

Jägeler, Franz J.

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Association Policy

Greece: European Dreams

by Dr Franz J. Jägeler, Hamburg *

Following the return of Greece to democracy, the first steps have already been taken to effect a rapprochement between that country and the EC. Excessive haste in bringing about the reintegration of Athens into the Community would however cause considerable problems, not only for the Greek economy but also for the EC.

Early last December, the Association Council of the European Community met in Brussels representatives of Greece for the first time since 1967. The official reason for the meeting was stated to be that an attempt was to be made to revive the "Agreement for the Establishment of an Association between the European Economic Community and Greece". — A matter of mere routine therefore, one would have thought. However, a dramatic note was struck at the meeting by the leader of the Greek delegation, the Minister for Coordination, Panajotis Papaligouras who declared that, following its return to a democratic system of government, Greece now wanted to be accepted into the Community as a full member "as soon as possible".

The Greek Minister did not specify any definite date for Greece's entry into the EC. But pressed on the point he gave it as his opinion that a transitional period such as Great Britain, Denmark and Ireland had negotiated for themselves would also be quite sufficient for his country. He pointed in particular to the case of Ireland whose economic power, he thought, was roughly the same as that of Greece.

Such European dreams have been cherished by Greek politicians for a long time already. For after the foundations of the two great trading blocs EEC and EFTA towards the end of the fifties, the 9 million Greeks found themselves confronted by three choices. The first choice would have been to stay economically neutral. This would, however, in all probability have brought considerable disadvantages to the country's economy. In view of the fact, however, that even at that time more than 50 p.c. of Greek exports — predominantly farm products like tobacco, wine and citrus fruits — went to the member countries of the two trading blocs the choice was

practically reduced to membership of either EEC or EFTA. The Greek Government at the time decided in favour of joining the Community of the Six (as it was then) as the organisation which appeared to them economically more attractive in that Greece's trade links with members of the EEC were considerably closer than those with the eight EFTA countries (cf. Table 1).

Table 1
Greece's Foreign Trade Structure according to Regions, in 1962 and 1972

Region	Exports				Imports			
	1962		1972		1962		1972	
	in mn US \$	in p.c.	in mn US \$	in p.c.	in mn US \$	in p.c.	in mn US \$	in p.c.
World	248.6	100.0	870.9	100.0	701.3	100.0	2,345.8	100.0
EEC ^a	88.7	35.7	425.0	48.8	303.8	43.3	1,109.0	47.3
EFTA	44.9	18.1	70.0	8.0	148.2	21.1	329.6	14.1

^a EEC of the Six.

Source: OECD, Statistics of Foreign Trade, Series C, Trade by Commodities, market summaries, Jan.-Dec. 1962 and 1972.

Thus Greece was the first state to conclude an association agreement with the European Community. The agreement became effective on November 1, 1962. Even at that time the ultimate aim of the Greeks was to achieve full membership as soon as possible. For only as a completely equal partner would Greece have enjoyed unimpeded entry into the agricultural market of the Six. And this was after all the main attraction for a predominantly agricultural country depending on the export of farm products. In contrast to the agreements with most of the other Mediterranean states and the associated LDCs the association treaty between the Community and Greece provides therefore expressly for the possibility of a later complete integration of Greece. According to Article 72, however, complete integration is to take place only once the satisfactory functioning of the Treaty of Association makes it reasonably

* The Hamburg Institute for International Economics.

certain that Greece will assume all the obligations of the Treaty of Rome¹.

No more than five years after the signing of the Treaty of Association these hopes had to be abandoned in Athens, at least for the time being. For after the *coup d'état* by the military in April 1967 the Community had continued the association with Greece only in a technical sense in that merely the gradual abolition of the tariff barriers provided for in the Treaty had been proceeded with according to programme with the result that by November 1, 1974 a customs union had in fact been established between Greece and the EC for most industrial products². The remaining clauses of the Treaty of Association — containing, apart from the abolition of tariff barriers, above all provisions for a harmonization of agricultural policy as well as for financial aid for the Greek economy — were put into cold storage when the revolt of the Colonels occurred.

In explanation of this rather painful decision for the Greek economy it was pointed out in Brussels that the new Athens Government was incompatible with the principles of the Treaty of Association. As late as on March 28 of last year the Commission had stressed that — in the words of an EC spokesman in Brussels — “the present situation in Greece is still far removed from the democratic principles on which the European Community is based”; therefore, the agreement with Greece would have to remain strictly limited to matters of routine.

Now that Greece has returned to the fold of democratic countries the first steps have been taken to the reestablishment of a closer economic link between Athens and the Community; and it was on the occasion of the session of the Council of Association towards the end of last year that the Treaty of Association was formally reactivated. Even prior to that meeting, the Council of Ministers of the EC had decided as an immediate measure to release the sum of US \$ 56 mn which had been frozen in 1967. In addition, in Bonn the Federal Minister Genscher promised to allocate to Greece economic aid to the total value of DM 180 mn, of which one third was to be made available still in 1974.

These decisions are undoubtedly to be welcomed; all the more because they were taken more rapidly and with less than the usual bureaucratic delay than is customary in Brussels. For what is of prime importance to Greece is immediate and well-directed aid for its shattered econ-

omy utterly exhausted by inflation. This is the only way to ensure that democracy becomes once again deeply rooted in that country.

In the past years Greece has already been deriving appreciable benefits from the association if only through the gradual abolition of tariffs. For — as is shown in Table 2 — Greek commodity exports to the countries of the Community since 1962 have been rising much more strongly than those of the other developing countries and even those of the whole of the rest of the world.

Table 2
Imports of the EC from Greece, from all LDCs and from the world together in 1962 and 1972

Year	Greece (1)		LDCs (2)		World (3)		(1) in p.c. of (2)	(1) in p.c. of (3)
	bn US \$	Change in p.c.	bn US \$	Change in p.c.	bn US \$	Change in p.c.		
1962	0.11	—	9.04	—	35.82	—	1.22	0.31
1972	0.51	363.3	21.48	137.6	118.06	229.6	2.37	0.43

Source: OECD, Statistics of Foreign Trade, Series C, Trade by Commodities, market summaries, Jan.—Dec. 1962 and 1972.

Greece's share in total EC imports has risen accordingly from 0.31 p.c. to 0.43 p.c., its share in EC imports from all LDCs from 1.22 p.c. to 2.37 p.c. How much the Greek economy profited from the rich markets of the EC states is reflected particularly clearly in the change of the goods structure of its exports: whereas in 1962 industrial semi-finished and finished products accounted for no more than 11.1 p.c. of Greece's total exports, this percentage rose until 1972 to 44.9. During the same period the share of these goods which was sold in the EC increased from 15.6 p.c. to 47.6 p.c. (cf. Table 3).

Table 3
Greece's Industrial Exports, total and to the EC, in 1962 and 1972

Year	Total Industrial Exports		Industrial Exports to EC	
	in mn US \$	in p.c. of Total Exports	in mn US \$	in p.c. of Total Industrial Exports
1962	27.65	11.12	4.32	15.62
1972	391.10	44.91	186.12	47.59

Source: OECD, Statistics of Foreign Trade, Series B, Trade by Commodities, market summaries, Jan.—Dec. 1962 and 1972.

These favourable effects notwithstanding, there is general agreement in Brussels on one point: it will be a long time before Greece is ready for full membership. In spite of increasing industrialization during the past years, Greece has still not emerged from the developing stage. Its average income per head of population is of the order of US \$ 1,300 which is less than half of those prevailing in the EC-countries. Industry contributes only slightly more than 20 p.c. of the Gross Do-

¹ Abkommen zur Gründung einer Assoziation zwischen der Europäischen Wirtschaftsgemeinschaft und Griechenland (Agreement on the Establishment of an Association between the EEC and Greece). In: Bundesgesetzblatt (Federal Government Gazette), Part II, No. 32 (Sept. 13, 1962), Article 72.

² The EC had already abolished its import duties on manufactured goods from Greece in 1968.

mestic Product as against for instance 34 p.c. in Italy and as much as 45 p.c. in the Federal Republic of Germany³.

The Greek economy is still underdeveloped and in need of protection; it would have to face insuperable difficulties, if complete integration into the Common Market were proceeded with too hastily. At the same time it would also enlarge the problems the Community itself is at present facing.

Even today structural divergencies between the nine member-states are so great that it is extremely difficult to harmonize the various interests and to find a common approach to the many problems awaiting solution. As it is, the road to the self-imposed objective of economic and monetary union is stony enough, and the footsore members of the Community, Italy, Ireland and (with certain modifications) also Great Britain constitute a heavy enough burden for the other, healthier partners of the Community. To put an additional lame crock before the cart of European unity would only slow down the integration process still further. This applies to today as it will apply five, eight or ten years hence.

Finally there is the problem of Portugal, Spain and Turkey, three other states which have been knocking at the door of the Community for quite some time. If the door were now to be opened to Greece – possibly because after Greece's retreat from NATO one is disinclined to lose that country altogether as extreme outpost of Western solidarity – there is among the other three countries at least one which could rightfully claim the same treatment as Greece, and that is Turkey. For the Turks (and this applies equally to Portugal) are not only NATO-partners; they have also been linked with the Community since December 1, 1964 by a Treaty of Association.

Problematic Agricultural Sector

These are European realities. It may be assumed that what the Greek Minister of Coordination was told in Brussels was very much on the same lines. Quite apart from this, the course of that first meeting of the Council of Association made it clear at any rate that the initial euphoria caused in the Community by Greece's return to democratic practices is beginning to give way to a more sober judgement. Even the framework of the now re-activated Treaty of Association leaves little room for excessive Greek hopes of financial and economic aid. This ought to be borne in mind when negotiations begin for a new financial aid agreement, but even more so when the problem of harmonizing agricultural policies is being tackled. For in the field of agriculture member

states, and particularly Italy and France, have vital trade-political interests at stake so that only very limited concessions may be expected from the Community as a whole.

Even before 1967, negotiations in the agricultural sector had reached complete stalemate. Since then the Common Agricultural Policy has evolved still further and these developments have not exactly improved the initial position from which to resume attempts at harmonizing diverging interests. For instance, the Treaty of Association of 1962 provided for harmonization in regard to pork, poultry, eggs and grain; now harmonization will have to be extended to cover wine, fruit and vegetables, for in the meantime market regulations have been worked out for these last-named commodities.

The Greek government is, of course, very interested in obtaining unimpeded access to the markets of the EC-countries, especially for wine, fruit and vegetables. It has already declared its willingness to bring its wine policy into line with that of the Community within one year. On the other hand, the Community for its part has already to wrestle with the problem of a large surplus of wine so that it will be very difficult for Greece to obtain satisfactory terms. The decision, reached in Brussels, to concede to Greece an increase in its wine quota is nothing but an interim measure while the main problem is being kept on ice.

Similar difficulties arise with oranges, peaches and cucumbers. These products mature some time earlier in Greece than in the competing countries in the Community, Italy and Holland. Here, too, the old opposition which had already before the *coup d'état* prevented the Community and Greece from coordinating their agricultural policies, has once again been aroused.

By and large, there is a great deal of work left for the Council of Association which has been charged by the partners in the negotiations to level out the existing differences. Its work is rendered more difficult by the fact that the Community, in addition to the Greek interests, must also take into consideration the interests of other Mediterranean border states which are also linked to the EC either through treaties of association or trade agreements granting them preferential treatment.

These countries have to some extent a very similar supply structure. Too generous concessions on the part of the EC to Greece in the agricultural field could therefore cause considerable difficulties in the current negotiations about the adjustments to be made to the existing treaties to make them conform to the needs of the enlarged Community in the framework of a global Mediterranean policy.

³ Cf. UN Statistical Yearbook 1973.