

**Socio-Economic Pressure Groups
in Greece and Enlargement:
the Case of the Confederation of Greek Industrialists (SEV)**

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Introduction

There is no doubt that the enlargement of the European Union has raised significant challenges for all member-states. The magnitude of these challenges for Greece was fully understood from the very early stages of the debate, since this stage of enlargement goes for Greece beyond questions of institutional marginalisation and the spectre of significant financial losses. The enlargement debate in Greece has been inexorably linked with the Balkan crises and the need to foster stability in the region, the future of the Cypriot candidacy and inevitably the Greek-Turkish disputes (Memorandum of the Greek Government, 1994; Tsohatzopoulos, 1997). In that respect the prospect of the EU enlargement for Greece touches upon fundamental issues of national foreign policy and the Greek positions on enlargement have inevitably been affected by foreign policy shifts and readjustments.

In that respect and given the sensitivity and the high profile of these issues it was inevitable to a certain extent the attribution of a secondary role to the inputs of the socio-economic pressure groups in the enlargement policy-making process. The objective of this paper is to present and analyse these inputs focusing mainly on the Confederation of Greek Industrialists (Syndesmos Ellhnikon Viomihanion-SEV). The exclusive focus on the Greek industrialists in this paper is justified on the grounds of them being the most organised and resourceful socio-economic pressure group. Furthermore there has been a lack of an articulated response to the economic implications of enlargement for Greece from the other most affected organised pressure groups -in particular the agricultural and labour lobbies, which only very lately seem to have grasped the magnitude of adjustments required. For the longer part of the previous decade these two groups considered enlargement as a distant prospect with no concrete inputs yet to articulate a coherent position. To the contrary, the enlargement prospect in the industry sector was smoothly integrated in the broader theme of the restructuring of the Greek production base and contributed to the renewed economic dynamism of this period. Hence, early on, the Greek industries paid more attention to relevant political and economic developments.

The paper has a two-tier structure. The starting point is the presentation of the overall economic environment in the 1990s and the examination of the economic implications of enlargement for Greece. This qualitative cost-benefit analysis is restricted to the impact of the opening up of the Eastern markets on the Greek production base without considering any potential financial losses from the support framework of the EU. The underlying assumption,

which is based on the literature of economic internationalisation and liberalisation, is that changes in the economic terms of interaction at the international level will trigger shifts in the prosperity of specific economic groups and will prescribe the position of these groups to the international agreements responsible for these changes (Milner and Keohane, 1996). Hence, it is imperative to examine the economic impact of enlargement on the different Greek productive forces in order to be able to articulate hypotheses about the expected reactions of the main population groups mainly affected by the prospects of enlargement. This analysis is based on secondary academic sources about the economic impact of enlargement on Greece juxtaposed to the official position of SEV. The second tier of analysis is the actual capacity of any of these socio-economic groups, in particular SEV, to have a significant contribution to the enlargement policy-making. In other words, the extent and mode of participation of pressure groups in the Greek policy-making in general and more specifically in enlargement needs to be examined.

The main arguments put forward in this chapter do not challenge common sense. Actually, they go along with widely held views on pressure groups in Greece and their role in the policy-making process. Most studies on pressure groups in Greece (and there are very few of those) overemphasise the influence of state structures attributing to organised business interests and workers' movements a role ranging from minor to non-existent (Lavdas, 2001). This study reinstates the primacy of central authorities in the enlargement policy-making process arguing that overall economic concerns of the private sector have been taken into consideration but have not dominated the discussion. The consultation with organised interest groups on the economic issues has been limited. The reasons for such a limited participation of the main economic forces can be found in the past record and style of policy-making in Greece. However, this lack of consultation has not triggered any crisis given that the views of the political authorities and of the industrialists are converging in terms of the potential benefits. Hence, the Confederation of Greek Industrialists (SEV) has given full support to enlargement, stressing repeatedly the necessity of a Balkan dimension to this venture. This support is not surprising given the dominant view among the Greek industrialists of the Balkan countries as the new most promising economic area of activity for Greek enterprises confirmed by both increased trade flows and levels of direct investments.

The Greek Industry and Enlargement: the Political Economy of Internationalisation

Despite encouraging developments in the economic performance of the industrial sector in Greece in mid-1990s, the main question hovering over any discussion about the future of the Greek industry was whether the economic crisis of the previous decades had completely distorted the production base of the country and had drained any dynamism left in the Greek economy (Kanellopoulos, 1996). This question was recurring in all General Assemblies of the Greek Industrialists and provided fertile ground for long discussions (Svoronos, 1996; Daskalopoulos, 1996). In general, the proceedings of the General Assembly of the Greek Industrialists provide a good overview of the main preoccupations of what is considered to be the most resourceful and influential interest group in Greece. The added value of these annual meetings is that discussion over sector specific issues and problems are complemented with broader considerations of the fundamentals of the Greek economy, the long-standing structural problems and attempts to economic modernisation and expansion. In that respect, it is possible to discern the existing entrepreneurial climate and dynamism of the whole industrial sector.

This is of particular importance at the specific juncture of time that the enlargement debate took off. It is imperative to keep in mind that the debate on potential economic gains and losses from enlargement for Greece coincided with a very intensive attempt to control budget deficits, public debt and achieve economic convergence to the other EU member-states (Christodoulakis, 2000; 1994; Alogoskoufis, 1995). Participation in the Economic and Monetary Union emerged after 1996 as the main political priority and was presented as the ultimate chance for the country to participate on equal footing in the process of European integration. At the same time "...the economic and political reforms in Central and Eastern European Countries (CEECs) and their potential integration in the EU structures represent[ed] for Greece the second biggest challenge the country has faced after becoming a full member of the European Communities back in 1981" (Dimelis and Gatsios, 1994:1). This comment, made at a period when the prospects of EMU membership for Greece were not only remote but rather indiscernible, did not lose any of its value in the following years when EMU membership became the main political and economic objective. These two processes ran in parallel and exercised complementary pressures to the Greek economy. Therefore, the two parallel processes of enlargement and EMU have been in the Greek case

inter-linked. The overarching Greek and international economic environment with its endemic deficiencies and the economic policy priorities should be always kept in mind when considering the discussion over the economic implications of enlargement for Greece.

For the European Union these two processes represent the culmination of a long and incremental process of market integration -the EMU internally and the enlargement externally bringing in new markets with a great potential. The project of Economic and Monetary Union and the westward orientation of CEECs were expected to give a further boost to the European economies. Nonetheless, this complex process of economic integration was expected to have an overall unfavourable impact on the performance of the less developed states and regions of the EU (CEC, 1991). The elimination of trade barriers was deemed to alter the spatial pattern of trade reinforcing the importance of geographical factors such as distance, centrality and market accessibility (Peschel, 1990; Krugman, 1994). As a result, central regions and metropolitan areas would strengthen their position benefiting from market size, economies of scale in production and changes in the strategic behaviour of large European firms. Similarly, regions of intermediate economic performance and geographic location would equally enjoy significant gains. On the other hand, laggard regions in the periphery of the EU would suffer most since they contained the highest share of sensitive sectors, the weakest and most vulnerable productive base, insufficient infrastructure and could not capitalise from the opening up of the markets (Camagni, 1992). It was for these regions that more substantial regional and structural policies at the European level were advocated emphasising the provision of basic economic infrastructure and the stimulation of indigenous potential for growth in the laggard regions. At the same time structural adjustments focused in particular on industrial economic activity should be entused in order to enhance the spatial distribution of economic development (CEC, 1993a; 1993b, 1993c; 1991).

Therefore, the main argument about European market integration implies that with the opening up of the European economies "...less strategic and perimetric locations with respect to the European centre of gravity are bound to a certain extent to lead to peripheral and inferior economic structures" (Petraikos and Zikos, 1996: p.255). As long as national control over international economic relations was the norm, the protected and fragmented economic environment was forcing at the expense of production efficiency and economies of scale a greater spread of locational choices of firms in order to overcome trade barriers. The

abolition of these barriers rendered distance, lack of adjacency and limited accessibility to the European economic developmental centre even more critical factors in the location decision of industrial production. Where national governments failed to adopt domestic policies and impose the necessary structural adjustments, this trend of economic marginalisation was further accentuated.

In that respect, the process of market integration in Europe was bound to cast severe doubts about the viability of the Greek production base and the successful competition in the single market. For the whole decade of the 1990s, Greece qualified as a whole under the Objective 1 regions of the EU's structural policy. What made Greece, however, a special case within the other regions unable to meet competitive pressures was its overall unfavourable geographical position. Low intra-industry trade figures for Greece¹, which pointed to an inter-industry specialisation, confirmed the geographically divided pattern of economic integration in Europe. Such a Heckscher-Olin type of economic relation suggests a specialisation of the more advanced economies in technology- and capital- or knowledge-intensive goods and the less advanced in labour-intensive and assembly activities (Petraikos and Zikos, 1996), thus limiting the chances of real economic convergence.

In economic theory two ways of breaking such a deadlock can be found. The first is to engage in a persistent and coherent plan of economic reforms to enthuse modernisation and the second to counter geographic isolation and the role of underachiever by establishing new markets and assuming central role in a regionally focused economy. As regards economic restructuring, for more than ten years following accession, Greek governments tried to avoid or simply postpone economic adjustment fearing the high political cost of the necessary economic reforms. The preoccupation of policy-makers with their own political survival is one of the three main parameters in the literature to understand governmental myopia or irrationality of action as regards economic reforms (Rogoff, 1990). Uncertainty in the distribution of the resulting gains and losses (Fernandez and Rodrik, 1991; Rodrik, 1996) and strong interest groups that can delay economic reforms due to their significant distributional implications (Olson, 1965; 1982; Alesina and Drazen, 1991) are the two other parameters. In the Greek case the validity of all these three theoretical explanations has been

¹ Greece together with Ireland –prior to the latter's economic takeoff summarised in the often coined 'Irish miracle' term- displayed the lowest figures of intra-industry trade with no increasing trends (Petraikos and Christodoulakis, 1997)

confirmed (Liargovas, 2000).² Potential losers from adjustment to EU membership would definitely include among others "...a significant part of Greek business, accustomed to external protection and heavily dependent on state favouritism, especially through public procurement contracts...most of organised labour, which can be found in the large state-controlled sector, characterised by over-employment, relatively high pay and low productivity... less well-organised groups of society, such as many small businesses and the lesser skilled" (Tsoukalis, 2000: 40). Only the prospect of EMU membership and the external pressure originating from Brussels finally managed to cut the Gordian knot (Liargovas, 2000). Hence, domestic economic reforms were not adequate –at least during the first half of the last decade- to provide the necessary impetus and break the deadlock of isolation of the Greek economy and achieve convergence.

The second policy option was to convert peripherality at the European level to centrality at a sub-European level through the emergence of a regional market in the Balkans capable of stimulating growth and development. "Perhaps for the first time since it became an EU member, Greece has a real opportunity to effectively deal with the difficulties and the pressures imposed by the process of European integration on its economic structure. This opportunity stems from the prospect of gradually re-composing the economic space in its vicinity with the creation of a regional Balkan market in which it will have a central and highly influential role" (Petrakos and Christodoulakis, 1997: p. iii). Regional market integration, therefore, became the main instrument of adjustment of the Greek economy.³

At the same time, the industrial fabric of Europe was being rewoven with all the far reaching political implications and re-emerging or newly restructured International Production Networks (IPNs) were becoming the new form of large-scale production (Borras and Zysman, 1998). These networks emerged in Europe as a response to the region's great production heterogeneity. The IPNs replaced the 'least cost' investment strategy of the early years of economic transition characterised by moving existing production arrangements to lower-wage locations. In these networks, production is being dispersed and draws on the special skills of local producers paving the way for complementary production specialisation.

² On the Greek experience of structural economic adjustments and the subsequent reactions and opposition, see also Pagoulatos (1999; 2000); Lyberaki and Tsakalotos (2000)

³ Needless to mention of course that this policy was severely hampered and undermined by the successive Balkan crises and the Greek monolithic and self-destructive approach, which cancelled out any good intentions to become an anchor of stability in the volatile region and a hub of economic activity.

However, in the establishment of these networks, geographic proximity has been again a critical parameter next to highly skilled personnel and organisational capacity (Zysman and Schwartz, 1998). Hence, for the Greek economy the Balkan region was important not only in its market dimension but was also expected to provide the opportunities for the restructuring and internationalisation of the Greek industry.

Considering the market dimension first, studies on European Union trade with Eastern Europe found an enormous potential for export growth from Greece towards the CEECs with a significant bias towards the Balkan countries (Faini and Portes, 1995). Early estimates of the Commission suggested that the increasing development of economic relations between Greece and the CEECs resulting from the fundamental changes in 1989 could lead to an increase in the industrial production of Greece of 2.5% by 1996 and of 10% by 2010. These figures could increase even further should the candidate countries integrate successfully to the EU (CEC, 1993a). In the first five years following the opening up of the Eastern markets, Greek exports exhibited indeed a remarkable dynamism with average annual growth rates of 22%. Early data on the destination of Greek exports showed that more than 60% of Greek exports to the CEECs were directed to the Balkans revealing a fundamental dichotomy between Greece and the then EU11 in their trade patterns with the CEECs. Hence, Greece's centre of gravity tended to shift towards its Balkan neighbours (Dimelis and Gatsios, 1994).⁴ Over time and given the gradual integration of these emerging markets to the common European one, it was expected that this bias and this geographical distribution of trade would diminish but would most likely remain significant. As regards future projections, aggregate trade estimates based on Baldwin's estimated coefficients (1994), showed that Greek exports would continue to exhibit this impressive dynamism. At the same time, the competitive threat for Greek exports in the EU posed by CEECs products was considered to be small (Dimelis and Gatsios, 1995). Later studies of the economic developments and aggregate trade flows in Greece and the Balkans reaffirmed that in the post-1989 period two different processes took place with respect to the Greek performance in the European and international markets. On the one hand, the position of Greek exports in the EU and world markets has been deteriorating and on the other hand, there has been a successful in all terms, export

⁴ It is noteworthy that due to the embargo against Yugoslavia trade flows with a significant trade partner were distorted. It was expected that once relations are restored these figures would be even higher (Walldèn, 1996).

performance in the neighbouring Balkan countries (Walldèn, 1999; Petrakos and Christodoulakis, 1997).⁵

A noteworthy aspect of the trade flows between Greece and the Balkan countries in the 1990s was the high level of intra-industry trade, the figure of which was consistently higher than that in the Greece-EU trade (Petrakos and Christodoulakis, 1997). What that fact suggested was that Greece has had significant deviations from the production structure of the average EU country and has had an industrial base closer to that of the CEECs (CEC, 1993b). Therefore there existed good potential for achieving economies of scale and a more efficient division of labour in industrial production by creating substantial regional production networks. Hence, the Greek foreign direct investments (FDIs) in the CEECs, which reached an unprecedented level and variation for the standards and the size of the Greek economy, presented a similar geographical distribution to that exhibited by the Greek export activities concentrating in the Balkan neighbours in the close vicinity (Katsikas, 1999; Dimelis and Gatsios, 1995).⁶ Actually, more than 90% of the investments were directed towards three countries only (Albania, Bulgaria and Romania) (Ministry of Development, 1997: p. 147).

However, it is worth paying a closer look to the rationale and the motivation behind the Greek investment activities. Following the establishment of the Single Market the Greek industry suffered severe pressures to restructure and modernise. The sectors more heavily affected by the market integration process were exactly those that have presented the greater interest in expanding their production base internationally (mainly the food, beverages,

⁵ However, even for the Balkan and Eastern European market only, the picture is not completely rosy. On the structural and organisational problems of the Greek export activities in this region, see Efstratoglou, C. (1998). The author notices a relatively passive export policy and a concentration of exports on relatively few trade sectors. Improvement of product competitiveness is usually linked to price factors and other parameters like quality, packaging etc. seem to be ignored. On the organisational level, the fragmented export activities of Greece with many small export companies involved hinders any attempts to efficient and large scale promotion. The state support framework, in particular the General Secretariat of International Economic Relations in the Ministry of National Economy, is characterised by organisational and functional weaknesses, which undermine attempts for a realistic and efficient export policy. On SEV's views for the drawing of a national export policy, see *SEV Bulletin*, vol. 593: p.10-13, December 2000.

⁶ For the analysis of the Greek FDIs in the CEECs and in the Balkans in particular, the information come from a data base created for the Ministry of Development in view of a new national industrial policy. The sources of this data base are reports of the daily press, reports by the Greek embassies in these countries, the data collected by other institutions and trade organisations, a questionnaire survey and interviews with Greek entrepreneurs active in the region and finally the Ministry of National Economy, which holds a record of Greek companies taking advantage of the investment incentives in the CEECs. Although the data may not be exhaustive, they definitely suffice to provide a very good overview of the investment climate in the region (Ministry of Development, 1997, *The Greek Industry and Developments in Central and Eastern Europe*) (in Greek).

tobacco, textiles and clothing sectors⁷). This should not catch anyone by surprise considering that in periods of increasing international competitive pressures, the realisation of extensive investment programmes abroad is considered a credible and important path of action especially for multinational companies in the developing world (Jenkins, 1987; Dunning, 1983). Hence, the internationalisation of the Greek industry in the 1990s was linked with the required structural readjustments for survival and it should be understood as an attempt by the sectors more heavily affected to face off these competitive pressures. In that respect the opening up of the Balkan markets came in the right time for the Greek industry and played the role of the *deus ex machina* for the endangered sectors (Katsikas, 1999).⁸

In a nutshell, adjusting Voltaire's saying, even if there had been no opening up of the markets of the CEECs and particular of the Balkan countries, the Greek economy would have better find ways to enforce it. It provided an opportunity to establish a regional market and counter in that way geographic isolation and offered attractive investment opportunities that assisted the restructuring and survival of significant sectors of the Greek industrial base. Trade flows and figures of FDIs validate this dual contribution. However, the maximisation of the gains from these developments require the full integration of the newly established regional economy in the single European one. Hence, the Balkan dimension of enlargement became a recurring topic of the Greek argumentation not only for political and security reasons but also for purely economic ones.

From what has been discussed so far, the Greek industrialists would seem to have every reason to support vigorously the enlargement of the European Union and in particular the candidacies of the Balkan neighbours. In general, their interests have not been in conflict

⁷ Approximately 83% of the Greek investments originated from these sectors (Ministry of Development, 1997). These sectors constitute the backbone of the Greek industrial production base and have long been the main and traditional industrial Greek export sectors. The sector of software technology shows up in another analysis rather surprisingly in the list (Dimelis and Gatsios, 1994).

⁸ The exact motivation and way of 'going international' differs from sector to sector according to specific needs and conditions. For the beverages and food sectors, investment activities were a means to secure significant market shares through the development of a local production and distribution network. In the same category belong those companies that are processing local raw materials. The objective there is to achieve a competitive advantage through control of local networks and the economies of scale deriving from the concentration of the activities. For the textiles and clothing industry, the motivation was different since the main objective was to take advantage of the low labour cost in these countries. This comparative production advantage for Greece among the EU partners was lost with the opening up of the Eastern markets already since the Association Agreements (Walldèn, 1995). In most cases only the production was shifted to the new location with distribution remaining in Greece. In that respect only in the first case it is possible to refer to the internationalisation of the Greek industry, whereas in the second case 'migration' of production may be more appropriate as a term (Katsikas, 1999).

with the broader government policy securing a large degree of domestic homogeneity as regards the principal policy direction. In the following section we will pay a closer look to the position of the Greek industrialists on enlargement and their role and interventions in the enlargement policy-making process.

Greek Industrialists on Enlargement: Old Wine in New Bottles

In the summary of the activities of the Confederation of Greek Industries (SEV-Syndesmos Ellhnikon Viomhxanion) in the 1995 General Assembly, the then Chairman Mr Jason Stratos noted that:

...there has been no single major issue concerning economic policy for which the SEV did not express with clarity views and policy proposals: economic stabilisation, growth, the Convergence Programme, the budget, the Community Support Framework, unemployment... It is encouraging to see that the views of the SEV enjoy an ever increasing positive response by the public opinion and are seriously taken into consideration not only by the Greek government but also by the international organisations...[In the previous year] we have enhanced the international presence of SEV...Through UNICE, we have put forward the views of Greek and European industry on a series of economic issues and the Greek views on national issues...Of particular importance to us [SEV] has been the co-operation with the Cypriot Federation of Industrialists and Employers, which has promoted actively the Cypriot candidacy for accession in the European Union ... (SEV Bulletin, vol.560, May 1995: p. 6-7)

This intervention reveals the high profile of the Confederation in the domestic political and economic life and the range of its activities. Active participation in the domestic policy-making process and transnational action in international organisations like UNICE to promote the economic interests and the Greek position on national issues are among the core actions of the Confederation. In the next section the record of relevant to enlargement activities of SEV will be presented. The presentation of its actual involvement in the policy-making process will follow.

Greek Industrialists, the New Markets and Enlargement

The business opportunities in the emerging markets of the Balkans, Central and Eastern Europe and the former CIS have long preoccupied the research and analysis unit of SEV. These opportunities have constituted for Greek entrepreneurs the biggest challenge after accession to the EC (Tortopidis, 1995) and their importance has not waived over the

years.⁹ The size of the markets and the prospect of their future integration in the common European one have inevitably attracted the interest of the more extrovert Greek entrepreneurs.

According to the exhibited business strategy, the first step for the Greek companies in their attempt to take advantage of these opportunities has been the establishment of a stronghold in the Balkans, which has been used or is planned to be used as a springboard for the expansion of the activities in the other regions (SEV Bulletin, 1996, vol. 567: p. 12, September-October). Besides geographic proximity, the Greek entrepreneurs have enjoyed additional advantages against their European competitors deriving from cultural affiliations and familiarity with the local business environment (Stratos, 1997). It is worth reminding that the Balkans and in general the Countries around the Black Sea constituted for centuries the main areas of Greek economic activity. Despite a long period of relative inactivity during the Cold War years, links and networks survived and have been rejuvenated in the 1990s. Hence, from all Western countries Greece has had the best chances to penetrate these markets on behalf of the broader European economy and act in that respect as one of the spearheads of the European economic expansion eastwards (CEC, 1993a). In this conscious effort to build bridges with the new markets, SEV has played an important role by keeping regular contacts with the equivalent bodies –in particular Bulgaria, Romania, Hungary, Ukraine and Georgia– and initiating joint programmes of technical and administrative support and assistance (SEV Bulletin, vol. 567: p. 13).

According to SEV's point of view, the credit for the successful economic penetration of the Greek businesses in the new markets should go exclusively to the private sector, given that, despite the rhetorical commitment by the state authorities for support, this support has not been materialised in any way (Stratos, 1996). In general, it seems that the Greek government has not paid enough attention to the significance of economic diplomacy in the new international environment. Whereas the core actor in any business expansion remains the entrepreneur, who takes the investment risk after all, the supportive role of the polity and the state is very important. This role clusters around providing the necessary information for the business environment, offering investment incentives and paving the way through bilateral or multilateral international agreements for the active involvement of the private sector. Critical

⁹ Interview with Mr. Tortopidis, Head of the Research and Analysis Unit of SEV (December, 2001)

deficiencies of the existing support system in Greece include the lack of a national export policy (SEV Bulletin, vol. 593, pp.10-13) and the fragmentation of authorities with the parallel and uncoordinated involvement of several Ministries (National Economy, Development, Foreign Affairs), which results in duplication of efforts and inefficiency in the planning and implementation of any policy measures (Stratos, 1998).¹⁰

What has been shown so far is that the Greek industry followed closely and from an early stage the political and economic developments and the opening up of the new markets and tried to take advantage of the emerging opportunities. Naturally, the larger the integration of new markets in the common European one, the bigger the benefits would be. Hence, since membership in the EU would be the ultimate form of market integration, SEV and the Greek industrialists have expressed repeatedly their support to the prospect of enlargement (Stratos, 1994).¹¹

In a survey made by SEV, in 1996, on the views of the Greek industrialists on enlargement, the single currency, the Economic and Monetary Union and Greece's future in it, the overwhelming majority of its members responded enthusiastically to the prospect of enlargement. The main benefits deriving from it are related to the further opening up of the markets of the candidate countries to include sectors still under some kind of protection and the gradual strengthening of demand and consumption in these countries as a result of EU funds and assistance. Furthermore, the need of the candidate countries to adjust their economic structures to those of the EU and fully adopt the *acquis* was considered to be beneficial forcing reforms, increasing stability and predictability and hence creating the necessary investment environment. All these parameters, related directly or indirectly with enlargement, provided compelling reasons to the Greek enterprises to further expand their economic activities in the countries that appeared to have a better chance for rapid membership. Thus, the prospect of early membership in the EU was an important factor for

¹⁰ This criticism on economic diplomacy –or rather the lack of it- is not limited to the new markets in the Balkans, Central and Eastern Europe and former CIS but hold true also for Eastern Mediterranean and other regions. According to SEV these problems constitute one of the structural weaknesses that hinder the private sector take full advantage of its dynamism and undermine the public-private sector partnership.

¹¹ The same support to enlargement has been expressed also by the Greek Small and Medium Enterprises in a pan-European survey conducted for the Commission (DG X and XXIII) entitled “The Enlargement of the European Union viewed by the SMEs”. Despite some inevitable degree of bias from political considerations in the response of the Greek participants (mainly with regard to the Cypriot candidacy), the justification of the given answers on economic grounds suggests that there is to a certain extent place for economic benefits also among the SMEs (*Express*, 12.12.98).

the Greek industries in their decisions. As regards whether membership of a candidate country would lead to a reconsideration and an upgrade of the company's level and form of activities, although the answer was not conclusive there existed a positive inclination (SEV, 1995).¹²

Nevertheless, the widely expressed support to enlargement by SEV has not been unequivocal:

SEV supports the further enlargement of the Union. However, SEV stresses the need of preserving the *acquis communautaire* and the whole integration process from the possible negative implications of a hasty enlargement. SEV also believes that it is imperative to introduce new structural measures to face the new and even more serious structural differences among the members of an enlarged Union ('Preparation of SEV for the 1996 IGC', *Thoughts*, vol. 20, June 1995 – supplement in *SEV Bulletin*, vol.561, June-July 1995)

Thus, the view of SEV has been that the enlargement of the EU should definitely take place but in due time and without endangering the current integrationist *acquis* (Stratos, 1995). The prospects of increased short-term profitability cannot and should not hide the great level of disparities between current and perspective members, which in case of deficient preparedness might turn out to be detrimental for the interests of both groups according to SEV. SEV appears also particularly concerned about the evolution of the EU relations with the countries that have not yet acquired the candidate status, mainly Turkey and the countries in South Eastern Europe. Hence, SEV has persistently advocated in the international fora the need for a distinct EU policy for the non-candidate countries in the periphery of the EU. This policy should be independent and unrelated to the progress of the enlargement process and should aim to the gradual economic and political linkage of these countries to the EU. SEV's views on this issue have been adopted by UNICE (SEV Bulletin, vol. 586, p.2, November-December 1999).

On the more specific issue of the Cypriot candidacy, it is needless to say that SEV has fully supported the accession of Cyprus in the EU (Kanellopoulos, 1998). However, what is interesting in that respect is that this support has been justified not only on the grounds of a political preoccupation with one of the most important national issues but also on economic

¹² On the question about the most probable form of activity after enlargement, 43% of the participants in the survey answered that this would take the form of export activities, 21% the establishment of a new production unit/branch, 16% joint ventures with a local firm, 9% joint ventures with other international firms, 7% export of services/technology, 2% commercial activities and 2% reinforcement of the existing offices of the company.

grounds. The Cypriot entrepreneurs have established a very elaborate business network in the Middle East and the East Mediterranean and Cyprus has emerged as a regional economic hub. Hence, membership of Cyprus in the EU is expected to open up the gates of this difficult and demanding regional market to EU business and complement in that respect the pioneering economic activities of the Greek business in the Balkans and the Black Sea. Due to the strong cultural and entrepreneurial links with the Cypriot economy, the Greek industry expects to get the lion share from the emerging opportunities (Stratos, 1998b; 1996).

Policy-Making and Co-ordination on Enlargement: Any Role for SEV?

In order to examine the contribution of SEV in the domestic enlargement policy-making process two things are required. The first is to get acquainted with the process itself and the second discuss the role of organised representative groups in the Greek polity in general. The main argument put forward in this section supports the view that the Greek model of co-ordination and decision-making on EU affairs accredits political leadership with a very important role in the absence of a systemic institutional policy-making framework involving all political, social and economic forces (Ioakimidis, 1999). Given that up until recently the relationship in Greece between the state structures and the economic and social forces was characterised by control and domination (Analytis, 2000), there has been a continuous lack of political consultation, which in turn has led to a political culture of minor involvement of organised groups in the policy-making process. That more or less gives a good idea of SEV's range and scope of involvement in the domestic enlargement decision-making.

The complicated system of policy-making at the EU level from the stage of the agenda setting to implementation involves a great number of actors not only as regards the European institutional bodies but also the national public administration. The functional fusion between the layers of Community and national administration has led to the blurring of the strict hierarchical characteristics not only in the interaction between the Community and the national level but also among the different domestic bureaucratic layers. As a result the member-state participates in a 'multi-bureaucratic process', which is characterised by a continuous, intensive and multi-level 'inter-bureaucratic intermingling' more as separate administrative units and less as a unitary actor (Pag, 1987). The deriving result is the creation of tensions and competitions within the national administration both at the

governmental level among ministries on issues where authority is shared or is unclear and at the intra-ministerial level, among the different administrative layers. Thus internal co-ordination becomes crucial for the articulation of coherent national positions and the adoption and implementation of an overall negotiating strategy in view of the negotiations at the different Community institutional bodies. The more complicated and multi-dimensional the issues, the more critical the role of the co-ordinator is. This parameter becomes even more important considering that in the Community level of negotiations sometimes the presentation, coherence and credibility of a negotiating position have equal if not more value than the substance and the content of a position and a policy (Ioakimidis, 1993).

Offering an overview of the Greek administrative model, it has been argued that political polarisation over the issue of membership has played an important role in the format of co-ordination. Complemented by the inherent pathological weaknesses of the Greek administration, it has led to the emergence of a system characterised by Greek-focused, defensive and mainly budgetary oriented attitudes. Hence the administrative system has had difficulties in adjusting to the demands of the Community policy-making (Ioakimidis, 1993). In general terms, due to the rather anarchical and fragmented domestic decision-making system, Greece adopted a centralised system of co-ordination. The hub of this system has been the Ministry of Foreign Affairs, which took over the leading role after an internal political and bureaucratic battle from the Ministry of Co-ordination (after 1982, Ministry of National Economy). In practice *the system has developed its own characteristics in an empirical and atypical way outside the formal institutional framework, depending on the personality, capabilities and personal political clout of the political leadership* (Tsitouridis, 1986; Makrydimitris and Passas, 1994). In other words the system emerged less as a result of a conscious institutional strategy of adaptation to the Communitarian political and institutional environment and more as an *ad hoc* series of arrangements. The pivotal role of the Ministry of Foreign Affairs necessitates the subsequent sketch out of the model of foreign policy making in Greece.

To start with, two basic characteristics of the Greek foreign policy making system should be mentioned, namely the absence of institutionalised mechanisms for long-term policy planning (Stoforopoulos and Macrydimitris, 1997) and the prevalence of political leadership and personalities (Ioakimidis, 1999) that are both leading to *ad hoc* and often spasmodic foreign policy actions and reactions. As regards the former, there seems to be a

general acquiescence that in terms of organisational and administrative parameters, the Greek foreign policy has a long-term planning and analytical deficit, which is accentuated by the problematic communication and co-ordination of action among the different policy-making layers at political and administrative level (Stoforopoulos and Makrydimitris, 1996). The outcome is a fragmented policy-making process, which leads to fragmented foreign policy actions and is heavily responsible for the lack of cohesion and continuity in foreign policy. This short analysis depicts the absence of a systemic institutional framework for formulating foreign policy at the bureaucratic level. However, this analysis can be extended also at the political level, where it can be equally argued that there is a lack of collective bodies that form a structured institutional system of policy-making (Stoforopoulos and Makrydimitris, 1996). This lack even at the Ministerial or Parliament level confirms the fundamental thesis that "...practically all important strategic foreign policy decisions were not the output of institutional procedures but the product of individual preferences" (Ioakimidis, 1999: p.150). In a nutshell, the lack of both bureaucratic and political institutionalised policy frameworks suggests that policy-making is very often made on an *ad hoc* basis, lacking cohesion and continuity and reflecting narrow political options or interests of the personalities at the very centre of the system.

What should be added to that is the pattern of public policy debate in Greece. Clientelism, the suffocating involvement of the public authority and the resulting atrophy of civil society, the system of interest intermediation affected considerably by the various regime discontinuities ranging from pluralist bargaining to statist/authoritarian corporatism and the absence of policy knowledge communities –to name only a few of the characteristics of the system- have strongly affected the terms of involvement of organised groups in the policy-making process (Lavdas, 1997). The omnipresent state and the strong dependence of the economic and social forces from the public authorities in numerous ways led to the ‘politicisation’ of the economy for a long period and to the inability of the organised interest groups to articulate coherent policy alternatives different from the statist orthodoxy (Analytis, 2000). In other words, ‘...what is lacking in Greece is the political culture of participation and involvement of interest groups in policy-making procedures’.¹³ Sporadic meetings –if any at all- do not yield significant contributions and inputs due to the lack of preparations from both

¹³ Interview, Ministry of Foreign Affairs (February, 2001)

sides. The representatives of the interest groups arrive in these meetings ill prepared and without clear positions on the specific issues in the agenda.¹⁴

As a result of this lack of institutionalised role for interest groups, SEV has had few chances to intervene directly to the enlargement policy-making process. The nature of the enlargement venture with the important national issues at stake and the co-ordinating role of the Ministry of Foreign Affairs have also made this task more difficult. Hence, the record of action has included primarily the monitoring of European policies and measures, like for example the Association Agreements with the candidate countries, and the *ex post* analysis of their impact on the Greek industries. In other words, the intervention of SEV and the other sectoral industrial representative groups in the enlargement policy-making has been primarily reactionary better than proactionary. The main channel of action has been the Ministry of National Economy, in particular the Directory of International Economic Relations, rather than the Ministry of Foreign Affairs.¹⁵

Conclusions

This study has examined the views of the Confederation of Greek Industries on the enlargement of the European Union. This an area ignored by the Greek literature on enlargement, which focuses more on security and foreign policy considerations. The economic benefits for the Greek economy and industries from enlargement have contributed to the ardent support exhibited by SEV to the process. These benefits can be summarised in further opened and integrated markets leading to increased exports and better conditions for the internationalisation of production, which can help facing off competitive pressures. Hence, enlargement for the Greek industries has been partially the long awaited solution to problems of economic performance. It is no surprise, therefore, that SEV has fully backed the process at macro level. However, at meso- and micro-level tensions do arise, particularly since not all sectors are expected to enjoy benefits from the process. In these occasions, the

¹⁴ Ibid. The interviewee has himself convened such meetings prior to significant European events like the 1996 and 2000 IGCs and has expressed his disappointment from the lack of inputs from the participants.

¹⁵ Interview with Mr. Yiannos, Head of the International Economic Relations Secretariat, Ministry of National Economy (April, 2001). A typical example is the reaction of the Greek Steel Industry after the signing of the Customs Union of the EU with Turkey. Their basic complaint was that the Commission's model during the negotiations resembled the Agreements with the CEECs, whereas the Turkish steel industry was far more modern and technologically updated. The reaction of the Greek industry, however, came only after the signing of the agreement (Naftemporikh, 15.06.95). There are numerous other similar examples from different industrial sectors.

scope of intervention for SEV has been rather limited, given the generally low level of involvement of organised interest groups in policy-making in Greece. Hence, SEV's involvement tends to be reactionary and not ultimately successful.

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