Greece.

It is important to focus on the reasons why Karamanlis was so keen on joining the EEC. This can be summed up as follows: first, Greece considered the Community to be the institutional framework within which stability could be brought into its democratic political system and institutions. Second, Greece tried to enforce its independence and position within the regional and international system as well as its "power to negotiate", in particular, with regard to its relations with Turkey, because after the which intervention in Cyprus (July 1974) Greece had to look for security guarantees from any quarter. In turn, Greece also sought to loosen its strong post-war dependence upon the US. Third, accession to the Community was regarded by Karamanlis as a powerful factor that would contribute to the development and modernization of the Greek economy and Greek society. Last but not least, Karamanlis desired, as a European country, to have "presence" in, and an impact on, the process towards European integration and the European model⁴⁸.

⁴⁷ Ibid. pp.179.

⁴⁸ http://www.mfa.gr/english/foreign_policy/eu/greece/history.html.

1.5. Greek accession to the EU in 1981 and the PASOK era

In January 1st 1981 Greece formally joined the European Community (EU) after all the efforts of Karamanlis. The same year, a socialist government came into power. The Pan Hellenistic Socialist Party had been very much against further integration with the West. The reason for its opposition was because this would “consolidate a peripheral role of the county as a satellite in the capitalist system”⁴⁹. Its agenda focused on the dissimilarities of political objectives between Greece and the European Union. They followed an anti-European and an anti-Western policy. Especially through 1980s this attitude caused Greece to follow distant foreign policy choices and moves, which strained the relations between Greece and its European partners on common foreign policy⁵⁰.

PASOK could neither get NATO and nor the US support against Turkey. Therefore, they concluded a non-aggression pact with Bulgaria and tried to establish good relations with a Warsaw Pact country⁵¹. This new policy of Prime Minister Andreas Papandreou, vis a vis the Turkish threat lead to strain the relations between Greece and the European Community (EU) members. The aim of this policy adjustment was to internationalize the Cyprus and the Aegean disputes⁵². This policy proved not to be successful and the aim of internalizing these issues did not reach its target. However it is necessary to note that during these days the EC was not seen as a strong institution nor was it not seen as an organization with any capacity to impose

⁴⁹ Panos Kazakos, *Historical Review*, pp. 5.

⁵⁰ Panayiotis Ioakimidis, *Contradictions in the Europeanization Process*, (1996) pp.31-49.

⁵¹ For more information see, Susannah Verney, from the ‘special relationship’ to Europeanism: PASOK and the EC, 1981-89, in Richard Clogg, *The Populist Decade*, pp. 28-47.

⁵² Gökakın Özlem Behice, *The Turco-Greek Dispute and Turkey’s relations with the European Union*, Bilkent, (2000) pp. 51.

sanctions on Turkey⁵³. Moreover, they did not believe that EC could guarantee their security interests in the region against Turkey. Furthermore, in 1982 Greece presented a memorandum to the EC Commission that indicated that Greece wished to join the EC, but under certain conditions. It deemed to get certain exceptions from the common market arrangements⁵⁴.

This particular memorandum became the basis for Greece's cooperation and integration with EC. In mid-1980s PASOK government changed its attitude from a hostile anti-European Union and anti-Western posture to a more amenable one towards the EC. The Greek Government had realized the advantage of membership in the EC as a lever to convince Turkey that Turkish EC relations would not improve in any respect unless they approved it. This approval was tied to the resolution of the Cyprus and the Aegean issues⁵⁵. This won one of the reasons why Greece supported the supranational elements in the EC, and gave full support to the communities developing foreign and defense policies. In short, Greece utilized well its power and prestige in the EU against Turkey during the mid 1980s and 1990s⁵⁶. There was a lot of lobbying from the Greek side in the European Council of Ministers in order to get support to assist them in reaching their aims and getting the upper hand in their relations with Turkey.

The end of the Cold War offered Greece an opportunity for new foreign policy exercises. For instance, Greece rediscovered the Balkans and pushed the countries in

⁵³ Ibid. pp.51.

⁵⁴ For further information see, Memorandum, in Journal of European Communities, (1982) pp. 187-193.

⁵⁵ For further guidance see, Prodromos Yannas, The Greek Factor in the EC-Turkey Relations, (1985) pp. 215-223.

⁵⁶ Gökakın Özlem Behice, The Turco-Greek Dispute and Turkey's relations with the European Union, Bilkent, (2000) pp. 52.

the region to find a role for itself in the EU. Until then, the EU meant a generous inflow of cash, and a political good example. On the other hand, it also seemed to be Greece's only chance of breaking its isolation. Greece tried to improve its position by playing a significant role in integrating the Balkans into the EU. But the ethnic policies Athens pursued was likely to create trouble. The Macedonian problem caused Greece to become an even more marginal member in the European Union. Jacques Delors, the president of the European Commission at the same time period, sent a letter to Andreas Papandreou warning him to put an end to his unethical behavior towards Macedonia, otherwise Greece was threatened to be taken to the European Court. Delors even mentioned, "He would be happy to see Greece leave"⁵⁷. The Greek blockade towards Macedonia aimed at changing its flag and constitution in ways the Greeks insisted upon was no good news in the EU. The actions violated Greece's obligations to its EU partners under the Maastricht and Rome treaties. There were lots of criticisms of the Greek attitude at this period Greece was criticized to act like immortals and the Greek gods. It's blockade of Macedonia illustrated how dangerous Mr. Papandreou's "Olympian attitude" could be.⁵⁸

This period is characterized by strong doubts about certain aspects of European integration. All this was coupled with the objective to "re-determine the country's position within the community by means of establishing a 'special regime' of relations and regulations"⁵⁹. As stated above, in March 1982 Greece, for this purpose, submitted a Memorandum asking for additional divergence from implementing certain community policies as well as further economic support in order to restructure Greek economy. The Greek Government could not manage to get

⁵⁷ **The Economist**, Elsewhere in the Balkans, (1994) pp. 59.

⁵⁸ **The Economist**, When Gods Nod, (1994) pp. 52.

⁵⁹ http://www.mfa.gr/english/foreign_policy/eu/greece/history.html

this Memorandum accepted, the European Commission was only prepared to acknowledge the second request and fund it, and that was to be met through the Integrated Mediterranean Programs (IMPs) accepted in 1985. The IMP was considered to be much more significant than the additional funds granted to Greece because they introduced an effort towards structural policy development shaped in 1988 with the new structural policy⁶⁰. No matter how much tension Greece and the EU went through during this period, yet, at the end of the day, the Greek Government did manage to get a degree of benefits out of the harsh times it had with the EU.

⁶⁰ Ibid. pp. 2.

CHAPTER II: GREECE AND THE EU IN THE NEW ERA AFTER THE END OF THE COLD WAR

2.1. The New Pace of EU relations with Greece after the Cold War

The end of the Cold War brought with it its own troubles and it carried a new potential for new kinds of conflicts, for instance, long-standing ethnic animosities mushroomed in the Balkans. Most of the Balkans was ruled under the communist regime, the collapse of which created a strategic and ideological vacuum. Thus, “the primary national security policy of Greece was to safeguard its territorial integrity and to protect its democratic system and values”⁶¹. In order to secure its interest Greece sought to integrate its policies with those of its EU partners, more than ever before.

Nevertheless, since late 1991 the highly emotional issue for Greece, namely the independence of Slavic Macedonia diverted the country from this policy. In the 1990s there was immense trouble over the issue between Greece and EU, due to Greece’s unilateral embargo against FYROM. These radical actions provoked a reaction that was as radical as the action. Literally, the action provoked sharp disapproval and threats of legal action by the EU. Moreover, Greece’s unwillingness

⁶¹ http://greece.russiansabroad.com/country_page.aspx?page=227

to facilitate NATO air strikes on Serbia and its sympathetic attitude towards the Serb and their non-humanitarian actions exacerbated the Greek EU tensions.

Therefore, Greek efforts to deepen ties with the EU faced obstacles and complicated not only Greece's ties to EU but also it caused tensions with Greece's relations in NATO.

During this period, the policy Greece pursued with regard to the EU was characterized by the gradual adoption of stronger pro-integration positions. Especially, starting from 1988 on, Greece began not only to support the "federal" integration model but also the development of joint policy in new departments, namely education, health, and environment, the strengthening of supra-national institutions, for instance, the Commission and the Parliament. Some member states tried to develop a joint foreign and security policy for the Union but inconsistencies remained in both in the field of economy, Greece was diverging from the average "community" development level, and the political sector, with the problem caused by the FYROM question of Macedonia enraged itself from the rest of the EU name tension to be defused when the interim Agreement was signed in 1993. Meanwhile, Greece began to focus on the resolution of Cyprus question in accordance with its wishes: it started to project as its main goal the securing of Cyprus' accession to the European Community. To that end, it supported and backed the Nicosia Government in the latter's application for accession, submitted in June 1990⁶².

⁶² http://www.mfa.gr/english/foreign_policy/eu/greece/history.html

2.2. The Simitis era and the change of policies and attitudes

When Simitis won the elections and succeeded power, in 1996, Greece's economy was still in bad shape, however, in this period attitudes changed. A new foreign policy towards the EU was initiated. Greek government, finally, started talking in the European diplomacy language. Many examples can be demonstrated to prove this point. For instance, Greek foreign affairs undersecretary Yannis Kranidiotis said, "The EU will serve as an umbrella which would give the necessary guarantees to all citizens of Cyprus"⁶³. On the other hand, Greece declared it would block the EU enlargement if it did not accept to bring in the Greek Cypriots into the European club. No matter how much the Greeks try to change their diplomatic language they still attired threatening declarations once in a while. Greece, furthermore, claimed to play a new role in the Balkans considering it the most stable and most politically and economically advanced country in the area⁶⁴. Their aim was to de balkanize the Balkans by, firstly, empowering the region that was historically handicapped due to the Cold War and communism. Secondly, they supported cooperation in the region. In conclusion, they intended to integrate the region into the wider European family. In the same fashion, Mr. Simitis stressed that Greece favored of Turkey's accession into the EU, on condition that Turkey should accept the authority of the European court. In addition, Turkey should withdraw its claims to the islet Imia Kardak. Finally, the issue of the Aegean continental shelf could also be sent to The Hague⁶⁵. These issues were "the strongest diplomatic card which Greece can deal against its'

⁶³ Gittman Robert J., Greek Foreign Policy, Europe, (1997) pp. 20.

⁶⁴ Ibid. pp.16.

⁶⁵ President & Prime Minister, Turkey and Greece, (1997) pp. 20.

archenemy Turkey” stated Prof. Cheistodoulos Yalourides a professor at the Athens University⁶⁶.

The Öcalan case was a Greek tragedy thus the Greek and the European relations were strained when Öcalan was captured. However, this only showed “the hypocrisy of fellow EU members now “demanding” an explanation of Greece’s actions”⁶⁷. This situation did not last far too long, and the relations bettered with Greece and the EU in a short while and the situation has altered greatly in the recent years. Greece is now receiving praise from Europeans for its moderation in its foreign policy⁶⁸.

Growing awareness in the deadlock created a shift in Greek’s relations with the EU. Over time Greece has realized the benefits of being an EU member and it adjusted its policies in order to gain as much as possible from its comparative advantage in the region. Greece is now following the EU foreign policy, and is putting forth claims that none of the Europeans dare to tell⁶⁹.

Simitis tried hard to give a new image to PASOK before the elections were held, and his decision “to clean up the governing Pan-Hellenic Socialist Movement (known as PASOK) and make it more ‘European’ was to a large extent successful.”⁷⁰ Although, Simitis lost the elections and in 2004 March the Conservative Party led by Costas Karamanlis won general elections, ending a decade of PASOK government, he still will be remembered by most of the Greeks as a great leader who changed most of Greek foreign policy and altered the policy-making process in Greece. In addition, he

⁶⁶ Anthee Carassavas, Christian Science Monitor, (1990) pp. 6.

⁶⁷ Kurop, Marcia Christoff, Christian Science Monitor, (1999) pp. 11.

⁶⁸ Tsoukalis Loukas, National Interest, Greece: Like Any Other European Country?, (1999) pp. 65.

⁶⁹ Pryce Jones David, National Review, Turkey’s New Day, (2002) pp. 33.

⁷⁰ The Economist, A big clean up is promised, (2003) pp. 11.

justified his foreign policy by utilizing the EU norms and values, for instance, “The European Union, he said, was an area of friendship, peace and cooperation in which one member-state could neither make territorial claims against another nor question the rules of international law. The EU’s “Agenda 2000”, he added, clearly stated that EU member states recognized the authority of the International Court of Justice. Mr. Simitis underlined that from the moment EU puts this forth as a condition, Turkey should accept the authority of the Court”⁷¹. Moreover, he no doubt managed to steer Greece into the euro zone, through whether this move was for the good of the nation or not remains to be seen.

Simitis’s willingness to be part of the EU can be traced in his anti-American attitude. Although Simitis gave permission for American military aircraft to fly over Greece on their way to bomb Iraq and he has given Americans access to a NATO military base on the Greek island Crete, yet always kept them at bay. He was more willing to side with the EU and be a part of the EU policies as much as possible. Euro Forces in Macedonia must have pleased Simitis greatly, when he announced on 16 January 2003 that the Euro Forces had officially replaced NATO mission there⁷³.

In summary, in this period of Greece's participation in the Union that is the one we are currently experiencing, commenced in 1996 and has been characterized by even further support for the idea and process of European integration and intensifying integration in every department, in line with the federal model. It is also characterized by an effort towards greater economic and social convergence with the fulfillment of the “convergence criteria” set by the Maastricht Treaty and Greece's

⁷¹ **Presidents & Prime Ministers**, Turkey-Greece, (1997) pp. 20.

⁷³ Alagjovzovski, Robert, The EU in Macedonia, **Transition Online**, (2003) pp. 3.

participation as a full member in the single currency, namely euro, and the Economic and Monetary Union (EMU) since January 1, 2002. The European Union Greek Presidency (first semester 2003) was the fourth in Greece's course as member of the European Union⁷⁴. Greece, finally, learned the rules of the game and played according to the rules and norms of the EU.

Simitis adjusted Greece's foreign policy and strategy in line with the EU rules and guidelines. In conclusion, in this period Simitis managed to "overcome its reputation as the EU's unruly teenager"⁷⁵. This negative image had caused Greece a lot of trouble and proven to be not so beneficial for the country's reputation in the EU. However, "much has changed since Andreas Papandreou brought Pasok to power on a strongly populist and anti-Western platform"⁷⁶. Especially after the death of Andreas Papandreou Simitis' succession, Pasok really shook off the past and built a novel policy like trying to pull Greece closer to the EU and to build a constructive relationship and end the historical animosity with Turkey. Furthermore, change of attitudes came into the context with the desire to be a part of the EMU. Simitis committed to economic reforms that permitted Greece eventually into the EMU.

Not only did Simitis change the course of politics in Greece but also the public opinion changed. Greek attitudes were compared from 1980 to 1990. In this comparison it was observed "with the exception of the 1988 Euro barometer poll, in all other years, Greek attitudes were above the EU average for the entire

⁷⁴ http://www.mfa.gr/english/foreign_policy/eu/greece/history.html

⁷⁵ **The Economist**, Taking the chair, (2003) pp.21.

⁷⁶ Hope, Kerin, Greece Gains Momentum, **Europe**, (1997) pp. 12.

community”⁷⁷. Thus, the anti-European or Western attitude came to an end. Greek public had indeed seen the benefits of being played an important part of the European Union and, of course, the subsidies disposed to Greece in changing the attitudes. Now the Greek public had no doubt that it needed to integrate further to harvest the benefits of being a EU member. Greek people also supported the EMU and believed in its benefits, according to the calculations done by Bundesbank, the distribution in proportion to EMI shareholders Greece stood in the group of Europe’s winners together with France, Italy, Britain, Spain, Sweden, Germany were grouped as the losers after EMU came into force⁷⁸.

2.3. Beginning of a New Era between Greece and the EU: Decision and the Aftermath

In 2000 Greece formally applied to be part of the single money club. Greece was the only EU member who wished to join the single currency, yet was not accepted because it failed to meet the criteria set by the EU laid out in Maastricht in 1991. This disappointed the Greek government but this triggered the Greek will to integrate further to the EU. In the few years that followed Simitis modernized the centre left government and this in turn made it possible for Greece to catch up fast with the EU criteria. For instance, tax collection became far more efficient when Greece improved its Information Technology (IT) and computerized the system. In addition, bond trading was modernized and adjusted to the EU standards. Moreover, spending as a proportion of GDP was steady and consistent. As a result of all these

⁷⁷ For more information see table in the appendix, George, A. Kourvetaris, *Studies on Modern Greek Society*, (1999) pp.. 319.

⁷⁸ For the central banks table see the table in the appendix, Economist, Profit Sharing, (1996), pp. 12.

improvements, not only did inflation fall sharply but also the public debt and budget deficit dropped to more or less EU levels⁷⁹.

Yet all these developments were not enough for Greece to be accepted into the single currency. Greece had to improve its telecom, energy, and shipping, and liberalize them. Fortunately, Greece did not have too much difficulty in liberalizing them because joining the euro was very popular between the business sector and the public opinion. There were great expectations about joining the EMU in Greece. According to the pollsters, nearly three quarters of the Greeks wanted it⁸⁰. The Greek National Economy and Finance Minister Yiannos Papantoniou stated that, “budget for accession to Economic and Monetary Union, whose ratification will pave the way for the powerful Greece which we all dream about”.⁸¹ Thus, the statesmen as well as the public and business sector were willing to join in the single currency club. Greece was not only willing but also able to achieve its aim because there were positive signals from the Europe’s Central Bank and the European Parliament that they would approve Greece to be included to the euro in a few years⁸². The Greek government set itself a target of doing so in 2001, before the first euro coins and notes came into circulation⁸³. Unfortunately, this target was delayed and Greece managed to join in 2002, which was not bad at all and finally, in 2002 January Euro replaced drachma. This step was a significant indicator that Greece, after a rough and long integration process, had finally achieved its objective.

⁷⁹ More Takers, Economist, (2000), pp. 13.

⁸⁰ Ibid. pp.13.

⁸¹ EMU Accession, Presidents & Prime Ministers, (1998), pp.21.

⁸² More Takers, Economist, (2000), pp. 13.

⁸³ The Euro: Making its Presence Known, Europe, (1998), pp. 13.

Simitis had a great deal of success in overcoming the opposition to the reforms necessary to be taken to reach the Maastricht criteria. Especially reforming the bureaucracy and trimming the overcrowded bureaucracy was not an easy task to accomplish. The economy was growing steadily; furthermore, it was fueled by both public and private investment. Greek companies invested vastly in the Balkans too. The end of the Cold War did indeed assist to boost the Greek economy. The window of opportunity was utilized well and Greece improved its competitiveness and position in the region⁸⁴. The EU funding was utilized intelligently in this period. Greece had learned from its past mistakes. Thus, these funds were directed to major project. For instance, it was used to improve Greece's transport infrastructure and help link the EU with the Balkans and Turkey⁸⁵. Simitis government did indeed play a major part in improving the economy and adopting Greece into the Maastricht criteria set in 1991. In this sense, Simitis once again showed his talents in integrating Greece into the EU and in turn Europeanizing Greece. With the end of the Cold War there were new post-Cold War concerns and of the end of the Cold War the defined world structure came to an end. Thus, this undefined global structures that were in a state of flux and this in turn raised potential for serious conflicts in many areas of previously stable areas.

There was a need for conflict free transition into democracy and a market economy in post communist countries. Greece met this demand and Simitis understood that the his "nation's optimal defense and security position for the foreseeable future began with a healthy and competitive economy functioning under conditions of free trade

⁸⁴ Hope, Kerin, Greece Gains Momentum, Europe, (1997), pp. 12.

⁸⁵ Ibid. pp.12.

integrated in an environment of strong democratic institutions backed by well trained and well equipped armed forces sufficient to maintain the regional military balance”⁸⁶. Joining the euro was one of Simitis’s ultimate aims and after a decade of sustained policy effort, Greece met this policy objective. Yet, in the rush to satisfy the criteria did Simitis have second thoughts on how this integration would affect the Greek economy? The short answer to that will have to be probably because after Greece joined in the single currency it’s economy soared and in 2003 the inflation was on the rise again. It is exceeding an annual rate of ⁸⁷ what the public does not hesitate to show its disappointment by protesting about the high inflation. In addition, the flow of EU funds slowed down as the European Commission imposes tighter accounting controls on them. Now with enlarged EU the “juiciest subsidies” will flow to countries like Poland and Hungary rather than Greece Spain and Portugal⁸⁸. The good old days have seemed to pass for Greece. It no longer has the full backing and support of the EU with its large amount of funds as in the past. It is now expected from Greece to stand on its own feet and the only way for Greece to come through this rough time is through further Europeanization. It is said, “Europeanization would be the solution to the Greek problem”⁸⁹.

Perhaps it was the economic uncertainty in Greece that resulted in the fall of Simitis’s government, after being in power since 1996. Costas Karamanlis succeeded him in his position after spending most of his career in opposition⁹⁰. When he first came to office there were doubts about what kind of a foreign policy he would be

⁸⁶ Greek foreign policy since 1974, Theodore A. Couloumbis & Sotiris Dalis (*) pp.

⁸⁷ Having it both ways, Economist, (2003), pp. 11.

⁸⁸ What’s ours is ours, Economist, (2001), pp. 9.

⁸⁹ George Andreou and Nikos Koutsiaras, Greece and Economic and Monetary Union, (2002) pp. 104

⁹⁰ Sprinting start? , Economist, (2004), pp. 5.

pursuing. Yet he did not divert very much from Simitis's . For instance, in his first days in office he had to focus on the United Nations backed effort, namely the Annan Plan, to reunite Cyprus. Karamanlis seemed keen on resolving this issue⁹¹. However, he did not put real effort on persuading the Greek Cypriots to accept the plan. When the Greek Cypriots rejected it he simply stated that he hoped that this would not ruin the Turkish-Greek relations that were established for the past five years. Karamanlis stated "mutual relations had entered what he called a new orbit, reaffirming his support for Turkey's bid to enter the EU"⁹².

In this context, it is clear that Karamanlis is going to follow the set path and will not change the Greek foreign policy towards Turkey. All his statements up to know have been on the same line, all stressing that the relations have acquired a directness which is very important for Karamanlis. Tayip Erdoğan's visit has demonstrated that the Cyprus issue would not affect Turkey's relations with Greece although it was clear that his visit would not in any way bring progress on the Cyprus issue. "The fact that the vote did not affect relations between Athens and Ankara is significant" stated the BBC's Athen's correspondent Richard Galpin. He was right in not understanding the Turkish reaction to the outcome of the referendum in Cyprus in a sense because Turkey and the Turkish Cypriots had been blamed as the intransigent ones⁹³. However, there was no reaction what ever to the whole event from Tayip Erdoğan's government. On the contrary, he visited Greece in order to show the world

⁹¹ Unity? , Economist, (2004), pp. 6.

⁹² <http://news.bbc.co.uk/2/hi/europe/3694221.stm>

⁹³ The loser takes all, New Statesman, (2004), pp. 8.

the Cyprus issues did not affect the Greek Turkish relations. Moreover, he seems to be keen to assist Turkey to join the EU club.⁹⁴

Karmanlis has declared that Greece is changing course while the elections were about to be held. He had accused the PASOK government of causing poverty, withering agriculture, decline in tourism, de-industrialization and dead ends for small and medium sized companies⁹⁵. When hearing these harsh and rough accusations to the old government it is not to think he would accuse them for joining the EMU too. However, he did not accuse them of the EMU but he added that PASOK was to be blamed for great losses of EU funds because there was not enough transparency. Furthermore, he announced that he would bring wages and pensions in line with the EU level. Thus, none of these declarations had any signal that Karamanlis would divert from the Europeanization policy set by Simitis's government? They are all in the same direction as Simitis's policies towards the EU and it can be further said that Greece will go on integrating into the EU, during the Karamanlis government as well.

⁹⁴ Sprinting start? , Economist, (2004), pp. 6.

⁹⁵ ND's Karamanlis Declares Greece is Changing Course, Kathimerini, (2004), pp. 4.

CHAPTER III. STATE MODERNIZATION AND ADJUSTMENT: THE INTEGRESSION PROCESS

3.1. Macroeconomic effects of Greece's accession to the EU

Accession to the EEC had a number of macroeconomic effects, all of which need to be tackled. There were numerous basic effects; firstly, there were price effects from the introduction of VAT. Secondly, it led to a gradual freeing of labor movements and an operation of the Regional and Social Funds. Thirdly, there was an application of the Common Agricultural Policy (CAP), which is price alignment for agricultural products. Fourthly, there was a reduction of government income out of import duties and taxes. Last but not least, the effects of budget financing the European Institutions and various financial transfers out of the EEC budget⁹⁶.

Greece accepted the *acquis communautaire* relative to fiscal matters by signing the Accession Treaty with EEC. Accordingly, to the government was expected to introduce the VAT⁹⁷ regime in three years. In this context, the substitution of VAT for many of these taxes, moreover this actually operates as tariffs, contributed to the imports. In addition, VAT exemption of capital goods has been an incentive to

⁹⁶ George, N. Yannopoulos, *Greece and the EEC*, (), pp.7-8.

⁹⁷ Value Added Tax (VAT) is a tax on the final consumption of certain goods and services in the home market but is collected at every stage of production and distribution, for more information see <http://www.hmce.gov.uk/business/vat/vat.htm>

⁹⁸ George, N. Yannopoulos, *Greece and the EEC*, (), pp.8.

exports. In turn, VAT exemption of capital goods has been an incentive for investments. However, the application of the VAT system is not inflation-neutral because the burden of taxes had been redistributed⁹⁸.

On the other hand, according to Article 45 of the Accession Treaty free labor migration is guaranteed starting from 1st of January 1988. Thus, the Greeks had to wait for seven years in order to attain full labor movement. Hence, the effects of these measures were marginal during the transition period. However, later, the immigration and its effects started to affect Greece after this gradual freeing of labor was attained. But, the impact did not last long and as the real wages in Greece grew faster than in other Community countries the stimulus to migration diminished⁹⁹.

Operation of the Regional and Social Funds had a significant effect on the macro economy of Greece. As Article 92 of the Treaty of Rome¹⁰⁰ was in force the maximum aid represented 20 per cent of the investment cost in the case of a post created or 40 per cent in the case of infrastructure projects, on the other hand, the operation of the Social Fund finances 50 per cent of the project costs so that an effort is required to prepare interesting and qualitative proposals to get these funds. Yet, the Greeks managed to utilize these funds in an effective way¹⁰¹. The Structural Map

⁹⁹ Ibid. pp. 9.

¹⁰⁰ For more information see Article 92 of the Treaty of Rome that stipulates that the principle of incompatibility of state aids as far as this support influences trade between member countries or when competition is falsified through favoring specific enterprises or sectors. The principal exception to this rule concerns government aids for the economic development of regions where the standard of living is abnormally low or which are characterized by serious underemployment.

¹⁰¹ George, N. Yannopoulos, Greece and the EEC, (1995), pp.10.

was ¹⁰². Another aspect that affected the Greek economy was the Common Agricultural Policy (CAP)¹⁰³ of EEC.

The macro economic outcome of CAP to the Greek economy have been threefold, firstly, the variation in the index of import prices had increased from +3.8 percent to +5 percent. Thus, there was a 1.2 percent increase in the import prices. In this context, the increase in import prices led to a negative affect on the Greek economy. Greece now had to pay more to import its agricultural products to the country. Secondly, the variation of the producer's prices of total national production was +4.3 percent. The producer's prices to agricultural products also increased because of CAP implications. Lastly, the net variation of agricultural income was +6.5 percent¹⁰⁴.

The obligations imposed by the Accession Treaty was numerous¹⁰⁵ and this affected the reduction of government income out of import duties and taxes, as well as the spread of the effects over a transition period of five years and the price effects of tariff reductions and alignments on imports. The tariff reductions after accession affected the import growth rate. In addition, the gradual abolition of quantitative import restrictions was difficult to find out. However, it was calculated that an

¹⁰² http://www.openheritage.com/public_downloads/OHReport_en.pdf

¹⁰³ The application of CAP, firstly, implied that prices of agricultural products will be aligned with reference to Community prices resulting in an increase of Greek producer prices and thus finally of consumer prices. Secondly, it also implied that Greece would adopt the Common income support measure. Thirdly, Greek levies on imported agricultural products produced in third countries will be transferred to the Common Agricultural Fund and that Greece will accept the common prices for agricultural imports from the EEC-9. Fourthly, the operation of the Orientation Fund to develop production structures and marketing was to be applied. Last but not least, there was the necessity to abolish national subsidies to Greek farmers.

¹⁰⁴ George, N. Yannopoulos, Greece and the EEC, (), pp.11.

¹⁰⁵ The obligations imposed by the Accession Treaty implied that the remaining duties on Community products are lifted in six years stages. Moreover, the Greek external tariff is aligned to the Common Market external tariff. Furthermore, it imposed that Greece adopts the agreements concluded by the Community with third countries. Another obligation was that Greece was imposed to gradually abolish its import controls.

increase by 5 percent of total elasticity of import was sufficient to produce the expected positive accession effects. “This confirms that the opportunity of obtaining benefits from integration in a period of economic crisis and persistent structural imbalances was not evident for Greece”¹⁰⁶.

What effect did the participation of the Greek government have in the financing of the European Institutions and various other financial transfers out of the EEC budget? Greece got enormous amount of funds, namely the Agricultural Fund, the Regional Fund, the Social Fund and many other forms of funds in the field of science research, energy, Common Market industrial and transport policies. These funds summed up to 33-40m ECU in the first year of accession¹⁰⁷.

The Structural Funds attempted to strengthen the weaker regions and let these regions “reap the benefit of the single market”.¹⁰⁸ The increase of EU funds to Greece was not only transfer of subsidies into Greek economy but also was an assistance to integrate and develop the country, in other words, Community Support Framework was agreed to be given to less developed regions. In the period 1989-1993 the structural funds amounted to 7.2 billion ECU, with Integrated Mediterranean Programmes. The immediate affects of these funds to the Greek economy were enormous. 50 000 new jobs were created and 70% of the total investment programme in Greece was co-financed. Yet there was another CSF when at the Edinburgh Summit it was agreed that increase budget resources and finance another CSF. Greece received a total of 5.62 billion ECU during 1994–1999. In

¹⁰⁶ Yannopoulos, Greece and the EEC, (), pp.12.

¹⁰⁷ Ibis, pp. 12.

¹⁰⁸ Georgious, George A. The Dynamics of the Community Support Framework for Greece and its Contribution to Regional Convergence, European Planning Studies, (1999), pp. 9. See the Appendix for detailed information and figures.

addition, a Cohesion Fund complemented the Structural Funds for those countries like Greece, whose GDP per capita was less than 90% of the Community average. Greece received 2.31 billion ECU in the 1994-1999 periods.

There were, also, many other automatic and own resources of the Community institutions¹⁰⁹. The effects of budget financing of the European Institutions and various financial transfers out of the EEC budget following EEC regimes were as follows: for instance, if there was an affect on meat and maize imports. Greece was refund for loses it made because of these regimes. And Greece received an income from VAT. It received, net, 82m UA in the first transition year, and 150, 280, 350, 467 and 500m UA, respectively in 1982, 1983, 1984, 1985, and 1986, as a result of this mechanism. This assisted Greece a great deal to overcome the heavy burden and the difficulties the transition period had brought about for Greece by adopting itself to the new regimes of the EEC. As one can follow from the figures the refunds given increased through the years.

All these contributions from EU was made to integrate the Greek economy to EU, in other words to satisfy conditions for Greece's accession to Economic and Monetary Union (EMU). There was also the expectation of attaining a macroeconomic stability accompanied by economic and social infrastructure, training of the workforce, sustaining an effective operation of the public administration and an increase in attracting investments from private sector. In Maastricht in 1991, all the requirements

¹⁰⁹ The automatic and own resources of the Community institutions consisted of the following elements; firstly, the duties on imports coming from third countries, secondly, the agricultural levies on imports out of third countries when the world market price is below the EEC threshold price with respect to imports. Thirdly, the specific taxes established by the EEC under a Common Policy, for instance the sugar levy. Last but not least, if the former three resources of revenues being insufficient to finance the activities of the institutions, those institutions can claim a part of the member countries' tax income out of VAT. For more information see Ibid. pp.13.

were listed and in what conditions Greece could join in was also clearly understood from the treaty¹¹⁰.

3.2. Contemporary changes in government policy

In recent years the Greek economy has improved a great deal, although it has been a long and uneasy process. The long-term goal of the Greek government made it imperative that the government tackle some of the problems that long held back Greek economy. In May 2000, the European Commission and the European Central Bank both accepted and certified Greece as being ready to join the single currency, and in the coming months the EU's Economic and Financial Council and the EU heads of state approved entry for Greece. This fact is testimony that the Greek economy has attained a high level of economic convergence with EU member states. For instance, inflation has fallen dramatically from levels of 20% at the beginning of 1990s to estimably 2% by the end of the decade¹¹¹. On the other hand, the real GDP growth outperformed the EU average since the 1993 recession.

If details need to be given, the GDP reached 3.5% in 1998 and an estimated 3.3% in 1999¹¹². Primarily high levels of investment affected the growth of the GDP with considerable support from the above-mentioned structural funds. In turn, real wages, household wealth as well as consumer wealth have risen. Moreover, exports improved because the trade grew among the country's main trading partners;

¹¹⁰ The basic preconditions set by the Maastricht required Greece to reduce inflation rate, to at least 5% although the EMU criterion is an inflation rate no more than 1.5%. Secondly, a decrease in the public sector deficit required being 3%. Lastly, it was also required that the public sector debt was required to be under 60% of the GDP. For more information see, Schaefer, Guenther, *Regions in the Policy Process of the EC- Reflections on the Innovation of the Maastricht Treaty*, European Institute of Public Administration, (1993), pp.3.

¹¹¹ Economic Analysis Group, *Short Term Growth Outlook*, Dun& Bradstreet Limited, (2003), pp.14.

¹¹² For the yearly GDP Growth Contribution by Demand see Appendix.

however the trade deficit remained considerable. Yet, the unemployment rate was still very high in spite of a higher level of economic growth. Furthermore, the government debt was the highest among the EU members. It was far above the EU target set by the Maastricht treaty, it was 104% and the expected standard was under 60% as stated above. However, the public sector deficit narrowed down to less than 2% in 1999 from 14.2% in 1993. This was a positive development because the Maastricht guidelines were met. This improvement boosted the confidence of the market and resulted in lower interest rates. There was an improvement in almost all fields because these “set in motion a virtuous cycle”¹¹³, which in fact set the Greek economy and improved its chance to get admitted to the EMU. In summary, the funds, indeed, prepared the Greek economy to the EMU even though it took some time and effort.

3.3. Customs Union and its effects on the Greek Economy

In the years prior to accession, Greece implemented a protectionist policy. In this sense, the major change that came about with accession was the change of this protectionist policy applied by Greece to other countries while trading with them. Moreover, this external protection, namely tariffs and non-tariff barriers, and state aid such as export subsidies was gradually removed. Furthermore, this change of policy harmed the Greek firms because they were ill prepared to this change, thus, their market shares quickly deteriorated¹¹⁴.

¹¹³ Economic Analysis Group, Short Term Growth Outlook, Dun & Bradstreet Limited, (2003), pp.15.

¹¹⁴ Kazakos, O.J. and P.C. Ioakimidis, Greece and EC Membership Evaluated, (1994), pp 35.

Imports from the EU countries rose fast, especially for traditional consumer goods, intermediate goods as well as capital ¹¹⁵. Thus, the result was that there was a much higher increase in imports than the increase in exports. In addition, the domestic consumption of imports increased from 25.8 percent to 43.1 percent. This led to an alarming trade deficit from \$7 billion in 1976-80 to \$20 billion in 1991. The full accession to the EU did not prevent the negative effects of the customs union. Greece went through an acute balance of payments crisis in 1985 and 1990/91¹¹⁶. In this context, it is hard to talk about positive effects of the customs union on Greece, which had an uncompetitive market economy where trade firms could not compete with the EU countries.

In conclusion, having these figures at hand it is hard to believe the customs union had any positive implications on the Greek economy, if anything, it lead to crisis in Greek economy. If the EU funds had not come to Greek assistance, Greece would have been in deep trouble. It was the full accession and, thereby the EU funds, that enabled the Greek economy to stand the balance of payment deficits it experienced during the integration years.

¹¹⁵ Giannitsis, T., Trade effects, the balance of payments and implications for the productive system, (1994), pp. 34.

¹¹⁶ Onno J. Kuik and Frans H. Oosterhuis, Lessons from the southern enlargement of the EU for the environmental dimensions of eastern enlargement, in particular Poland, (2001), pp. 8.

3.4. Trade in manufacturing and agricultural products and the implications of accession

The majority of exports to Greece come from the EU countries and the reason for this is no wonder the duty free status Greece has with these countries; on the other hand, close proximity to the market fosters the export to EU countries while exporters sustain lower transportation costs. On the other hand, for imports from outside the EU, the Common External Tariffs are applied. It is to be well noted that the level of duties differs for import commodities such as raw materials and commodities than other products such as textiles and agricultural goods. While imports of commodities and raw materials enter the country with little or no duties charged, other products such as textiles and agricultural goods are subject to higher and more complicated levels of protection. In addition, Greece sometimes bans imports that compete directly with domestically produced goods¹¹⁷.

Agricultural products were influenced with accession, thereby the products that were not in competition with the EC, namely crops such as cotton and tobacco and citrus fruits, on the other hand, the products in competition with the EC products was at the disadvantage enormously¹¹⁸. Thereby, economic growth slowed down in Greece after accession. Annual GDP growth (%) in Greece was 7.6 in 1961-70, 4.7 in 1971-80, 1.4 in 1981-85, 1.9 in 1986-1990 and 1.1 in 1991-1995¹¹⁹.

¹¹⁷ Kazakos, O.J. and P.C. Ioakimidis, *Greece and EC Membership Evaluated*, (1994), pp 35.

¹¹⁸ See Appendix for the Growth of Greek agricultural activity by enterprise prior and post accession.

¹¹⁹ Onno J. Kuik and Frans H. Oosterhuis, *Lessons from the southern enlargement of the EU for the environmental dimensions of eastern enlargement*, in particular Poland, (2001), pp. 11.

Greece did not diversify to more advanced industrial sector and agricultural production remained stagnant in the 1980s, in addition, both public and private investments were on the fall in real terms¹²⁰. However, there was an increase in farmers' incomes because the EU supported Greece with the CAP. Nevertheless, there was no real structural improvement and modernization. The assistance given to Greece was, in this sense, a delusion and it was not encouraged to develop Greek agricultural production in real terms.

In general terms, in the 1990s Greek imports fell and it was at its lowest level in 1994, however it rise a little through 1995 to 1997 and fell in 1999¹²¹. And about 60% of Greece's imports came from EU countries. On the other hand, Greek exports increased in 1999¹²². Moreover, the exports doubled since the early 1990s and the exports to the Balkans more than tripled in the 1990s after the end of the Cold War. Greece has utilized the window of opportunity when the communist countries opened up their economies and tried to integrate themselves become a liberal economy. This was a good chance for Athens, and Greece optimized this opportunity. The rise in exports in the 1990s had nothing to do with Greece's accession to the EU or the funds it received. It was just an opportunity that rises from the political circumstances in that part of the world.

It has been found that 86% of the total trade creation was internal trade after accession, while 84% of the entire trade diversion was external trade diversion, these being results that accord with the theory of the customs union. Therefore, in terms of

¹²⁰ Ibid. pp.12.

¹²¹ Economic Analysis Group, Short Term Growth Outlook, Dun& Bradstreet Limited, (2003), pp.42. For the chart demonstrating the Greek Imports as a percentage of GDP see Appendix.

¹²² For the chart demonstrating the Greek exports as a percentage of GDP see Appendix.

an assessment of the dynamic effects, we can see that Greece's EU entry had mixed reactions in different sectors: in about two-thirds of the examined sectors we find that Greece's integration into the EU was desirable - in general, however, the integration indices are close to being the same, thus showing that the dynamic effects of the country's EU entry have been minimal¹²³.

Greek success in getting in the EMU, thereby increasing exports in the mid 1990s and especially in at the end of the 1990s was because of its geographic location. Greece knew that its welfare and security directly linked to the stability and economic prosperity in transition countries in the Balkans, the Black Sea as well as in Eastern Mediterranean ¹²⁴. Greece was not late to understand the comparative advantage in this region because it is not only a EU member as well as its historical and cultural similarities it has with this region. In this way Greece not only played a brotherly role in the regions but also increased its exports. This, in turn, put Greece's economy on the right track.

¹²³ Nicholas Tsounis, *The Trade and Welfare Affects of Greek Membership in the EU A Yardstick for the Associated Countries* (2002) pp. 473.

¹²⁴ http://www.oecd.org/LongAbstract/0,2546,en_2649_201185_2076406_1_1_1_1,00.html

3.5. The rough road to the Euro: Implications of Greece's joining the European Monetary System (EMU)

Greece in the 1980s was characterized by growing macroeconomic imbalances and its economic growth was even slower compared to the preceding decade, that is, before Greece was a member of the EU. The slow growth rate had various reasons; firstly, inflation after the second oil crisis reached to its peak in 1985 and 1990 at over 20%. In addition, Greece's government deficit increased throughout the decade. It reached its peak in 1990; it was more than 16% of the GDP. Moreover the balance of payments depreciated in 1985 and the deficit was of 4.5 percent of GDP, and later in 1989-90 it was 4.7 percent of the GDP. There were attempts to overcome the trouble, however, it never really worked out; the attempts were either abandoned or ineffective. In the Greek economy, if compared with the previous decade the growth rate was between 1973-79 2.6 percent and in 1979 to 1993 0.73 percent. There was not much will to invest due to low business sector profitability. Furthermore, the government debt was very high and the ratio rose from 50% in the early 1980s and was about 110% in 1994¹²⁵, as stated above.

Despite of the troubled Greek economy Greece was very willing to join the EMU. It was willing but was it able? At that time Greek economy was not able to satisfy the economic criteria it needed to fulfill in order to join in the single currency club. However, the will created a new dynamism since the mid 1990s that was in contrast to the experience in the 1980s and early 1990s. The growth rate increased to 3% followed with a strong growth in investment. The growth was supported by

¹²⁵ Bank of Greece, Greece on the Threshold of EMU, (2000), pp.4.

privatization of state owned companies and improvements in Greece's infrastructure. For instance, telecommunications, roads and shipping lines were modernized. The growth has been much higher than the EU average since 1996. In turn, the macroeconomic stability reflected upon the inflation, thus inflation fell to approximately 2%. A tight monetary policy and high interest rates has been another variable that contributed to the fall of inflation in Greece. A willing government has proven to be successful in curbing the inflation rate. In addition, the budget deficit fell to 1.6% of GDP by mid-1999¹²⁶.

It is amazing how Greece shifted the negative attitude into a positive one. In 1998 it seemed Greece had no change of joining the single currency. In New York Times it was discussed why Greece was excluded from the list of 11 countries adopting the euro and joining Euro was seen as a dim chance for Greece at the time ¹²⁷. Mr. Papantoniou, the finance minister of Greece in 1998 managed to improve the budget deficit, long-term interest rates and public debt and brought them down to acceptable levels¹²⁸. This was a success that worried other politicians, namely Costas Simitis, because Papantoniou was believed to have a chance to be the front-runner to succeed Simitis as a result of his success in macroeconomic variables.

Despite Papantoniou's success Greek public especially Greek youngsters as well as business people were supporting Simitis because they wished to enter to the 'Euroland'. Greece all through his governance in Greece has shown large

¹²⁶ <http://www.bankofgreece.gr/en/publications/pdf/cover.pdf>

¹²⁷ Bohlen, Celestine, **New York Times**, (1998), pp. 8.

¹²⁸ Euro-Worries, **Economist**, (1998), pp.6.

¹²⁹ Hope, Kerin, Greece's Goal, **Europe**, (1998), pp. 5.

¹³⁰ Euroland, Ahoy!, **Economist**, (1999), pp. 9.

¹³¹ Reed, Stanley, Outside, Looking in, **Business Week**, (1999), pp. 3.

determination to bring Greece into the euro zone¹²⁹. In 1998 the Greek economy was on the right track, and it had reached almost all economic targets set by the Maastricht treaty. The hopes rose in Greece when the economy got better and the expectation raised that Greece would be accepted in to the euro at the start of 2001¹³⁰.

The motivation for the Greeks to join the EMU was triggered because they believed the club would boost the investment¹³¹. The rapid progress came about because of the willingness to join in. This progress gave signals that Greece would be included in the founder group of euro members in January 2001¹³². These signals gave Greece a motivation to take a big step towards its goal of joining the euro, thus, in January 2000 Greek government decided to revalue the drachma that fluctuated in 15% bands around a central rate against the euro¹³³. In March 2000 there were perceptions in the international media that Greece would indeed meet the criteria set by the Maastricht Treaty. On March 9 Greece applied for its membership to begin in January the 1st in year 2001. At that time Greece's budget deficit fell to 1.7 percent of GDP and this was well below the Maastricht limit of 3 percent¹³⁴. On January the 1st 2001 Greece indeed became the euro's 12th member, and drachma that was Europe's oldest currency was shaded away¹³⁵. Thereby, Athens was in the Euroland to realize Greeks' dreams and felt more integrated to the EU by being part of the EMU and in turn felt they would be able to close the wealth gap between Greece and EU¹³⁶.

¹³² Hope Kerin, Greece's Next Commissioner, Europe, (1999), pp. 10.

¹³³ Ever Closer to the Euro Club, Economist, (2000), pp. 7.

¹³⁴ Leonard, Dick, Greece Ready to Join Euro Club, Europe, (2000), pp.9.

¹³⁵ The Terrible Twos Begin, Economist, (2001), pp. 4.

¹³⁶ Athens in Euroland, World Link, (2002), pp. 3.

All these achievements in the Greek economy were accomplished because the Greek government did not want to be lagged behind the European monetary union. They gave too much importance to the monetary union and expected this would end the Greek economy's sluggishness and bring in stability to the economy. For the first time Greece utilized the European Structural Funds well. Moreover, it managed to get the EU commitment in 1999 to provide further funds for the period 2000-2006 so that Greece could sustain inflation rates and growth rates at a desirable level. Furthermore, the EU made an EMU protocol with Greece so that Greece adopted the Euro.

“The key issue for the euro and its success was, by contrast, the demonstration of personal competence with it by Greeks, the ability and even to know it intimately, in all its features”¹³⁷. The euro succeeded in passing the test of European-ness, in a country that resisted being European in the beginning of accession and preferred to keep its Hellenistic characteristics. It bypassed the state apparatus and joining the EMU showed Greek willingness to identify with the ‘European identity’. It also demonstrated the ability of the Greeks; they had been able to live up to the standards of the Europeans. In this respect, the integration is a success that was not expected by any EU member at the beginning. Everybody had thought Greece had dim chances to enter the EMU but Greece proved everybody to be wrong.

Nevertheless, did EMU really change the Greek economy to the better as it was expected? There was a price the Greeks needed to pay and had not calculated before entering the EMU. The Greek consumers are totally irritated with the rising prices

¹³⁷ Malaby, Thomas M., Making Change in the New Europe: Euro Competence in Greece, Anthropological Quarterly, (2002), pp.17.

that accumulated with the integration to the single currency. The price of an average basket of goods has risen by 10%. The studies have demonstrated that the high-visibility goods prices such as food has increased dramatically to the extent that the Greeks started to demonstrate on the streets to protest the rises in prices. On the other hand, big items like cars and houses do not seem to be affected as much.¹³⁸ Greek Prime minister was under attack and he could not survive for long, even though he was the one that pulled Greece into the euro-zone. Greece was still EU's poorest country and its economy was still not standing on its feet. Greece continued to be dependent on the EU funds allocated till 2006.

Costas Simitis announced a welfare package costing euro 2.3 billion to appeal to pensioners, farmers and women¹³⁹, nevertheless, none of this sort of initiatives was to save Simitis from losing his power. Neither the EMU nor has his European leaning could save him from being succeeded by Karamanlis's government. The euro could not save Simitis and it is maybe understandable that the Greeks declined to vote him in votes again when the costs of small items has risen even faster since the start of this year because of rounding up of euro prices¹⁴⁰. Boycotts were maybe a signal to the coming thunder but Simitis's hands were tied up and nothing could not be turned around the Greek economy is on a road with no return.

Nonetheless, Greece and Economic Monetary Union are considered to be an instrument of Europeanization¹⁴¹ that will be dealt in detail below. When the Greeks managed to get in the euro club they then proved to have Europeanized as much as

¹³⁸ Greteman, Blaine, It's the price you have to pay, Time Europe, (2002), pp.3.

¹³⁹ Just in time?, Economist, (2003), pp. 9.

¹⁴⁰ A great lunch forward, Economist, (2002), pp. 8.

¹⁴¹ George Andreou & Nikos Koutsiaras, Greece and Economic and Monetary Union, (1997), pp. 86.

expected from Greece. This long period of adaptation needs to be analyzed in great detail in order to have an idea about the process of Greek Europeanization. Moreover, it is significant to grasp what this concept is really about and whether or not this concept can be applicable to the real world or is it just a concept that hangs up on the air and has no real application in the realistic paradigm.



CHAPTER IV. CHANGING GREECE IN A CHANGING EUROPE

4.1. The nature of the Europeanization process: Contradictions between policies and performance

Another question addressed in this dissertation relates to the process of Greece's Europeanization as a result of its EU membership. While addressing this question it is necessary to bear in mind the distinction between the policy and performance. Forming a state policy does not always mean that it will be successfully performed. Europeanization was desired by many member states such as Germany and France, however, it cannot be said that the desire was achieved or even achievable since Europe has neither single language nor a single culture to form a European notion among the European citizens. In this sense, there are no necessary aspect that will satisfy the conditions to form an Europeanization process, thus the whole process seem to be no further than a dream. Even if it is managed to form a basis, it will be only an artificial one that will not have sound grounds that will hold it together. When the common interests disappear then, immediately, the whole process will come to an end due to weakness in its structure.

Building a nation also requires similar aspects that are necessary for forming an Europeanization notion among its citizens. Both of them need to have a common culture, common language, and a common historical background or shared past. Yet

the EU has none of these aspects to form a common Europeanization notion. Common interest, namely economic interests, is not enough form an Europeanization notion because when member states do not share the same interests then it will bound to be destroyed as suggested above.

4.2. The stages in the Europeanization process: The threefold process

The Greek Europeanization will be assessed in a three-fold process, namely the governmental adaptation, political adaptation and strategic adaptation. With governmental adaptation, what are referred to are the changes in Greece's administrative mechanism and infrastructure. On the other hand, with political adaptation the existence of a political will to adjust domestic politics to the EU policy criteria is referred to. With strategic adaptation what is meant be is the development of strategies for use in EU negotiations to get the upper hand.

The governmental changes were not only permanent but also ad hoc. Setting up of departments in various ministries to deal with the everyday running of European affairs was included as the permanent changes. On the other hand, when participation in the EC created other administrative requirements then ad hoc administrative changes were undertaken. The cases demonstrated themselves that the Greek administration only reached a sufficient level during the 1996-7 in applying the Inter Governmental Conference (IGC). In addition, during 1981 and 1985 most of the ministries were added to the already existing departments. Nevertheless, the efforts were not enough because when the IGC started, Greece did not prepare for the needs

of the novel institutional mechanism and establish a well-coordinated ad hoc institution. Thus, it could not participate effectively in the new structural change the IGC brought to the system. This, in turn, hindered the bargaining power and negotiation performance of the country. In the 1990s not much of this problem was solved and the IGC's requirements were not sufficient either. In 1996 Greece was very effective in setting the necessary institutional mechanism. This change increased Greece's bargaining power since it gave the negotiators enough feedback so that they could bargain on the given date during the discussions, in turn, this increased the countries bargaining leverage.

Political adaptation was another aspect of the Europeanization process of Greece in the EU. The government support for integration to the EU was very low when Greece entered the EEC. Greece was not sure it wanted to become a European country and give up the Hellenistic origins they belonged to. It was a gradual and difficult process for Greece to adapt to the idea of being Europeanized. The governmental support for incorporating EU politics into the Greek political system was slow. However, it strengthened between 1985 and 1997. In the 1985 the government realized that things were to change due to domestic political pressure and the Greek negotiators decided to play a more active role and take a more co-operative line in the discussions of the IGC ¹⁴².

Nonetheless this change of attitude was not really a U-turn and not much was changed as was argued by some scholars. The changes came about much more latter in Greece but there were some improvements that showed signs of political

¹⁴² For more details on the Greek position on the EP, see the relevant pages in Chapter 3.

adaptation. For instance, although the Greek government supported the role of EP in the allocation of the EC budget, they did not back the other issues and they retrained an idiosyncratic position when it came to the establishment of the internal market and the strengthening of EPC co-operation due to internal political constraints. Furthermore, “Greeks retained their reservations on relinquishing the veto on EPC issues”. This was probably due to their security concerns and bilateral relations the Greeks had, for instance with Turkey at that time.

The Greek government’s support for EC strengthened and showed real signals of a will to Europeanize in the early 1990s. Before then all the efforts were either too little or not sincere. This was more due to the change of government and the efforts of the New Democracy Conservative party. This party had negotiated Greece’s accession to the EEC and since then it never changed its pro-European attitude. On the other hand, the change of attitude to EU was due to the generous EC financial contributions to Greece. Greece had tasted the easy money coming from the European club and could no longer live without it. As was stated above in chapter 3 Greece received a considerable amount of structural aid in the 1980s.

This aid came both from the Integrated Mediterranean Programmes IMP s and the 1988 First Delors Package. (Generous contributions were provided for instance through IMP s, that Greece was beneficiary of and the 1988 First Delors Package giving Greece considerable amount of structural aid.) This, in turn, increased dependence of Greece on the EU aid and this was the main reason why the Greek government began to support the Europeanization¹⁴³. However, the real support for

¹⁴³ For further details see Chapter 4 pp.310.

Europeanization came about after Simitis gained power in Greece. Simitis increased the Europeanization process because there was strong will to join the euro-zone. Thus, the change of policy came into effect with the desire to join the European Monetary Union (EMU). In addition, the will to harness Greece's security interests into the CFSP was another factor that resulted in a change of policy.

The strategic adaptation was the third aspect that needs to be studied while analyzing the Europeanization of Greece. With strategic adaptation the development of strategy for use in EU negotiations is referred to. It is structuring of a list of attainable and realistic goals and the ability to utilize all the means to achieve these goals. "With regard to the means to achieve national goals in IGCs, coalition building, concession making and side payments have all been identified as important for increasing the bargaining leverage of the EU member states during these negotiations"¹⁴⁴.

As in other two aspects of adaptation the Greek government was not prepared to plan strategically to the IGC and pursued a passive 'wait' and 'see' attitude. For sure if you are not ready to take part fully in politically and administratively in the IGCs then it is very likely that you have no strategic plan either. However, in the 1990-1 when the political situation was ripe to Europeanize the strategic planning was not yet in effect. Nonetheless, there were some changes involved but they were not enough. For instance, there were changes in strengthening of bilateral communications between Greece and its counterparts and there were changes seen in Greece's bargaining power that was realized to have increased noticeably in the IGCs¹⁴⁵.

¹⁴⁴ Wallace (1990) op. cit.

¹⁴⁵ (tez p.312)

Yet, the strategic planning reached its peak during the 1996-7; strategic bargaining was now radically changed. The Greek government now prepared a list of pragmatic goals ahead of the IGCs that was not done before during past years. The use of this planning was not realized and taken seriously earlier. However, Greeks did not hesitate to understand its benefits for too long. In the 1990s the economic indicators, for instance-increased deficit, high inflation, and large and unproductive public sector were not in good shape. The political structure was more pro favoritism and not much success was achieved¹⁴⁶. Once again, it was the Simitis government that modernized the Greek economy and changed most of the economic variables that were in bad shape in 1996. Simitis realized that being a European was far more beneficial than sticking to the old Hellenistic roots that did not bring about much credit to Greece.

4.3. The Europeanization of Greece: Interest Politics and the Crises of Integration

There is a widespread assumption that domestic arrangements and institutionalized practices limit the impact of Europeanization. Thus, a linkage is formulated between domestic politics and European developments. Therefore, the policy goals of the governments had direct impact on the Europeanization process. In this context, there are two aspects that play a dominant role in the process of Europeanization, namely the type of policy concerned and the mediating role existing in domestic

¹⁴⁶ see ch. 3.

arrangements. Nevertheless, there are indeed other variables that affect the content of the goals of business strategy and regulate the national policies of the governments. In addition, policy instruments are affected by historical and contextual factors. Moreover, policy styles and policy patterns might be also less flexible. A strong and practical motive is needed to change these fixed patterns in politics. Thereby, “the European policy stimuli in the 1980s and 1990s focus attention on the implications of national institutional arrangements and interest politics for Europeanization”¹⁴⁷.

In the case of Greece, for instance, up till Kostas Simitis was elected to replace Andreas Papandreou, Greek political patterns remained the same as before accession. After the change of prime minister in Greece the whole domestic political process and goals seem to have changed. Simitis, for example, has made a distinguished stabilization programme and this improved the Greek governments relations with the businessmen in Greece incredibly. Moreover, he pursued a road toward European convergence which no party had done up to then. Thus, strong leadership skills may also change the routine course of the government policies. During Andreas Papandreou rule, a form of defensive nationalism emerged as a threat to Europeanization¹⁴⁸. Issues concerning Turkish-Greek rivalry over Cyprus, the Aegean and the Balkans affected the Europeanization process immensely. The Greek diplomatic entanglement with FYROM and Albania were examples when Greece had enormous problems with the EU over settling them. “The use of foreign issues in

¹⁴⁷ Kostas A. Lavdas, *The Europeanization of Greece*, (1997) p. 251.

¹⁴⁸ *Ibid*, p.253

domestic party competition intensifies the dilemmas for policy”¹⁴⁹. Why and how it affected the Europeanization process will be dealt with in detail in the fifth chapter.

4.4. Where are these debates of Europeanization likely to lead to? A Strongly Unified Europe or a Fragile Europe likely to break up

There are debates about the notion of Europeanization and whether it is likely that this process will lead to a unified Europe or it will create a fragile one that will be shaky and on the way to break up. It is assumed that Europeanization is not a unique process and a *sui generis* phenomenon. Thus, it is hard to judge whether it would function or not in the future because there is no example or case to be studied. Therefore, it is better not to come to clear-cut conclusions about whether it will succeed or not.

What, how and why this phenomenon come about in the first place needs to be discussed in the first place. First, Europeanization is taking place as the European Union expands its boundaries through enlargement. Second, Europeanization evolved as the development of institutions of governance at the European level. Third, Europeanization is the development of central penetration of national and sub-national systems of governance. In other words, Europeanization implies adapting national and sub-national systems of governance to a European political center and European-wide norms. Fourth, Europeanization can be defined as exporting forms of political organization and governance that are typical and distinct for Europe beyond the

¹⁴⁹ Ibid, pp. 254

European territory. In this context Europe tries to form a novel form of political organization and governance that are unique¹⁵⁰.

The Europeanization can be related to the dependency theory where the member states that wished to form a union needed to form a European culture in order to create a federal structure. Building a federal state was the objective of the EU and to fulfill this need to form European norms and values. The Europeanization process came out of the need of forming a European identity and utilizing different models in order to construct a 'European model' satisfied this demand. This model can be criticized to be artificial, thus it can be concluded that it is quite a vulnerable phenomenon that can easily be destroyed when the interests of the states vanish. The dependency is what keeps the Europeanization dynamic and evolving when there is no dependency among states. It is doubted that this phenomenon will in turn come to an end. Nevertheless, Europeanization may encourage interest convergence in specific areas, for instance, in the alignment of EU law and EU constitution. The new EU constitution was signed by 15 member states leaders in 18 June 2004¹⁵¹.

Countries like Greece are willing to support the Europeanization process because they see a benefit in forming a strong EU that can stand up as a strong actor in control of world affairs. If the EU is strong enough then Greece will also benefit from the strength of the union as a member state of the union. In this sense it will

¹⁵⁰ http://www.arena.uio.no/publications/wp02_2.htm

¹⁵¹ Benz, A. and Eberlein, B. (1999). 'The Europeanization of regional policies: patterns of multi-level governance.' ***Journal of European Public Policy*** 6:2, pp. 329-348.

back the enlargement and deepening process in the EU and follow the convergence criterion and Europeanize its political and legal institutions as long as it has a stake in the EU: Other countries like Poland and newly accepted countries are likely to follow suit. When the interests disappear there will be no more meaning for the EU members in following the Europeanization process and then there may be problems for the Union to keep its unity. For instance, the structural funds are one of the benefits the EU offer to the member states that lag behind the others. If the funds are cut or are no longer available for the poorer ones these countries may in turn reject to follow the European norms and values.

When the interests are gone then EU will be a fragile Union likely to break up, on the other hand if the EU's economy does not undergo any economic depression then we can expect a strong unified Europe. Thus, it all depends on the economic strength of the EU and its willingness to give more funds to the member states. The only way to Europeanize Europe is through defining more interests for the member states to follow the norms and values of the EU. In fact the EU has been funded from such a mentality in the first place. Germany and France who had an interest in building such a community forgot their deeply rooted animosity in order to attain the interests the Coal and Steel Community would supply them. Nothing has been changed in the mentality after such a long period of time. Countries give up part of their sovereignty in order to utilize the interests the EU offers them. There is still no common culture, common language nor a shared historical past to build up the European federal state and evolve the Europeanization process.

CHAPTER V. GREECE INSIDE EU AND ITS IMPACT TO GREEK FOREIGN POLICY AND EXTERNAL RELATIONS

5.1. Redefinition of territorial political relations: change in external foreign policy

In spite of its status as the heir of ancient Greece, ever since the Hellenic Republic gained its independence and especially during the PASOK government it pursued a different foreign policy than the EU countries. This policy sometimes created conflict and tension between the EU and Greece. Especially during the Macedonian independence process was when the conflicts were at its peak. Jacques Delor, EU's leading commissioner at that time, was quite harsh on his announcement it made to the public concerning the Greek attitude. Economist wrote that Delor 'would be glad to see Greece leave the EU'; however there was no such exit clause in the EU Constitution at that time and the members could not leave whenever they wished to do so.

Yet now with the new EU Constitution signed by the entire EU member states' leaders in 18 June 2004, countries that have joined the EU can be suspended by a qualitative majority with the suspension clause and can leave the EU as stipulated by the exit clause¹⁵².

¹⁵² <http://www.eubusiness.com/afp/040620013618.q5ssnfdy>

The Greek 'foreign policy influence is concentrated on the Balkans and the Aegean' due to its geographical location and limited size¹⁵³.

Therefore, the focus of this thesis on Greek foreign policy will be primarily based on the Balkans and the Aegean. The thesis will be covering Greece's relations with EU, Balkan countries, Turkey and Cyprus. Since the Simitis government came to power, Greece is not hesitating to play an active part in the debate on the future of Europe and is in favour of a more federal Europe with strengthened institutions. It no longer considers itself as a superior Hellenic civilization; rather, it has internalized the idea that it is part of Europe and the European civilization. This change of attitude has in turn has an effect on its foreign policy objectives. Greek foreign policy has changed over time because it felt the immediate need to adapt to the changing world conditions. The Greek foreign policy after the Cold War changed in the Balkans. The Greek government under Simitis's leadership realized that 'the road to the EU runs through the adoption of principles and values shared by the European family and constitute the very foundations of the EU: democracy, the rule of law, respect for human and minority rights, solidarity and market economy, respect for international law, inviolability of international borders, peaceful resolution of conflicts and regional cooperation'¹⁵⁴.

SUSPENSION CLAUSE: If one member state seriously flouts the bedrock EU values, the rest could decide by a qualified majority to suspend it.

EXIT CLAUSE: The constitution sets out for the first time in EU law that a member state can leave the bloc if it so chooses. For further information on the new EU constitution see http://europa.eu.int/futurum/eu_constitution_en.htm

¹⁵³http://www.auswaertigesamt.de/www/en/laenderinfos/laender/laender_ausgabe_html?type_id=11&land_id=52

¹⁵⁴http://www.mfa.gr/english/foreign_policy/europe_southeastern/balkans/general_principles.html

Greece follows a more pragmatic foreign policy now that it has come to the conclusion that it can no longer confront the changing conditions and realities of the world and the region. Greece has learned to speak the European diplomatic language, emphasizing the values and norms of the EU. In addition, Greece's main priority in terms of EU enlargement was to secure membership for Cyprus as soon as possible, and it indeed managed to attain its objective. Furthermore, Greece backed the accession of other nine countries into the EU.

‘As a member of NATO and the EU, Greece considers itself to have greater influence than the other Balkan countries and endeavors to use this privileged position to help these countries move closer to the EU and the Atlantic Alliance’¹⁵⁵. This change of mindset and the new world conditions had an immediate effect on its foreign policy and the measures shaken to restore its relations with the Balkan countries. For instance, the Greek government had reiterated their commitment to the implementation of the Agreements signed in the aftermath of recent conflicts in the area. The Greek government had realized that ‘Balkans is a key priority for the EU’, thus it is high on its agenda. For instance, the recent launching of the EU Police Mission in Bosnia-Herzegovina and of operation ‘Concordia’ in the Former Yugoslav Republic of Macedonia clearly reflects the EU's commitment to the region. In particular, regarding Kosovo, we underlined our support for the UNSC Resolution 1244/99 and for the ‘standards before status’ policy.

¹⁵⁵http://www.auswaertigesamt.de/www/en/laenderinfos/laender/laender_ausgabe.html?type_id=11&land_id=52

Especially after the Thessaloniki Summit in June 21 2003 this was confirmed because during the Summit, the European Union presented the 'Thessaloniki Agenda: moving towards European Integration' - endorsed by the European Council on June 20th - a set of new important measures, which strengthens its policy towards the region. In this respect, the Greek government did not hesitate to follow the course of EU's policies so that it would not lag behind the developments and could even make profits out of the window of opportunity for Greece to become a leading country in the Balkans. Therefore, Greece not only took a new stand in its foreign policy but also improved its economic relations with these countries and made great profits out of trade relations with the, as the only Balkan country in the EU at that time. Although this year in May 2004 many others have been accepted to join the club, Greece has nevertheless utilized to lead the Balkan countries and de Balkanize the Balkans during this process. The ceremonial signing of the accession treaties with the ten acceding countries in the ancient Agora in Athens on 16 April 2003 marked the completion of a key step towards this prime goal of the country's European policy. Moreover, Greece also wants Bulgaria and Romania to join so as to help bring greater stability to its neighbors in the Balkans. On the other hand, Greece announces that it 'supports Turkey's accession to the EU, because it hopes thereby to resolve bilateral problems and the Cyprus issue'¹⁵⁶.

It is well known that Greece's relations with Turkey have in the past repeatedly been rather tense. There are three main issues at stake, firstly, rights in the Aegean, secondly, the Cyprus problem and last but not least, to a lesser extent, the treatment

¹⁵⁶http://www.auswaertigesamt.de/www/en/laenderinfos/laender/laender_ausgabe_html?type_id=11&l_and_id=52

of the Muslim minority in Thrace. As stated above Greece has learned its lesson well and it no longer pursues an aggressive foreign policy as followed by the Andreas Papandreou's government. In contrast, it utilizes the diplomatic language while trying to formulate and apply its foreign policy goals. Thus, Greece constantly repeats over and over again that 'Greece's foreign policy is based on a set of principles regarding respect for human rights, stability and border inviolability, peaceful settlement of bilateral disputes within the framework of International Law - including the possibility of recourse to the Hague Tribunal. This policy aims at defining, through substantial bold initiatives, a framework of rules and principles of democracy and justice that will apply in our wider region.

Foreign minister Georgios Papandreou made the normalization of relations with Turkey a top priority of Greek foreign policy only months after he assumed office in 1999, which coincided with the destructive earthquakes in Istanbul on 17 August 1999 and in Athens on 7 September 1999. In this context, the slow but consistent 'rapprochement' between the two countries has been helped along by the mutual assistance. The talks launched by the two foreign ministers, namely İsmail Cem and Georgios Papandreou, have since led to the conclusion of several bilateral Greek-Turkish agreements that covered small and insignificant issues. The difficult issues have not yet been resolved but with this public show Greece created a positive image in Europe.

This had no real effects on the countries' bilateral relations nevertheless it has created an illusion that the bilateral relations between the two countries have been considerably improved. In sum, the Greek approach targeted at bringing into the framework of Euro-Turkish relations problems like the Cyprus Question, regarding the island's accession as well as the political problem that is now achieved with Southern Cyprus's accession into the EU, in addition, issues regarding Greek-Turkish relations, as well as the 12-mile problem in the Aegean Sea. Utilizing the European diplomatic language Greece has been quite successful in its new foreign policy towards Turkey.

For instance, the above stated claim can be proved by the declaration made by the Greek foreign ministry as follows 'the end of the Cold War marked the beginning of a new era, in which respect and cooperation between nations, commitment to human rights, democracy and the rule of law are recognized as being of fundamental importance. Within this new environment, the Cyprus issue is not only a glaring anachronism, but also continues to be a factor of potential instability in the South-eastern Mediterranean. Hence, apart from moral obligation, the international community has an additional reason to contribute to efforts towards a just and viable solution',¹⁵⁷.

In this context illustrates the change of language of Greek government it is now utilizing the values and norms that are supported by the EU in reaching their aims. The sincerity of Greek declarations has been tested in the near past when the Annan

¹⁵⁷ http://www.mfa.gr/english/foreign_policy/europe_southeastern/cyprus/

Plan rejected in the referendum that took place in Southern Cyprus. Greece had announced that they wanted the integrated whole of Cyprus to become a full member of EU, however, it showed that neither the Greek Cypriots nor the Greek government was actually willing to do so.

5.2.The E.U- Greece-Turkey Triangle: The consequences of being a EU member

The relations between Greece and Turkey altered with the new understanding in Greek foreign affairs. The old mindset was renewed by the Simitis government and especially with the novel approach of Foreign Minister George Papandreou. This was based ‘on the realization that a Europeanizing Turkey was in Greece's own national interest—has not only helped to improve Turkey's relationship with the EU, but it has already begun to bring about improvements in Greece-Turkey relations that would have seemed impossible only a few years ago’¹⁵⁸.

For instance, the European Union's December 1999 decision to accord Turkey the status of official ‘candidate’ was a historic turning point that will have long-term advantages for the EU, especially for Greece. In this manner EU and Greece could reinforces Turkey's European orientation, firstly it provided a strong incentive for Ankara to pursue its ongoing economic, political, and human rights reform based on the European guidelines, secondly bolstered Greece-Turkey relations, last but not least eliminated the deep resentment that Turkish government and many Turkish citizens felt toward the EU following the December 1997 Luxembourg summit's rejection of Turkey's candidacy.

¹⁵⁸ <http://www.brook.edu/dybdocroot/views/articles/gordon/20000231.htm>

This decision has altered the whole course of events, it not only altered the relations and Turkey became too vulnerable to refuse any of the EU criteria and 'openly discussed the possibility of allowing Kurdish-language broadcasts and education, a longstanding European demand; postponed implementation of the death sentence of Kurdistan Workers Party (PKK) leader Abdullah Öcalan, PKK terrorist organization leader in order to allow an appeal to be considered by the European Court of Human Rights; talked about abolishing the death penalty altogether; encouraged the continuation of the first Cyprus talks to be held for more than two years; made real efforts to improve their human rights record; and moved forward with the far-reaching economic reform program'¹⁵⁹.

Turkey's willingness to join the EU indeed gave both the EU and the Greek government a bargaining power. Greek government was not late to utilize this power in order to attain its objectives over Cyprus. The Simitis government made a new plan for the Greek Cypriots and this was to persuade the EU that if EU were in the equation of the problem the Cyprus problem would solve. Thus, now it was without doubt that Turkey's relations with the European Union to a great extent depend on her attitude towards the Cyprus dispute. For example, Greece utilized EU's bargaining power to persuade Turkey to take a new course in handling the matters in Cyprus and being more open to new solutions in the island. In fact the new plan of the Simitis government was to protect and secure Cyprus under the protection and security of the EU, by an accession plan of Cyprus into the EU. 'Greece supports

¹⁵⁹ <http://www.brook.edu/dybdocroot/views/articles/gordon/20000231.htm>

Turkey's accession to the EU, because it hopes thereby to resolve bilateral problems and the Cyprus issue'¹⁶⁰.

Yet why did EU agree on perusing such a role in Cyprus and did not pay enough attention to Turkey's legitimate legal claims over the island and proceeded with the accession process. This would contribute both to the regional security and stability and in turn it would improve 'EU's newly evolving common foreign and security policy identity'¹⁶¹. Now it could improve its image as a novel international actor in world affairs. It was only after the Cold World War EU could start playing an active role in the evolution of the Cyprus problem because during the Cold War EU was under the influence of the US and United Kingdome. It could not function as an effective third party neither in the island nor elsewhere in the world.

Greece was quite effective in persuading the EU and the world that she wanted to resolve the conflict in the island Greece. The Greek government repeatedly said throughout 2003 that 'it believed that Cyprus problem should be solved on the basis of Annan Plan in a way complying with EU acquisitions and U.N. resolutions through negotiations which will be held under the auspices of the U.N. and gave signal that it would not accept an approach except it'. In addition, it did not hesitate to threaten Turkey by announcing in a diplomatic way that 'if Cyprus issue was not

¹⁶⁰ http://www.auswaertigesamt.de/www/en/laenderinfos/laender/print_html?type_id=11&land_id=52

¹⁶¹ For more information see Tarık Oğuzlu, *The EU-Turkey-Cyprus Triangle: The Prospects of Reconciliation, The Europeanization of Turkey's Foreign Policy: Prospects and Pitfalls*, Edited by Ali Karaosmanoğlu and Seyfi Taşan, Foreign Policy Institute, Ankara, 2004.

solved, it would not accept Turkey's starting membership negotiations with the EU at the end of 2004'¹⁶².

However, after the referendum for the Annan Plan in the island it was demonstrated to the whole world that Greeks were not actually intending to solve the dispute or integrate the whole island. They were only trying to just manipulate the EU and the world by talking diplomatically and addressing how much they wanted to solve the dispute on the basis of Annan Plan, an internationally acceptable plan. Yet 'the Greek Cypriot electorate, by a margin of three to one, rejected the settlement proposal; on the Turkish Cypriot side, it was approved by a margin of two to one. Since the plan required approval on both sides, the Cyprus problem remains unsettled'¹⁶³.

These results reflected how much the Greek Cypriots and the Greek government wanted to solve the dispute on the basis of the Annan Plan. The only real motivation behind this power politics was that the Greek government wanted Greek Cyprus as a new member state of the EU we can thereby see clearly the visible hand of Greece in the island. Turkey has indeed done more than enough to fulfill the EU criteria but will her efforts improve its membership chance and in turn improve its relations with EU? Günter Verheugen addressed the issue as such in his speech on 17.06.2004 at a conference. He stressed that 'the issue we face is therefore not whether Turkey can be a member of the EU, but whether and when negotiations on the accession of

¹⁶² <http://www.turkishpress.com/specials/2003review/greece.asp>

¹⁶³ http://www.tech4peace.org/nqcontent.cfm?a_id=4411

Turkey can begin. The Copenhagen a political criterion sets out the condition that needs to be met. The sequence is clear. First meeting the political criteria and then negotiations'¹⁶⁴. Mr. Verhaeugen makes it clear that the EU leaders should not debate about EU membership to the EU yet because it s far too early to discuss this matter.

The December 2004 decisions of EU will be another historical turning point for EU-Turkish relations since the Turkish AKP government and many Turkish citizens has attached too much importance to becoming a EU member. If the EU rejects to give a date to Turkey for negotiations then the AKP government will lose quite a few votes from the public in the coming elections. This would in turn effect the governments relations with the EU if they still mänge to come to government they might no longer be as liberal democratic as they demonstrate to be. They may decide to follow another course and become Islamic fundamentalists as they were before. Thus, EU if they are smart enough, wrote the Forbes magazines owner that owns one of the leading business magazine in the world, should not hesitate to give a date to Turkey.

'Turkey began taking serious steps to liberalize and strengthen its economy 20 years ago. In every sector, modern companies have adopted cutting-edge technologies, developed many best-practice operations, and managed to attain real economies of scale'. Turkey has not only improved its economy but also has Europeanized most of its legislation in a very short time period and is willing to apply the laws in

¹⁶⁴<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/04/309&format=HTML&aged=0&language=EN&guiLanguage=en>

practice¹⁶⁵. Thus, EU should go on playing the 'old game' to Europeanize Turkey's security policy, Turkish legislation and economy.

5.3. Greek security: CFSP and the ESDP

What are the Common Foreign and Security Policy (CFSP) of the European Union? Moreover, how is it different from the European Security and Defense Policy (ESDP) and where does Greece stand in this ESDP? Furthermore, what is the so-called 'European Army' are there any parallels to the NATO forces?

'CFSP is the whole set of actions undertaken by the EU in order to make itself active on the world scene, not just as an economic power, but as a single and independent political entity as well; in order to be active as a powerful and credible political entity capable of facing the present-day international challenges as a world player who promotes, in every corner of the planet, the very fundamental principles upon which the EU itself is based: peace, international security, independence and integrity of the Union, promotion of international cooperation, democracy, rule of law, respect for human rights and fundamental freedoms'¹⁶⁶.

CFSP is not stagnant it is in contrast constantly evolving and ESDP is the security arm of it designed to support the CFSP goals. The main aim of the ESDP is to form a common security policy as stipulated in the Treaty European Union. The Treaty of Amsterdam includes the following additional steps. Firstly, it consists of the article

¹⁶⁵ <http://www.forbes.com/2003/12/23/1224mckinsey.html>

¹⁶⁶ http://www.mfa.gr/english/foreign_policy/eu/eu_relations/keppa.html

that stipulates the creation of the CFSP High Representative and the Policy Unit in the Secretariat. Secondly, it stipulates that the institutionalization of the ‘constructive abstention’ mechanism in order to facilitate the CFSP decision-making process. Lastly, it also stipulates a novel instrument so called the ‘common strategy’.

The European Security and Defense Policy (ESDP) were first mentioned in Maastricht. Article 17 of the Treaty stipulates that ‘The common foreign and security policy shall include all questions relating to the security of the Union, including the progressive framing of a common defense policy, (...), which might lead to a common defense, should the European Council so decide’¹⁶⁷.

However, it limits itself in military as well as non-military crisis management, undertaking humanitarian and rescue tasks, peacekeeping operations and tasks of combat forces, including peacemaking. Furthermore, it was declared that the EU has committed itself to setting up, a 60,000- military force able to be deployed within 60 days. This is the so-called ‘European Army’ of the EU that is up to now being established.

Where does Greece stand in this CFSP and ESDP established by the EU? Greece seems to be sincerely supporting the dynamic process and Greece has actively participated in the entire evolutionary process of the EU over the last decade, from the adoption of the Maastricht, Amsterdam and Nice Treaties. The Greek

¹⁶⁷ http://www.mfa.gr/english/foreign_policy/eu/eu_relations/keppa_epaa/keppa.html See for detailed information

Article 17.2 of the Treaty on European Union:

“Questions referred to in this Article shall include humanitarian and rescue tasks, peacekeeping tasks and tasks of combat forces in crisis management, including peacemaking.”

government believed that it would be for the Greek advantage if the EU could form 'a credible and strong foreign and security policy, which should have at its disposal the necessary institutional framework, coherence and unity, along with vital operational tools in order to underpin the role of the EU on the international scene'¹⁶⁸.

The stronger the EU foreign and security policy the Greek security in the region will be automatically protected without any Greek effort. Greece would be more secure when it had the so-called 'European Army' at its disposal. Greece's main objectives include the eradication of current loci of conflicts especially with its close neighbor Turkey. This is why it always stresses the need of 'the prevention of potential crises and the consolidation of a climate of security, the implementation of the fundamental principles of international law and the strengthening of the rule of law, and the protection of human and minority rights'¹⁶⁹.

This is at the time being the most effective way for Greece to feel secure in the region because its military force is not capable of dealing with any conflict in the region. When it comes to ESDP measures there are many Greek priorities in this field. Firstly, Greece would like to improve the military capabilities to such a degree

¹⁶⁸ http://www.mfa.gr/english/foreign_policy/eu/eu_relations/keppa_epaa/keppa.html

¹⁶⁹ http://www.mfa.gr/english/foreign_policy/eu/eu_relations/keppa_epaa/keppa.html

See Petersberg declaration of June 1992. Therefore, the current description of the missions that the EU may undertake is perhaps antiquated and not tailored to the EU needs.

The Convention has adopted a new definition, which will have to be confirmed or reformed by the Intergovernmental Conference.

Article 40.1 of the draft Constitutional Treaty adopted by the Convention (July 2003): "The common security and defense policy shall be an integral part of the common foreign and security policy. It shall provide the Union with an operational capacity drawing on assets civil and military. The Union may use them on missions outside the Union for peacekeeping, conflict prevention and strengthening international security in accordance with the principles of the United Nations Charter. The performance of these **tasks** shall be undertaken using capabilities provided by the Member States."

that will allow the Union to undertake, autonomously or not, operations covering the full range of the Petersberg tasks. Secondly, the Greek government would like the consolidation and further development and deepening of the EU's co-operation with NATO. It encourages the NATO and EU to work together. Firstly, Greece would like the EU to assure access to NATO's planning capabilities, secondly, presumption of availability of pre-identified NATO capabilities and common assets, thirdly, it desires the EU to identify a range of European command options, including the role of Deputy Supreme Allied Commander Europe (DSACEUR), last but not least, it would wish that the EU further adapt to NATO's defense planning system so as to incorporate more comprehensively the availability of forces for EU-led operations. In other words, Greece does not wish EU to challenge NATO forces rather it would like both of them to work hand in hand for the security of the Balkans and its own neighborhood¹⁷⁰. Thirdly, the Greek government sees it necessary for EU to advance and make necessary adjustments that would be necessary to be made in ESDP crisis management procedures and EU's crisis management mechanisms. Fourthly, it believes the EU should complete necessary institutional framework for the functioning of the ESDP mechanism by finalizing and adopting general and operational concepts that are needed. Finally, the Greek government believes that the enhancement and development of relations with third countries and especially with the EU's potential partners, especially with Russia in light of her recent integration into Europe's security structure together with a hand in hand the dialogue and the strengthening of ties with the countries of the Mediterranean and the Balkans at the same time is necessary. Yet as stated above Greece's vision for the future focuses

¹⁷⁰ http://www.mfa.gr/english/foreign_policy/eu/eu_relations/keppa_epaa/epaa.html

heavily on the development of a CFSP/ESDP, especially through the inclusion of a mutual assistance clause in the Treaty of the Union¹⁷¹.

The recent Iraqi crisis has demonstrated that the CFSP framework is not only slow but also ineffective, in addition it also shows that lots of progress needs to be made in order to talk about a common security and foreign policy for the EU. In other words, pointed out to an emphasis to the need for a credible CFSP/ESDP. The Iraqi crisis has, moreover, assisted 'to bring to the surface the underlying truth that despite declarations, presidency conclusions, memoranda, reports and political commitments to the contrary, Europe speaks with a multitude of voices in matters of foreign and security policy'¹⁷².

¹⁷¹ Hellenic Ministry of Foreign Affairs, Greece's Strategic Objectives in the Convention on the Future of Europe, online article

¹⁷² <http://www.fornet.info/CFSPannualreports/GREECE%202003.pdf>

CONCLUSION

As Constantine Karamanlis stated in his speech in 1981 after the Greek accession to the EC, Athens was “convinced that national independence will be consolidated for all parties concerned within the framework of European solidarity; that democratic liberties will be strengthened; that economic expansion will be accelerated and that, with the co-operation of all, social and economic progress would become a common asset”. These were the three main motivations behind the Greek desire to join the EC. The motivations of candidate countries, mainly the Balkan countries, are similar to those of Greece. All of the candidate countries would like to strengthen democratic liberties and trigger social and economic process in their countries.

However, the conditions are not quite similar because the EU is no longer a community that Greece joined in 1981. EC was a community established by the Treaty of Rome in 1957 and the real motivation behind it was to provide free movement of goods, services, persons and capital between member countries. On the other hand, the Treaty of Maastricht led to the creation of the EU in 1992. With this Treaty the community became a union, not only a monetary one but also a political union. In 1993, this union established the Copenhagen Criteria and these criteria's were formulated to give the EU a guideline on which member countries should fulfill political and economic conditions to join the EU. The EU, agreeing that ‘the associated countries in central and eastern Europe that so desire shall become

members of the European Union'. Thus, enlargement was no longer a question of 'if', but 'when'. The EU could not accept all candidate countries into the club at the same time and had to make a timetable for each to join in according to which one was more significant to the EU strategically and economically.

Before when Greece joined the EC, there were no such criteria and the only condition to be a full member was to be a democratic country and, of course EC was willing and able to accept the candidate country willing to join in. After the Cold War the parameters and conditions have changed. For instance, the EU was formed in 1992 straight after the break up of the Soviet Union and the end of the Cold War. Former communists needed to join the EU in order to strengthen their democracy and improve their economies. Although Turkey was not one of these countries, it also desired to be part of the EU with the same motivation. These countries wanted to follow the course of the Greek case and improve their democracy and at the same time improve their economy as Greece did after it joined the EU club.

The only thing these countries missed out was that when Greece became a EC member, the EU was willing and able to finance the underdeveloped and unequal member countries economy's and the candidate countries such as Spain, Greece and Portugal received enormous amounts of structural funds to improve their economies and minimize the negative effects of the customs union when these countries had to lower the trade barriers and start competing with multinational companies of the EU member states.

The second enlargement had been solely for economic reasons; Britain, Denmark and Ireland were accepted because they were economically strong. However, countries such as Greece, Portugal, Spain and Turkey were asked to join in only for political reasons. Yet the Ecevit government in Turkey refused to join in at the time. The world structure was bipolar: there were two camps, NATO and Warsaw Pact. International arena was not the same as today, for instance, when unequal partners such as Greece, Portugal and Spain were asked to join the EC; the Soviet Union was still a threat to EC members. These countries were accepted because of political reasons. In addition, EC did not want to leave out countries like Greece and Turkey outside. Moreover, it was neither a political union trying to form a political identity. When countries like Turkey applied to become a full member, the Cold war was over and there was no longer such a threat from Russia. Therefore, the EU had no rush in accepting these candidate countries in the EU. Hence, the EU asked them to fulfill the political and economic criteria before they joined in.

The EU is an evolving and dynamic union and the conditions for the candidate countries are no longer as the Greek case. Moreover, the Treaty of Amsterdam that entered into force on 1 May 1999 brings us a good step closer to 'the Europe of the citizens'. It enhanced citizen participation and a clearer orientation of the treaties to citizens' concerns and needs have strengthened the EU's political identity. Furthermore, Treaty of Nice formulated the Protocol of enlargement, Protocol on the statute of the Court of Justice, and Protocol on the financial consequences of the expiry of the ECSC Treaty in 2001. In addition, the new draft Constitution of European Union was formulated in 2003 and signed by European member states leaders in 18 June 2004 this year. All these novelties have indeed changed the

conditions and parameters for the enlargement process. Thus, the conditions for the new candidate countries are totally different from the Greek case. Therefore, when we are analyzing and comparing the Greek case with the Turkish one or other candidate countries we need to be well aware of the newly formed obstacles.



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APPENDICES

Appendix A:

Table 1. Greek Attitudes towards the Unification vis-à-vis The EU as a Whole
(1980-1990) In Percentage

1980	1981	1981	1982	1982	1983	1983	1984	1984	1985	1985	1986	1986
%	%	%	%	%	%	%	%	%	%	%	%	%
GR	GR	GR	GR	GR	GR	GR	GR	GR	GR	GR	GR	GR
COM	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM	COM
For very much												
33-29	30-26	36-31	29-26	36-26	31-29	40-31	28-25	32-30	34-35	27-28	35-32	38-36
For to some extent												
26-43	30-43	29-43	29-45	27-44	30-45	29-44	29-46	35- 47	28-42	26-47	21-45	33-44
Against to some extent												
12-9	12-10	7- 9	10 -10	8-10	6 -8	5 -7	11 -10	9 -8	9 -7	15 -9	14- 7	11 - 8
Against very much												
11- 4	13 - 6	8 -4	7 - 5	7 -4	6 -3	5 -3	9 -4	7 -3	6 -3	8 -4	4 - 3	3 -3
No reply												
18-15	15-15	20 -13	25-14	22-16	27-15	20-15	23-15	17-12	23-13	24-12	26 -13	15-19

1987	1987	1988	1988	1989	1989	1989	1990	1990
%	%	%	%	%	%	%	%	%
GR	GR	GR	GR	GR	GR	GR	GR	GR
COM	COM	COM	COM	COM	COM	COM	COM	COM

For very much																	
35	37	37	32	33	26	44	28	40	29	44	29	54	36	57	35	48	32
For to some extent																	
29	40	32	46	32	47	34	50	38	50	31	47	28	42	24	45	32	48
Against to some extent																	
14	8	9	8	9	11	6	9	8	9	5	9	3	8	5	8	5	8
Against very much																	
6	4	5	3	5	4	2	5	2	5	2	3	3	3	3	3	3	3
No reply																	
16	11	17	11	21	12	14	8	12	14	8	12	9	18	12	12	11	11

Source: Commission of the European Communities, Eurobarometer: Trends (1974-1990)

Appendix B:

Table 2

Europe's Winners...

	Central bank	Expected	Net
	Profits	Profits	gain/loss
France	649	4,377	3,728
Italy	2,266	4,081	1,815
Britain	2,313	3,952	1,639
Portugal	5	476	471
Greece	155	515	360

Europe's losers...

Austria	1,206	592	-614
Denmark	1,069	438	-631
Spain	3,472	2,279	-1,193
Germany	8,425	5,806	-2,619
Sweden	3,511	747	-2,764
Total EU15	25,747	25,747	nil

After EMU, if distributed in proportion to EMI shareholders

Source: Central Banking

Appendix C:

Table 3

Growth of Greek agricultural activity by enterprise prior and post accession

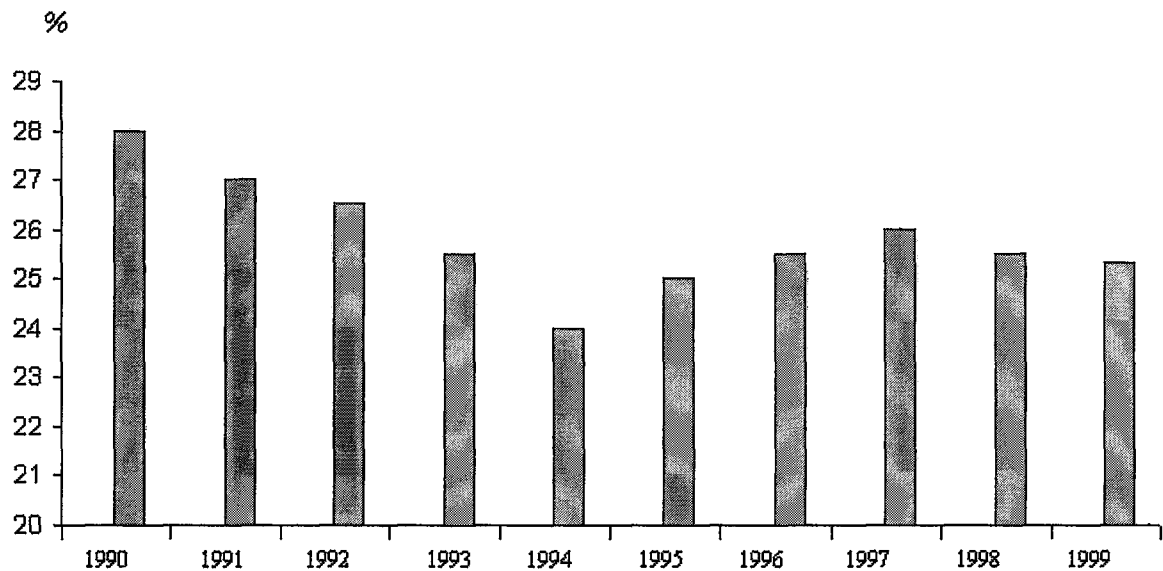
Corp area/livestock units (%)

Enterprises	1965	1980	1984	Pre-entry change 1966/80	Post entry change
Corps	100.0	100.0	100.0	%	%
Cereals	43.6	33.3	28.1	-23.6	-15
Vegetable	4.6	5.3	5.9	+15.2	+11
Industrial	9.7	8.4	12.2	-13.4	+45
corps					
Fodder	15.7	22.9	23.1	+45.9	+0.9
Fruit trees	1.2	2.0	2.2	+66.7	+10
Citrus trees	1.4	1.5	1.9	+7.1	+20
Olive trees	15.8	20.4	21.1	+29.1	+3.0
Vineyards	8.0	6.2	5.5	-22.6	-14
Livestock	100.0	100.0	100.0	100.0	100.0
Bovines	34.0	26.3	22.6	-22.6	-14
Sheep	32.1	30.1	30.6	-6.2	+1.6
Goats	15.9	17.8	17.9	+11.9	+0.9
Pigs	9.1	14.8	15.8	+62.6	+64.9
Poultry	8.9	11.0	13.1	+23.6	+19
Total	2,444.2	2,678.0	2,679.0	+9.6	+0.1

Source: Zioganas, 1998.

Appendix D:

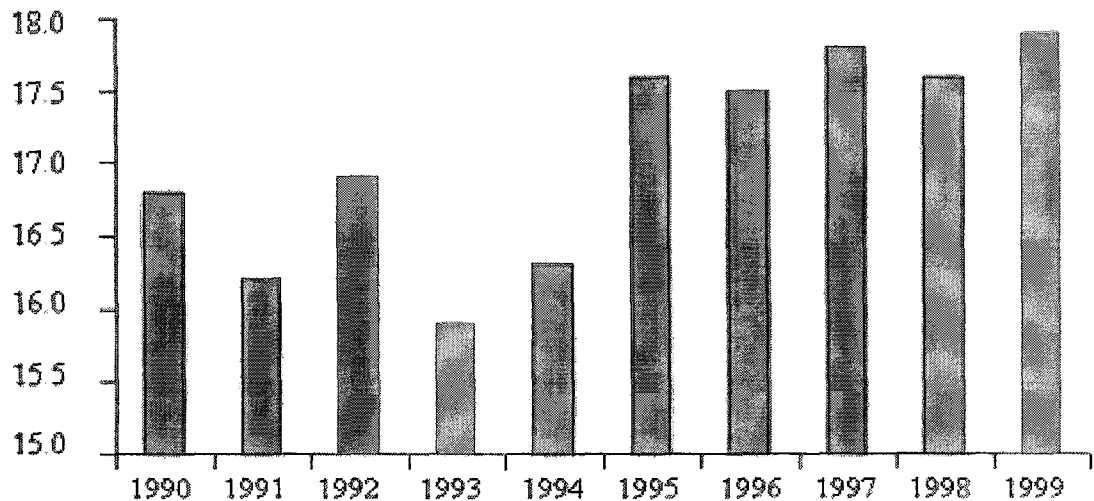
Chart 1
Greek Imports as a Percentage of GDP



Source: International Monetary Fund, *International Financial Statistics*

Appendix E:

Chart 2
Greek Exports as a Percentage of GDP



Source: International Monetary Fund, *International Financial Statistics*