Cooperativism in a Dirigiste State: SEKE and the Reconstruction of Greece's Tobacco Sector (1947-1967)

Juan Carmona-Zabala

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Abstract

The Co-operative Union of Tobacco Producers of Greece (SEKE) made a series of key contributions to the reconstruction, and development, of Greek tobacco production and exports in the postwar period. Its strategies allowed tobacco growers to retain a larger part of the value that they produced. A historical analysis of SEKE's emergence and early trajectory allows for a more complex narrative of the postwar economic reconstruction to emerge, in which we can appreciate the role of sub-state actors more clearly appreciated than has been the case thus far. By influencing the institutional framework regulating the tobacco sector, opening up new export markets and investing in human capital, SEKE partially actualized the agrarian political program of the interwar period. As a large trading firm owned by agricultural cooperatives, SEKE's history forces us to revise the limited, often cynical view of Greek agrarian cooperativism as a mere mechanism for the enforcement of redistributive state policy, and the management of credit from the Agricultural Bank.

Introduction

Vasileios Ilantzis had some impressive numbers to show at the general assembly of 1963. As Director General of the Co-operative Union of Tobacco Producers of Greece (Συνεταιριστική Ένωσις Καπνοπαραγωγών της Ελλάδος, SEKE in its Greek acronym), it was his duty to report on the organization's activities during the previous year. SEKE had exported over five tons of tobacco leaf, worth over ten million US dollars. These figures represented roughly a tenth of Greece's total tobacco exports that year. Such volume of business made SEKE the first among the more than one hundred and fifty tobacco trading firms operating in the country at the time (*Kapnikē Epitheōrēsis*, November 1963, 4313). If one takes a step back away from the tobacco sector and looks at the broader picture of Greece's foreign trade, the figures remain relevant. In the early 1960s, tobacco leaf was still the most important export commodity despite the remarkable process of industrialization that the national economy was undergoing.

One important feature of SEKE is that, while being a limited liability company, it was fully owned by a handful of farmers' cooperatives. The combination of SEKE's leading position within the tobacco sector on the one hand, and its cooperativist character on the other, prompts us to question a number of themes that often appear in the historiography on postwar Greece. The first one is the pessimistic view of Greek cooperative organizations as mere distributors of credit from the Agricultural Bank, and mechanisms for the exertion of influence by politicians over farmers (Fefes 2013, *passim*; Kostis 2019, 446). As I show in this article, SEKE's activities went far beyond the management of credit flows. In fact, the company's leadership participated in the shaping of tobacco-related policy by representing the interests of tobacco farmers. The second theme that needs revision is the view of agricultural policy in general, and state intervention in the tobacco sector in particular, as a top-down process through which the state redistributed income among peasants at the expense of economic modernization (Maravegias 1992; Kazakos 2007, 220-222; Iordanoglou 2020, 116-117). I contend that collaboration between SEKE, the state and other economic actors led to an increase in the value created within the Greek tobacco sector, as well as in the capacity of farmers to capture part of that value for their own benefit. The third, more general theme questioned, or rather nuanced, in this article emanates from the previous two: that state institutions, both Greek and American, played the leading role in giving postwar reconstruction and development their concrete shape (Kazakos 2007, Sakellaropoulos 2011, Kostis 2019, Iordanoglou 2020). It is indeed undeniable that the state was of utmost relevance. However, sub-state actors such as SEKE appear as decisive when one brings the scale of analysis to the more concrete level of specific sectors within the economy, i.e. when one interrogates the process of development in more concrete, material terms.

This article has both a descriptive and an interpretive dimension. I describe the steps taken by agrarian cooperativists leading to the establishment of SEKE in 1947, and the company's trajectory up until 1967. That year, the organization's leadership was purged by the dictatorial Regime of the Colonels (Ilantzis 1973, 9).[i] My narrative focuses on the challenges facing the Greek tobacco sector over a period of roughly two decades, and on how SEKE became part of the institutional arrangement that made it possible to overcome them. The body of sources informing my reconstruction of SEKE's activities are former director Vassileios Ilantzis' book *Σ.Ε.Κ.Ε. και καπνός - Χρονικόν συνεταιριστικής δημιουργίας (SEKE and Tobacco: Chronicle of a cooperativist creation)*, as well as the main periodical reporting on Greece's tobacco industry at the time, *Kapnikē Epitheōrēsis (Tobacco Review)*. To a lesser extent, I have also drawn from source material kept at the archives of the Piraeus Bank Group Cultural Foundation.

The interpretive component of this article is informed by a series of theoretical concepts that I have drawn from the literature on Global Value Chains (GVC) and Global Production Networks (GPN). More specifically, I apply the concepts of *value capturing, relational upgrading* and *stepping out*. This approach makes it possible to explain how the integration of local and national economies into transnational markets takes place, and assess the effects of such integration on various stakeholders. In the concrete case of SEKE, it becomes possible to assess the organization's contribution to the development of Greece's tobacco sector in general, and to the improvement of the farmers' precarious economic predicament in particular.

The use of concepts drawn from the GVC/GPN literature in a study focusing on the 1945-1967 period might seem odd, if not outright misguided, to some GVC/GPN scholars. Granted, this theoretical orientation was initially inspired by economic developments taking place globally from the 1980s onwards. Yet, as I intend to demonstrate, the transnational organization of certain economic sectors such as cigarette manufacturing already presented several traits of what we today call GPNs: lead firms dominating specific markets by exerting control over strategic nodes along the value chain; co-existence of different types of linkages between firms; suppliers and states collaborating to facilitate capacity building and value capturing, etc. (Coe & Yeung 2015; Glückler & Panitz 2016; Smith 2015; Horner 2017). Besides its historiographic implications with regard to postwar Greece's economic development, then, this study also has a theoretical implication as far as the GVC/GPN framework is concerned: It would be worthwhile to rethink the chronological limits to its applicability, at least in the case of some sectors of the globalizing economy.

In the first section of this article, I describe the state of the Greek tobacco sector in the aftermath of World War II. I place the focus on the difficulties Greece's most important export commodity faced both domestically (ongoing civil war, decimated infrastructure, credit shortages) and internationally (American takeover of western European tobacco markets, severing of commercial relations with the eastern bloc). In the same section, I explain how that specific context provided the necessary conditions for the establishment of SEKE, and for its functioning in close cooperation with state authorities. In the second section, I discuss SEKE's role in the opening up of new export markets for Greek tobacco in the eastern bloc, explaining why those markets were important beyond the question of how much tobacco they absorbed as a share of total exports. The third section analyzes how the organization helped create new economic opportunities for farmers in the form of white-collar jobs either within the tobacco sector, or outside of it. In all three central sections of the article I explain concepts drawn from the GVC/GPN literature that allow for an assessment of SEKE's trajectory in terms of its contribution to the economic development of Greece. Last, a final section summarizes the conclusions of this study.

Jumpstarting Production and Trade

It is difficult to overstate the dismal economic conditions of Greece in the aftermath of World War II. The ravaging of much of the country's productive capabilities during the Axis Occupation was followed by a very destructive Civil War that would further disrupt the lives of the Greek population until 1949. Yet already during the last years of war, the reconstruction of the Greek economy began. By the end of the Civil War, economic activity had returned to pre-WWII levels (Kazakos 2007, 124-125). The future viability of the Greek economy, however, remained uncertain. Particularly acute were the problems facing tobacco exports, which had been one of the main engines of employment and growth in the interwar period. Whereas Greece's tobacco exports between 1935 and 1939 had amounted to 44,300 tons representing almost half of the overall value of the country's exports, in the 1946-1949 period they fell to 19,000 tons (*Kapnikē Epitheōrēsis*, April/May 1950, 656).

Since the 1920s, the export of tobacco leaf, used as raw material in cigarette manufacturing, had provided a livelihood to hundreds of thousands of Greeks, especially in the northern regions. According to a committee advising the Greek government on tobacco policy, in 1949 around 150,000 families earned their living from tobacco production in rural areas, while other 25,000 depended on the leaf processing industry in the towns (*Kapnikē*

Epitheōrēsis, October 1949, 536). The high profit margin that tobacco offered relative to other crops made the family farming model, which dominated Greek agriculture, viable in many parts of the country, but particularly in Macedonia and Thrace. During World War II, the occupying forces either confiscated tobacco from the local population, or forced them to sell at low prices. Many tobacco farmers pivoted to the production of basic foodstuffs in order to increase their chances to survive (Ilantzis 1973, 16). The loss of tools, work animals, clothing and houses was such that many farmers were unable to resume tobacco production after the departure of the occupiers. In some cases, they had to flee their villages to escape the violence of the Civil War (Ilantzis 1973, 17-18).

In addition to the purely material constraints on the resumption of tobacco production, there were important financial challenges downstream the value chain. During the postwar years, a double process of consolidation and increasing coordination, which had begun in the interwar period, continued to change the structure of Greece's tobacco export trade in ways that undermined the capacity of farmers to negotiate prices. Foreign cigarette manufacturers tightened their control over the supply chains by placing orders on a reduced number of leaf trading firms. The trading firms would then implement their clients' purchasing programs, usually involving large amounts of tobacco of different qualities and varieties, at certain agreed maximum prices. These commissioned suppliers of foreign cigarette manufacturers could secure advances from abroad, without running any risk that their goods remain unsold for extended periods of time. This form of coordination stood in contrast with the conditions that had prevailed up until the first decades of the twentieth century, when independent merchants would buy leaf on their own account, and then offer it to cigarette manufacturers on a single-transaction basis. Both forms of supply chain organization coexisted in the interwar period, rather than one completely displacing the other (Carmona-Zabala 2022, 550-552).

In the postwar years, the system based on a small number of commissioned suppliers prevailed. This meant that there would be less trading houses competing for the tobacco that was available. At the same time, less tobacco would be traded by firms eager to win new customers and create new markets. In the absence of solvent merchants willing to create stocks that could absorb the risk involved in storing unsold tobacco until a buyer was found, farmers would have to carry a higher level of risk.[ii] The particularities of postwar Greece's credit market accelerated the decline of the independent tobacco merchants, many of whom had already seen their capital wiped out during the war (*Kapnikē Epitheōrēsis*, May 1953, 1520). A dearth of deposits thwarted the ability of Greece's commercial banks to supply credit to the economy. As a result, the Bank of Greece, i.e. the country's central bank, virtually became the only source of credit while having to keep inflation under control (Bank of Greece 1948, 32; 1950, 32). Furthermore, the allocation of credit was under the central supervision of the Monetary Committee, an agency jointly run by Greek officials and representatives of the United States and Great Britain (Iordanoglou 2020, 12-13). The centralized, politically negotiated character of the money supply was ill-suited to the needs of the agricultural sector, where the timing of economic decisions is ultimately constrained by the biological cycles of plants.

The Monetary Committee would decide on a yearly basis how much credit it would allocate to tobacco trade, and on what conditions. Year after year, the harvesting season would arrive with the credit issue still unsettled. This delay compounded the credit shortage problem, as it made it even more difficult for merchants, especially the independent ones, to enter the market when the tobacco crop was put on sale (*Kapnikē Epitheōrēsis*, June 1948, 192; May 1952, 1244; April 1955, 2015). This state of affairs favored the larger firms that obtained advances from abroad, while the farmer, usually hard pressed to sell his goods as soon as possible, would lose bargaining power in a more concentrated market, and settle for a low price (*Kapnikē Epitheōrēsis*, October 1952, 1363; May 1953, 1520). The income of tobacco farmers was so low that there was the risk of many of them would stop producing the crop that still was, despite all problems, Greece's most reliable source of hard currency.

The challenges facing Greek tobacco domestically were exacerbated by the international conjuncture. American reconstruction programs facilitated European imports of American tobacco to the detriment of Greece (*Kapnikē Epitheōrēsis*, January 1949, 32). American varieties competed with Greece's Oriental-type tobacco only partially, as they had different properties to fulfill as components of cigarettes. In the postwar period, however, cigarette manufacturers limited their use of Oriental tobacco in their mixes. Furthermore, during World War II Turkey expanded its export markets at the expense of Greece, thereby displacing it as the largest exporter of Oriental varieties. To make things even worse, the early years of the Cold War were not conducive to resuming trade between Greece, by then a member of the western bloc, and the socialist countries of central and eastern Europe. Much like in the case of on-farm sales, internationally Greek tobacco was faced with a smaller amount of buyers (i.e. export countries), and with a structure for financing trade (American aid programs) that posed additional challenges.

In the short run, overcoming the many problems that Greek tobacco faced both at home and abroad would require a number of steps to be taken at different levels of governance. Signing trade agreements with western European countries and sanctioned by the United States was certainly part of the solution. This was especially case with regard to West Germany, Greece's most important customer (Pelt 2007, Apostolopoulos 2020). Trade agreements were not the whole solution, though, as they took years to negotiate and implement. Even more importantly, increased exports would not, on their own, put an end to the inability of farmers to earn a sufficient income from the tobacco that they produced. The state would have to step in and support farmers directly, but it did not have the means to go at it alone. It is in this context that SEKE, a company fully owned by farmers' cooperatives from northern Greece, was established and started to play a series of key roles in the Greek tobacco sector.

The direct participation of farmers' cooperatives in the marketing of tobacco and in the formulation of tobacco-related policy had featured among the demands of the Greek agrarian movement already in the interwar period (Carmona Zabala 2018, 213-216). The political priorities, and economic interests, of bourgeois liberal elites shaped the formation of farmers' cooperatives in the first third of the twentieth century. This circumstance limited the range of the activities that farmers' cooperatives performed to mainly managing credit flows within the rural economy (Fefes 2013, *passim*; Brégianni 2013, 56-72). Against the background of the Great Depression of the 1930s, a number of tobacco farmers' cooperatives made attempts to collectively package and export their members' goods. These initiatives failed for the most part, but they remained in the memory of an agrarian movement whose leaders were not replaced after World War II (Carmona Zabala 2018, 207-209).

The postwar conundrum would create the conditions for the agrarian program to partially materialize. The proposition of agrarian leader Alexandros Baltatzis that a tobacco trading company owned by cooperatives be established came to fruition in March of 1947 (Ilantzis 1973, 13). Already in 1946, in his role as president of the Panhellenic Confederation of Unions of Agricultural Cooperatives (PASEGES in its Greek acronym), Baltatzis had called for the state to buy up the tobacco that had remained in the hands of tobacco farmers, in collaboration with the cooperatives (Ilantzis 1973, 44). In the agrarian agenda, the development of the capabilities of cooperative organizations was closely linked to the demand for more intense state intervention in the rural economy, and for the participation of farmers' representatives in defining the concrete form of such intervention. SEKE would embody this linkage since its very inception, as evinced by the language in which its establishment was publicly announced:

> The importance of the new Organization goes … far beyond the scope of a common cooperativist endeavor. For the first time, the organized will of the country's tobacco growers appears at the forefront … with the aspiration and the capacity to shape the future of the tobacco sector according to

our own vision (*Kapnikē Epitheōrēsis*, January 1948, 55).

SEKE's founders expected the organization to combine an activist stance within state institutions with its role as a business enterprise. Its stated goals were to push up and stabilize farm prices by making on-farm purchases; to prevent the accumulation of unsold stocks on the countryside; to open up new markets abroad without the need of intermediaries; to incentivize trading firms to compete with each other; to promote the cooperativist ideology among tobacco farmers; to assist other cooperative organizations willing to process and market their members' tobacco autonomously; to provide information about the tobacco market to farmers and their organizations; the establishment of cooperative-owned cigarette manufacturing enterprises, and to fill orders from the state should it decide to directly intervene in the tobacco sector as a buyer (*Kapnikē Epitheōrēsis*, January 1948, 55-57).

In a strict sense, one cannot reliably measure the extent to which SEKE achieved its stated goals without setting an arbitrary benchmark. Nor can one conclusively answer the question of how much responsibility one should attribute to the organization itself for falling short in any specific area. Let us take, for instance, the goal of stabilizing prices through on-farm purchases. The amount of credit that SEKE would have access to for purchasing tobacco on a given year was ultimately a political decision taken at the highest levels of the postwar Greek state. One can, however, examine the track record of SEKE's activities and identify their effects on the development of specific aspects of the Greek tobacco sector and, more specifically, on the predicament of the constituency that SEKE was intended to serve, i.e. tobacco farmers.

Soon after its establishment, SEKE took on the role of representing the interests of tobacco farmers in government circles. To be sure, farmers already had a national-level organization, PASEGES, that represented its cooperatives in matters related to state policy.

SEKE, however, brought in an additional technocratic component into the dialog with stage agencies, foreign officials and the Tobacco Merchant Federation of Greece (KOE in its Greek acronym). The latter had functioned as the lobbying group of the tobacco trading firms since the 1920s (Carmona Zabala 2018, 108-113). SEKE was not just a mere political representative of the farmer cooperatives that owned it. It was also a tobacco trading firm itself, capable of carrying out leaf purchases and exporting the goods on its own account. It could not be as easily dismissed as an agrarian organization that was out of its depth when it came to commercial matters, as KOE and others would often do publicly (*Kapnikē Epitheōrēsis*, August 1950, 779; January 1953, 1425). SEKE participated in decision-making fora such as the committee that calculated price subsidies for the 1947 crop (*Kapnikē Epitheōrēsis*, May 1948, 155). It was also present at British-Greek trade negotiations (*Kapnikē Epitheōrēsis*, January 1949, 334), and was part of a government-appointed advisory committee, together with Greek and American state officials (*Kapnikē Epitheōrēsis*, April 1951, 939).

As an organization, SEKE presented the novelty of being constituted as a limited liability company (ανώνυμη εταιρεία) that belonged to farmers' cooperatives. The compatibility of such a legal entity with the Greek law of the time was far from self-evident. It was in fact challenged through a formal inquiry that the Agricultural Bank of Greece addressed to the Ministry of Agriculture in 1949. The Ministry, in turn, forwarded the question to the State Legal Service, which eventually clarified that the non-profit character of agricultural cooperatives did not preclude the creation of a limited liability company (Ilantzis 1973 66-67; 313-322). SEKE's status as a non-profit-oriented, yet relatively large trading company legitimized it as a recipient of preferential treatment with regard to access to credit.

In SEKE's first years of existence, the Monetary Committee approved a higher percentage of financing for SEKE's buying campaigns than for all other trading companies (*Kapnikē Epitheōrēsis*, May 1948, 151; January 1949, 350; July 1950, 758; September 1950, 812; March 1952, 1189; April 52, 1240). The Monetary Committee made these decisions against the background of agrarian organizations and labor unions making public calls for SEKE to receive such preferential treatment (e.g. *Kapnikē Epitheōrēsis*, June 1950, 709). Their argument was that the organization would, unlike other trading firms, make an effort to pay higher prices to farmers and, should it make a profit from the resale of the tobacco, distribute it among them at a later point. In the event, even observers like Vassileios Thassitis, an organic intellectual of sorts within the tobacco sector who was never particularly friendly to SEKE, admitted that its entering the market drove up prices within months (*Kapnikē Epitheōrēsis*, July/August 1948, 227). Moreover, after selling its tobacco stock from the 1947 and 1948 crops, the organization distributed its profits among the farmers from which it had bought it (*Kapnikē Epitheōrēsis*, October 1953, 1641).

As a newly minted company, SEKE benefited greatly from having preferential access to credit at a time when it was scarce. At the same time, SEKE's collaboration allowed the state authorities to implement a policy of buying up unsold tobacco from farmers after the end of the season. The Greek postwar state did not have the technicians, buying agents or storage facilities needed for such an enterprise. In addition to its own purchases, SEKE acted as the state's buying agency for the 1949 and 1950 crops (*Kapnikē Epitheōrēsis*, October 1950, 821; August 1951, 1051; April 1952, 1241). The resulting stock was put on sale exclusively through SEKE in the case of the 1949 crop (*Kapnikē Epitheōrēsis*, November/December 1950, 852), and through a number of companies including SEKE in the case of the 1950 crop (*Kapnikē Epitheōrēsis*, August 1953, 1591).

It should come as no surprise that KOE, as the representative of the tobacco trading firms, objected to SEKE's status as a preferential recipient of credit and state orders (*Kapnikē Epitheōrēsis*, October 1950, 841; March 1951, 927; January 1952, 1138; January 1953, 1425). KOE called for state aid to be directed towards subsidizing exports by the already existing trading firms, and for policies that would reduce their transaction cost when buying tobacco from farmers (*Kapnikē Epitheōrēsis*, June 1950, 693-697). It was far from clear whether SEKE would ever become an efficient enterprise in the first place. They saw in SEKE a precursor to what would amount to a monopolization of tobacco trade by the state or, at least, to a permanent mechanism form strengthening the bargaining power of farmers and disincentivizing their competitiveness (*Kapnikē Epitheōrēsis*, March 1951, 920; November/December 1950, 864). The truth is that such concerns were reasonable, as agrarian organizations actually made demands along those lines multiple times (*Kapnikē Epitheōrēsis*, June 1950, 713; March 1951, 926). American advisors, on their part, only considered SEKE's privileges justified in the short run, as a way to immediately increase the inflow of hard currency while preventing the total ruin of many tobacco farmers. In the long run, they demanded that the Greek tobacco sector function according to uniform market incentives applying to all firms equally (*Kapnikē Epitheōrēsis*, July 1950, 733-750).

In the event, SEKE's strategic role as a privileged recipient of credit and as the state's buying agency came to an end. After 1952, the Monetary Committee would approve the financing of tobacco trade without any special provisions for SEKE (*Kapnikē Epitheōrēsis*, November/December 1952, 1391; January 1953, 1425; October 1953, 1637). The state did not buy unsold stocks from farmers for a number of years and, when it did again, it did not place the largest share of its orders with SEKE. Much of the buying program was commissioned to other firms, despite the complaints of agrarian organizations (*Kapnikē Epitheōrēsis*, March 1956, 2269; April 1956, 2307). By then, however, the volume of trade that SEKE carried out on its own account was large enough for state orders to represent an important, but not crucial, share of its business (Figure 1). For the 1949 and 1950 crops, SEKE made limited purchases on its own account because its unsold stocks from previous crops had immobilized most of its working capital (*Kapnikē Epitheōrēsis*, July 1950, 749). Hence the big share that state orders made up of its overall business for those years. By the mid-1950s, SEKE had become a more self-sufficient firm. Even more importantly with regard to the institutional development of the Greek tobacco sector, the political and business establishment had by then come to terms with the prospect of creating a permanent mechanism of state intervention. The design of such mechanism, however, would have to preclude the threats that SEKE had posed.

[PLACE FIGURE 1 HERE]

The establishment of the National Tobacco Board (NTB) in 1957 embodied a middle ground between two political-economic imperatives. The first one was to create a mechanism that would cushion the impact of international market fluctuations upon Greek farmers, who would abandon their fields altogether if they surpassed a certain degree of material destitution. The second was to preserve the interests of tobacco merchants. The NTB would carry out its own purchases of tobacco leaf, and then package, storage and sell the goods using its own facilities and staff. The representatives of tobacco farmers within the NTB would have to be farmers themselves, i.e. not the seasoned agrarian leaders with political acumen who, after all, were not farmers s*trictu sensu*. Furthermore, unlike in the case of the tobacco policy advisory committee that had existed before the NTB, farmer representatives would be easily outnumbered by government officials and technocrats in the agency's decision-making processes (*Kapnikē Epitheōrēsis*, June 1950, 693-697; July 1957, 2615-2622). It would take time for NTB to develop its own capabilities as an agency geared towards carrying out large purchases and sales of tobacco. This meant that it would have to rely on SEKE and other firms during its first years of existence (Figure 1). In the long run, the agency would build up its capabilities and become more self-sufficient.

The history of SEKE's establishment and early activities that I have sketched here carries two important implications for the historiography on Greek agrarian cooperativism: First, that the agrarian movement was an important factor shaping the economic institutions that emerged out of the ashes of the wars of the 1940s, at least as far as Greece's most important export commodity was concerned. The postwar context created the conditions for part of the agrarian program, whose origins can be traced back to the interwar period, to be actualized in the form of two new entities: a state agency committed to protecting the income of tobacco farmers, and a large cooperative-owned tobacco trading firm. This partial agrarian success was possible despite the weakness of agrarian parties in postwar Greece (Panagiotopoulos 2010, chapters 105-134). Success could only be partial, since the representatives of farmers were not in command of the state mechanism, while private trading firms still controlled much of the tobacco market. Those private companies were also able to attract state resources in the form of subsidies and commissioned purchases.

The second implication has to do with the character of Greece's agricultural cooperativism. SEKE's case compels us to revise the narrative that cooperative institutions were little more than managers of credit allocated to farmers (Fefes 2013, *passim*), and executors of welfare schemes in the form of guaranteed prices and subsidies that ultimately disincentivized the modernization of agriculture (Maravegias 1992; Kazakos 2007, 220-222; Iordanoglou 2020, 116-117). SEKE was able to create value for its constituents in the form of access to commercial credit (i.e. not just credit for farm production), by pushing up market prices at a time of crisis, and by creating an incentive for the political establishment to lean in favor of the creation of a state agency that would intervene in the market. SEKE's contribution to improving the lot of tobacco farmers by acting as a commercial enterprise will become even more evident upon examination, in the next section, of its role in the opening up of new export markets in eastern and central Europe.

Trading with the Socialist Bloc

The socialist countries of central and eastern Europe were closed to Greek tobacco exports during the first postwar years (Karanikolas et al. 2009, 25-26). The interruption of tobacco trade towards those countries constituted a serious loss for Greece, as they had been important outlets for the crop before World War II. As far as trade policy was concerned, on both sides of the Iron Curtain there was an interest in resuming commercial relations, although the motivations were different in the case of Greece and that of the socialist countries. Greece was in urgent need for export markets that would alleviate the plight of its farmers in general, but especially of its tobacco growers. Moreover, Greek politicians were well aware that the intensification of Greek economic exchanges with the east worried western governments enough to grant economic concessions, whether in the form of lower tariffs or direct aid (Pelt 2006, 97-172; 184-186). On their part, a number of socialist countries were willing to offer their command economies as export markets for Greek tobacco in order to loosen Greece's ties to the west, i.e. NATO, GATT, and later the EEC (Stergiou 2021, 45-64).

SEKE played a crucial role in the reestablishment of tobacco trade with eastern Europe. Once one leaves the diplomatic level of analysis and looks at the businesses that operated in the tobacco market, SEKE appears as *the* leading firm that opened new markets for the crop despite the many difficulties that it had to face. In this regard, it is important to note the cumbersome procedure through which tobacco trade had to be conducted. In the absence of bilateral trade agreements between Greece and the eastern bloc countries in the late 1940s (except Czechoslovakia), tobacco exports had to be carried out through the "private exchange" (ιδιωτικαί ανταλλαγαί) system, which functioned as follows: A Greek company interested in exporting tobacco had to apply for the Ministry of National Economy to authorize that specific transaction. The application would specify the amount and value of the tobacco involved, as well as products that would be imported into Greece in exchange, covering a maximum percentage of the tobacco's value. The rest would be paid for in money. The imported goods had to belong to some of the eligible categories that appeared on a list determined by the ministry (*Kapnikē Epitheōrēsis*, September/October 1947, 19; February 1949, 374; March 1949, 385).

In 1949, there were no tobacco exports to the eastern bloc, including Czechoslovakia, with which there was a commercial treaty (*Kapnikē Epitheōrēsis*, January 1950, 632). Tobacco traders found the private exchange system slow and dysfunctional. Vassileios Thassitis complained that the ideological commitments of Greek policy makers and their loyalty to the United States were preventing them from addressing the problem head on by making private exchanges easier (*Kapnikē Epitheōrēsis*, January 1950, 626; August 1950, 764; July 1951, 1007). On their part, KOE publicly called for the American mission to ease its restrictive stance regarding this mode of conducting trade (*Kapnikē Epitheōrēsis*, April/May 1950, 664). Much to the frustration of the tobacco traders, Greece's integration into the western economic bloc carried some obligations. Greece's commitment to the rules of the Organisation for European Economic Cooperation did not allow for an easy co-existence of bilateral trade agreements between Greece and western countries on the one hand, and *ad hoc* measures favoring private exchanges with the socialist bloc on the other. The inability of the Greek state to facilitate the sale of industrial goods from the eastern bloc in its territory stemmed from this restriction (*Kapnikē Epitheōrēsis*, July 1951, 1011-1012; October 1951, 1081; June 1952, 1267-1268).

Between 1951 and 1966, SEKE was the firm that, despite the shortcomings on the private exchange system, managed to carry out the largest volume of sales to the eastern bloc either on its own, or in collaboration with other companies. One example of such collaboration took place between SEKE and Cretan businessman Georgios Terzakis. In 1952, Terzakis initiated the procedure for the export of large amounts of multiple Greek products, including tobacco, in exchange for a variety of goods to be imported from the Soviet Union (*Kapnikē Epitheōrēsis*, April 1952, 1240). The operation would not be simple, as it involved many different regulations, and multiple tobacco lots to be supplied by different merchants. Payment procedures would take place through a sterling bank account that the Soviets had opened in London (*Kapnikē Epitheōrēsis*, August 1952, 1317). Terzakis found himself bogged down by the difficulties in selling the expensive, highly taxed Soviet goods in Greece, and in securing guarantees on the tobacco shipments. He turned to SEKE for help. The firm's experience in carrying out large private exchanges in with East Germany, he hoped, would be of use (*Kapnikē Epitheōrēsis*, October 1952, 1383). In the event, the deal came to fruition (*Kapnikē Epitheōrēsis*, January 1953, 1421).

Among SEKE's partnerships with other firms, the most important was the one that it established with Standard Commercial Tobacco Co., a large leaf trading firm which belonged to Greek American entrepreneur Euripides Kehaya. The two companies started to collaborate in 1951 in export operations towards the eastern bloc. In 1957, they signed a far-reaching agreement by virtue of which SEKE became Standard's exclusive provider of Greek tobacco. Every year, the two companies would decide together how much tobacco was to be purchased, and how it would be processed and packaged. Standard would use its connections to find buyers, and also to secure monetary advances from abroad. This agreement, which enjoyed the support of Bank of America, came to solve the pressing issue still facing most tobacco merchants at the time: credit (Ilantzis 1973, 115-117). When the Monetary Committee put an end to SEKE's preferential access to credit, the firm found it difficult to finance its operations through commercial banks. The increased liquidity that it secured through the 1957 agreement allowed SEKE to improve the terms in which it carried out private exchanges. Transactions of this sort required large amounts of running capital to become immobilized for extended periods of time. Bureaucratic procedures were slow, as was the sale of relatively uncompetitive manufactures from the eastern bloc in Greece (Ilantzis 1973, 103-107).

In collaboration with a variety of businessmen, SEKE created multiple subsidiary companies whose purpose was to sell the goods imported in exchange for tobacco. Such was the case of ETEA, established in 1952, in which SEKE participated with 80% of the shares. The company sold vehicles from East Germany. It operated for 11 years (Ilantzis 1973, 146-147). Another example was SPEKA, where SEKE held 57.5% of the stock. Established in 1959, SPEKA specialized in selling agricultural machinery of Soviet origin (Ilantzis 1973, 160-161). SEKE's various partnerships in the complex business of private exchanges with the eastern bloc would give tangible results, as the firm became a key actor in promoting Greek tobacco exports in those countries.

Examining the available quantitative data on tobacco exports from Greece to a number of eastern bloc countries allows for some interesting findings. I have collected the data represented in Figures 2 through 5 from the monthly reports on exports, disaggregated by exporter and country of destination, that *Kapnikē Epitheōrēsis* published. These figures show how much tobacco was exported either by SEKE, or by a company with which SEKE collaborated, to Poland, Czechoslovakia, the USSR and East Germany. The figures also show the export levels of other companies with noteworthy business volumes. The data indicate that SEKE was present in those export markets for more consecutive years than any other firm and that, with few exceptions, it was the largest exporter every year for each country. The value of the variable "Other (total)" refers to how much tobacco was exported in a given year by all other firms not represented separately on the chart. In this regard, I should point out that, in most cases when this value of "Other (total)" is much higher than the one attributed to SEKE and its partners, it is because many different firms carried out a small volume of exports each. This can be appreciated by looking at the generally low value of the variable "Other (average)" in all figures.

[PLACE FIGURES 2 THROUGH 5 HERE]

Upon examination of these figures, it becomes apparent that, while being the most important exporter to those countries, SEKE never monopolized their markets. The firm rather played the role of "market opener" in the early years depicted in Figures 2 through 5. Later on, one observes that certain firms exported more than SEKE in specific years to some countries, e.g. ATAB AE to Czechoslovakia (Fig. 2), Μεσογειακή Εταιρεία Καπνών to the USSR (Fig. 5), and Nikolaos Petridis to Poland (Fig. 3). For the most part, however, none of the firms that occasionally exported more than SEKE were consistently present on those markets over time. In the cases of the USSR and Poland, there is a clear upward trend in how much smaller contributors to the tobacco export trade represented, whether in total or on average (Fig. 3 and 5).

The issue of accessing foreign markets features prominently in the literature on Global Production Networks (GPN) and Global Value Chains (GVC), which addresses the question of how the export-oriented industries of peripheral countries can upgrade their position within the global economy (Coe & Yeung 2015, *passim*). For a firm to sustain durable relationships with partners in foreign markets, as SEKE did with the state-owned cigarette manufacturers of the eastern bloc, Eryka Mediterranée and others, it usually needs to undergo a series of upgrading processes. Such processes involved, in the case of SEKE, expanding its purchasing capacity beyond the regions were the cooperatives that owned it operated, and into the rest of the country. Otherwise it would have been impossible to execute, large complex orders involving different tobacco varieties (Ilantzis 1973, 65-66; 118-120). Building and sustaining partnerships also involved the adoption of more efficient tobacco processing technologies,[iii] and diversifying the firm's services into the sale of industrial goods within Greece. In and of themselves, however, these forms of upgrading do not automatically guarantee any improvement in the economic predicament of those who produce export-oriented goods, tobacco farmers in this case (Ponte and Ewert 2009; Tokatli 2013, Glückler & Panitz 2016, Selwyn, 2012, 2015; Werner, 2012; Smith et al., 2014). What makes the diversification of export markets into the eastern bloc so relevant for assessing the role that SEKE played in shaping the tobacco sector is that they constitute a case of *relational upgrading* (Glückler & Panitz 2016).

Greek exporters and state representatives were able to negotiate better terms with their partners elsewhere (i.e. in the western bloc) because their dependence on those markets was partially reduced as a result of diversification. Relational upgrading has been identified as a mechanism that increases the degree to which value created in one location can be captured in that same location, as opposed to being extracted by firms and consumers located elsewhere (Glückler & Panitz 2016). Multiple actors in Greece were well aware of the leverage that opening up the eastern bloc markets would grant them. Such was the case of the Greek politicians that bargained for lower tariffs in the west, whom I have already mentioned. Moreover, the fact that SEKE never monopolized any of the eastern bloc markets speaks in favor of the firm's role as an enhancer of competitive dynamics. Large cooperative organizations allow farmers to enjoy the benefits of economies of scale while retaining a certain degree of autonomy, but they often entail the risk of new monopolies emerging that might benefit the organization rather than the farmers themselves (Federico 2008, 172). Contributing to better export prices, lower tariffs and more competitive markets were a few important ways in which SEKE played a prominent role in enhancing the capacity of farmers to capture a share of the value that they produced. Another important contribution was made by increasing the availability of technical know-how, educational opportunities, and white-collar jobs.

Moving Up, Stepping Out

One could level the criticism that SEKE was, after all, a tobacco trading firm that had to make a profit within a capitalist economy, and therefore could only go so far in pushing up prices, or in redistributing profits among its suppliers. Whether as members of the cooperatives owning stock in SEKE, or as independent suppliers of the firm, the fact is that the farmers' income remained low relative to other sectors of the economy. It was precisely northern Greece, where tobacco production was concentrated, that witnessed the highest emigration rates in the 1950s-1970s period (Vermeulen 1979, 30; 43-44; Fakiolas & King 1996, 171–190). As far as SEKE's internal functioning is concerned, it is also true that the company hired many non-farmers in order to carry out its business. Much of its managerial staff had previously worked as directors, commercial agents, and accountants of tobacco trading firms (Ilantzis 1973, 84-85). With regard to the decision-making mechanism within the organization, members of non-farmer classes were also integrated into the firm. During the first years only tobacco farmers could be elected as members of the board of directors. After 1954, however, former state technocrats and tobacco merchants started to become elected as well (Ilantzis 1973, 84-85).

To what extent was the inclusion of non-farmers in SEKE's apparatus a necessary evil stemming from the farmers' lack of know-how and business connections? Did this form of bureaucratization represent undue extraction of value by members of the urban classes? One cannot answer these questions conclusively based on the available evidence. It is worth noting, however, that the organization allocated resources to the education of sons of tobacco farmers, with the prospect that they would enter white-collar jobs either within SEKE itself, or in other cooperatives and firms as well. SEKE's educational mission took the form of a scholarship program and the opening of a student dormitory in Salonika (*Kapnikē Epitheōrēsis*, November 1963, 4314). The scholarship scheme started in 1949, and by 1954 a large share of the firm's employees were former scholarship holders (Ilantzis 1973, 92-93). Other alumni found employment in managerial roles elsewhere, e.g. at PASEGES (*Kapnikē Epitheōrēsis*, November 1963, 4314). In other words, not only did the firm move up the value chain over time in terms of its increased interconnectedness with partners offering access to sales markets, credit, etc. The firm also allowed individual farmers to move up within the tobacco sector by accessing white-collar jobs in it.

The GPN and GVC literature has pointed at the spillover of skills and the creation of new jobs for producers, whether within the same sector or in other industries, as examples of how integration into international markets can benefit local economies. The commercially viable family farm is the ideal that policy makers often have in mind when they design agricultural development programs. Such was certainly the case in Greece at the time. Yet research on the peasant population often reveals that *stepping out*, i.e. leaving a cash crop altogether for another occupation, is a more attractive option than upgrading one's farm productive capabilities (Vicol et al. 2019). Most of SEKE's scholarship holders studied either in the School of Economic and Commercial Sciences (known in English today as the Athens University of Economics and Business), or in the School of Economics and Political Sciences, which was part of the University of Salonika (Ilantzis 1973, 329-334). Degrees from those schools were of great use in Greece, a country that was witnessing a remarkable growth of its industrial and services sector in the 1950s and 1960s. That hundreds of sons of tobacco farmers would be educated enough to access jobs in those sectors was one result of SEKE's educational initiatives.

SEKE's bureaucratization could be interpreted as the price paid for skipping the intermediaries linking farmers to foreign cigarette manufacturers, credit institutions, etc. In a way, the intermediaries became part of the organization itself. Bureaucratization, however, did not cause SEKE to completely abandon its aspiration of empowering agricultural organizations so that farmers would become more autonomous through horizontal cooperation. In multiple occasions, SEKE aided the initiatives of smaller cooperatives willing to collectively harvest, process and market their members' product on their own. The aid consisted of putting its technical know-how and staff at the service of such initiatives, at no charge (*Kapnikē Epitheōrēsis*, November 1962, 4041). Nevertheless, while being part of the agrarian vision since the interwar period, autonomous cooperatives failed to develop at large scale in postwar Greece. This fact has to do more with the nature of the postwar Greek state rather than with the choices that SEKE, or any other cooperative enterprise for that matter, could make within the specific historical context of the time. Propped up by centrally managed foreign aid, lacking in personnel and infrastructure at the local level, and occupying a virtually monopolistic position in the credit market, the Greek state never supported grassroots cooperatives in their quest to become self-sufficient marketers. Calls for the allocation of credit to smaller tobacco cooperatives in preferential terms similar to those secured by SEKE, while repeatedly made by agrarian organizations and political representatives, went unheard (*Kapnikē Epitheōrēsis*, January 1949, 337; February 1949, 359).

Conclusions

SEKE's emergence and development was the result of two coalescing historical factors. One was the long-standing demand for cooperative-based export trade among tobacco farmers. The other was the specific conjuncture of the postwar period, when the dirigiste state needed an agile mechanism for intervening in the tobacco market. During the first twenty years of its life, SEKE contributed both to the reconstruction of Greece's tobacco sector as a whole, and to increasing the capacity of tobacco farmers to capture part of the value that they produced. First, it did so by channeling credit into the tobacco sector at a time when liquidity was an acute problem that only state institutions could address. SEKE's size, and also its character as an organization that promised to limit its own profit for the sake of farmers legitimized its preferential treatment by the Monetary Committee between 1947 and 1952. During those first years, SEKE also functioned as a mechanism for farmers to access the policy-making mechanisms of the state, whether by participating in meetings with state officials, or lending itself as the executor of state policy.

From the mid-1950s onwards, SEKE played an important role in opening up several eastern European markets to Greek tobacco, without ever creating situations of monopoly or monopsony that might have hurt tobacco farmers. To this end, SEKE established a variety of linkages with other firms, and created subsidiary societies that would make it capable of operating through the private exchange system. Last, SEKE created new job opportunities for its constituency not only through its own expansion as a firm or that of its subsidiary companies, but also by reinvesting part of its profits in the human capital of the tobacco producing regions.

The question of how, and under what conditions, the coupling of underdeveloped, largely rural economies with transnational markets can lead to the material benefit of producers is hardly a new one. As a largely export-oriented crop grown by poor farmers, Greek tobacco in the postwar period exemplifies how this was a pressing question decades before outsourcing, lean production, financialization and impoverishing growth became key features of global capitalism. In the specific postwar Greek context, SEKE provided part of the answer: a cooperative organization capable of collaborating with state institutions and foreign firms; flexible enough to engage in a broad range of strategies, and willing to promote the agrarian values in the face of institutional constraints could contribute to the development of the Greek economy, and to farmers taking part in it.

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[i] It only took a few months for the newly established regime to pass an emergency law removing the leadership of the most important agrarian organizations. See *Government Gazette (Εφημερίς της Κυβερνήσεως)* of June 14, 1967, Αναγκαστικός Νόμος 31.

[ii] On the role of commercial intermediaries as risk managers in transnational trade, see Driel (2003).

[iii] SEKE was among the first Greek firms to automate the processes of breaking up tobacco bales and leaf selection (GR PIOP FOA3/SE6/SS2/FI23094/SFL1; Historical Archive of the Piraeus Bank Group Cultural Foundation; OXOA Collection; Th. Tsitseklis, Report, pages 130-134).