ECONOMIC STABILITY IN BALKANS THE ROLE OF GREECE**

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RÉSUMÉ

Selon une loi bien établie de la géopolitique, l'Europe demeure obsédée par les intensités et les vagues d'incertitude que balayent le continent du nord au sud et de l'est vers l'ouest. Comparativement au sud du continent, la stabilité connue dans l'Europe du nord continue de façon exemplaire et imbattable. On pourrait en dire autant de la relation entre l'est et l'ouest européens. Autre fait reconnu, en tant que plaque tournante d'influences géopolitiques explosives, les Balkans sont devenus « le creuset » de l'Europe.

Le sud-est de l'Europe se trouve dans le mille, situé entre deux sources permanentes d'influence déstabilisatrices. La première, à l'est de la Méditérannée, se résume dans la question semipeternelle du Moyen Orient. La deuxième vient du nord, de la région que forment les Balkans et la Turquie. Ce survol rapide examine la stabilité dans les Balkans et le rôle géopolitique que détient la Grèce.

ABSTRACT

According to certain well-established laws of geopolitics, the European continent has long been obsessed by intensitics and waves of uncertainty that moved from east to west and north to south. Stability in Northern Europe when compared to Southern Europe continues to be exemplary and unsurpassable. The same applies to the west of the continent, in comparison to the east. It is also well known that the Balkans, as the crossroads of explosive geopolitical influences, have become the 'boiling pot' of Europe. Southeastern Europe sits exactly in the eye of the storm, situated between two destabilizing influences and running through Europe from south and the east. Two sub-areas of that region are permanent sources of disruption. The first, to the east of the Mediterranean, is the long lasting and unresolvable Middle Eastern issue between Israel and neighbouring Arab populations. The second, to the north of the eastern Mediterranean, is formed by the Balkans and Turkey. This brief review introduces an examination of Balkan stability and Greece's geopolitical role.

Historical, geographic, geopolitical and cultural reasons have created a high degree of variety in the Balkans. Evidence of this variety lies in the multiplication and the expansion of national and "subnational" incidents. The area has always been considered as explosive because of

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these high degrees of variety. They are, therefore, difficult to stabilize and to incorporate, politically and economically, into the international system. Exterior influencing factors further complicate the problem of stability in the area.

In the recent past, instability in South - Eastern Europe intensified as a result of competition among powers on the local level and ignorance of the issues concerning the area, an ignorance that has always characterized their policies. In short, the instability in the South - Eastern area of Europe, springs from the exceptionally high level of cultural variety that characterizes the area while being reinforced in parallel by the intervention of the strong Western powers, who are antagonistic against each other and use unacceptable methods.

In conclusion, the Southern – Eastern strip of Europe constitutes the regional 'grey zone of Continental Europe and, in this respect, can historically be termed the "boiling pot" [rather than the traditional term 'powder keg'] whether we are referring to the Eastern Mediterranean or the Balkans.

Within this context, the Ex-Warsaw Pact operated as a mechanism, even though disputable and undoubtedly,unacceptable. It was nevertheless coercive and it gave stability to the whole area. Today, many more geopolitical problems of a destabilising nature have arisen in the area in comparison to the period when the Soviet Bloc was both active and threatening to the West.

Despite general disorder and lawlessness in the area combined with a major increase in insecurity and in political, economical and social instability, there is one country that has proved to be the only benchmark for the Balkans. That country is Greece.

Given the usual limits of time and space, I have no intention of treating matters dealing with the historical and cultural heritage of Greece, whether it concerns the world, Europe, or the specific area of the Balkans and the Eastern Mediterranean. I will instead concentrate on the current situation, the immediate prospects, taking into consideration objective and measurable evidence.

Of all the Eastern Mediterranean countries, Greece is the only full member of two European organisations, the European Union and the West European Union. Whether we like it or not, the aforementioned organizations are considered to be references of quality and an example of economic and social prosperity in the whole area for the up-and-coming classes of the Balkan countries. Likewise, Greece is the only country in the area that is both a member of the European Union and the West European Union, and also already participates in NATO' s mechanism as a full member. NATO, too, is considered, whether we like it or not, a reference when it comes to defence and security. In other words, Greece in a way constitutes the "ideal" cross-road, where Europe's expectations for stability lie alongside the equivalent expectations for the rising classes of the Balkan countries and the Eastern Mediterranean.

The historical struggle for freedom of the Greek people in the recent past (19th and 20th century) has contributed to making this country into the symbol of many intangibles including democracy, human rights, self-determination of peoples and nations, minority rights and freedoms and a peaceful *modus vivendi*.

For Victor Hugo, Clemenceau, Churchill and De Gaulle, Greece was always the mother of freedom for nations and individuals. It has never been a symbol of repression. This reputation can explain the reservoir of cultural sympathy that Greece enjoys, not only in the West, but also in Arab and other Balkan countries. Indeed the peoples of these countries are charmed by this vision of prosperity, progress, freedom and dignity.

The ability to penetrate mentalities and unexpected cultural situations is of great importance for anyone on a mission of economic and political stabilization in an area with so many special characteristics. Furthermore, let me add, that in the Greek educational system reference to the term *hellenism* has always referred to a cultural dimension without any nuances of statism, nationalism or racism.

Greece, therefore, appears as the only ground on which any stabilizing effort of the Balkans can be based, whether we refer to economics, culture or even defence. This prospect is greatly enhanced by the position, demands and expectations of the other nationalities in the area. Today, after the fall of communism, all types of territorial claims (annexions, secessions, unions etc.) have cropped up and they entail rapid and violent changes of existing borders. In the context of the current storm threatening the traditional boarders of the area and contesting the International Agreements in effect, Greece seems to be the only beacon of stability even if only because it has no territorial claims over any other country whatsoever. On the contrary, Greece, supported by Europe, can act as a herald, maintaining the local status quo of the borders for the whole area.

European companies have already formed joint-ventures with their Greek counterparts and intend to develop in the Balkan area. Given the economic and social advantages generated for South Eastern Europe alone and in a state of international competition, these joint-ventures are multiplying rapidly.

According to both historians and researchers in Balkan geopolitics, notably Jacques Ancel, Nicolai Iorga, Leften Stavrianos and Trajan Stoianovich, Greek has always been synonymous with merchant, hence the carrier of a lifestyle, language and education. It has never been synonymous with *conqueror, oppressor* or *inspector*.

The Greek economy has for decades now committed itself to participating in the development the European Union. The Greek economy continues to remain open to foreign economies and especially to the economies of its European partners. Greece is definitely focused on Europe, given that 70% of its foreign trade is conducted with countries of the European Union. Furthermore, Greece remains a Mediterranean country, given that 50% of its trade within the European Union is carried out with countries of Southern Europe, namely Italy, France, Spain and Portugal.

Moreover, over the past years Greece's relationships with Eastern European countries have been developing swiftly, if one takes into account that these countries absorb 20% of Greece's foreign trade.

Generally speaking, we could say that the Greek economy remains extroverted, even to a point where one should worry, given that total exports allow the country to cover only one-third of its imports. The fact that the Greek economy remains extroverted, even though it has prolonged trade balance sheet deficits, may be explained through the country's highly positive balance of invisible revenues.

Greece recursively receives European transfers from the EU budget. These transfers equal up to 5% of the Greek Gross National Product (GNP). A second source of invisible revenue is Greece's tourist economy, which expects more than 10 million tourists annually and ensures an income that covers approximately 25% of Greek imports. The third source of invisible income is the remittances of Greek immigrants who work overseas. The rourth source of invisible revenue is the commercial fleet transfers, which, as we know, control 7.7% of world - wide tonnage and 52.4% of the European. The nature of these four sources of invisible inflows shows that Greece is deeply incorporated in the international economy, but especially in the European economy. Greece' s income in foreign currency and Greek prosperity have kept pace with the European equivalents or rates. The relationships between Greece and the European Union are no longer antithetical, as in the past; instead they are complementary as they move together in a positive direction. This can be seen from formal figures stating Greece's foreign currency reserves, which over the past years have been developing at such great speeds, that the Greek economy is considered to be one of the most solvent when compared to the economies of the 28 countries-members of the Organization for Economic Cooperation and Development (OECD).

Indeed, despite its trade deficit, Greece currently has the highest foreign exchange reserves of the 28 OECD countries, in comparison to its GNP and imports. This explains why the Greek currency, the Drachma, has in fact proved much more stable and is actually used much more than the other Balkan currencies. The Drachma remains not only more stable but also more available, thus it is in a position to support local transactions. The fact that the currency meets this prerequisite institutes the Drachma as the benchmark currency for all contracting parties inside or outside Greece. In other words, as a result of reality and necessity, there is a "Drachma Zone" for the Balkans.

As of 1994, all available evidence suggested that the Greek economy had repositioned itself with great speed within Europe and the world, despite a general atmosphere of predominant catastrophology, that is encouraged by different sources of power for political and ideological purposes. For the period 1990-94 , the economic policies applied were restrictive; the results, disappointing. Intense restrictive income policy unavoidably led to the increase of public sector deficit and therefore to the expansion of public debt. Labour salaries were severely restricted, a measure that pushed the economy into a great recession instead of improving it. Growth rates decreased and foreign debt expanded extraordinarily. From 1994 onwards, economic policy has changed, if not theoretically and verbally, it has changed at least in practice. Even though restrictive income policies and requests for sacrifices remain formally announced policies, in practice applied economic policy has proved to be sensitive to pressure from workers and makes concessions that have not been programmed. The formal restrictive income and expenses policy is systematically broken by organized social groups, which, at the end of the day, transfer the load of restrictive policies to weaker income groups. In this way since 1994, Greece' s economy has maintained high liquidity levels, which feed both consumption and savings. Even though the government repeatedly states that it intends to restrict the economy' s liquidity, in fact liquidity has become inflated, because of the central bank's flexible policy towards commercial banks, which have increased credit to the economy and surpassed anticipated specifications. However, these specific circumstances have resulted in an economy converging towards *euro* criteria, without losing its vigour. In Europe, the reverse has happened, resulting in increased unemployment. Note that the Greek GNP from 1994 to 1998, increased by 3.5%, on average, while the rest of the EU economies increased by just 2.5%. Besides, the monetary convergence criteria for the entrance into the Single Market, as determined by the Maastricht and Amsterdam Agreements, have been reached by Greece in an exceptionally short timespan. The fairly high increase in the Greek GNP brought about a fast balancing of the fundamental balance sheets of the national economy. The public deficit, which was 13.8% of GNP three years ago, has now been restricted to 2.7% of GNP. The current accounts balance sheet, which in 1994 presented a deficit equivalent to 4.7% of GNP, today (1999) has decreased to 2.3% of GNP. Inflation, which in 1993 was 14.4%, today has decreased to 2.5% and dragged along with it the decrease in interest rates and the cost of money. The systematic appearance of primary public surpluses has contributed to the de-escalation of public debt. Public debt has therefore substantially decreased as a percentage of GNP.

These developments come in contrast with the cultivated catastrophology, emanating from other sources of power, whose plans are to promote further sacrifices and restrictive income policies on the backs of the workers. In reality though, despite the nihilism and pretentious self-catastrophy of certain groups, Greek capitalism has actually shown remarkable ability for adaptation and reconstruction as it functions in connection with European capitalism. Furthermore, it is worth noting that convergence with the monetary indicators required for the entrance into the Single Market is occurring quickly mainly due to high growth rates and increases in the GNP. It is not due to restrictions and constraints as in the rest of Europe. In practice high growth rates of the Greek economy, characteristic of the Irish economy too, have made rapid convergence of monetary indicators possible. The Greek internal market has grown at a rate of 3.4% in the past years, while the equivalent European market has remained stagnant. Furthermore, capital formation in Greece has boosted at annual rate of 10% in volume in the past four years. As for real time labour salaries the course has also been uphill. For the period 1995-98 average salaries, in real terms, increased at an average annual rate of 3.42%. However, such an increase does not give us any information about the distribution of the increase among workers, which is positively detrimental for lower income levels. For the same period (1995-98), capital formation in the European Union boosted at an annual rate of just 2.4%, while real average salaries have increased at an annual rate of 0 to 0.4%. On the other hand, even though internal demand in Greece has increased impressively, the savings rate of private sector, an important stabilizing factor of the Greek economy, reaches 20% of available private income and is one of the highest in Europe. Despite the confusion and the cunning attempt of certain groups in power to present a situation of poverty, figures suggest that Greece has already been incorporated into the new world economy and especially the European with great success. Naturally this achievement has nothing to do with the course and prospects of the European economy in itself. The fact that European unity has taken a course characterized by high risk and uncertain results does not mean that the Greek economy is not deeply connected to it. Greece is now synchronized with Europe, regardless of the fact that Europe has not yet determined its course, but instead is following a barren and self-destructive course giving exclusive priority or persistence to monetary conversion.

In any event, the fact that Greece is definitely connected to Europe and incorporated in the Union, may prove to be a vested interest of great importance for the rest of Balkans and of the Eastern Mediterranean. The same naturally stands for the interests of the European Union concerning this part of the continent. Modern Greece, even during the period it fought for the "Great Idea" (term applied to the Greek irrendistic expansion during the late 19th and early 20th century until 1922) always had the ambition to act as an intermediary between Western Europe and "our Near East". This vision has always appealed to the Greek upper class more than the vision of economic and social modernization. Today, aided by the events occurring in the Balkans, Greece has the impulsive tendency to respond as the local intermediary within the context of European reconstruction when it comes to the allotment of projects.

The services sector produces two-thirds of the Greek GNP, as it does in the rest of Europe. However, during the 1990s the performance of Greek manufacturing could not to be ignored, despite the difficulties in the international environment. In our times, the international environment is characterized by internationalization of production and competition,as well as increased liberalization and deregulation. The conditions under which international competition is conducted worsen as time passes and may intensify in the future. As far as Greece is concerned, in addition to compliance with these essential conditions, the country now faces difficulties that arise from its efforts to adapt both its economy and currency to euro convergence criteria.

These factors together can cause a long recession with painful consequences in respect to required working hours and economic performance. In spite of the aforementioned, the restrictive international and European framework, as well as numerable contrary causations, Greek manufacturing, generally open to the European Union and, of course, bound to it, presents performance rates, changes and adaptations, that not even the Greek manufacturing class, for reasons determined by its own policy, admits. During the 1990's the number of large industrial plants, with capital over 1 billion Drachmas, increased by 80%. Companies with capital of 1 billion Drachmas and above constituted 9% of companies in Greece, in 1985. That category now constitutes 25% of all Greek companies. This statistic shows that: a) the average size of industrial companies in Greece is increasing at a fast rate, b) capital concentration is geared towards larger companies at a fast pace. This change has come about due to the mass influx of foreign capital in the form of direct investment and the positioning of European capital in Greek industry. Young Greek-European owned companies are being formed and developing both in Greece and the Balkans.

Equity capital of Greek industry in 1985 comprised 14% of total capital, while in 1998 it increased to 64%. It must be made clear, however, that the influx of foreign capital does not occur in the form of debt – a fact that would increase the economy's loan commitments abroad –, but rather in the form of direct investment. At this point, rate of return on capital in the Greek industrial sector remains among the highest in Europe. Greek exports are developing faster than European and the average annual rate of increase in Greek exports is 5.1% against a 3,8% increase in European exports. Also noteworthy, in 1983 Greece's industries exported 16% of their produce; whereas, today they export 30%. This element is significant in the fact that it shows the level of extroversion of Greek industry, as well as the dynamics and perspectives of the Greek market.

Moreover, exports of Greek industrial products are developing at impressive rates, spanning from 12% to 28% per year and are following the rapid growth of neighbouring developing markets. The mass influx of foreign capital in Greece is based on the unprecedented technological refurbishment of Greek industry, which has resulted in the speedy modernization of the country's industrial base and the continuous improvement of productivity. Indeed, productivity in Greece is improving at a faster pace in comparison with the other European economies; e.g. 2.7% annually in comparison to 2.4%. Specifically, the adjustment of the Greek economy and the new born, complementary nature of industrial production between the Greek and European economies are concentrated in sectors that are highly extroverted. Extrovert sectors are new textile products, such as the clothing and footwear sectors, which export 75% of their produce, the basic metal industry, which exports 34% of its produce and the engine and machine manufacturing industry, which exports 36% of its produce.

All in all, we must point out that this is the first time in Modern history that Greek industry makes a positive contribution to the increase of the Greek GNP. It is also the first time in Greek history that Greek industrial exports are increasing at a faster pace than industrial imports. In conclusion, despite the crocodile tears of Greek industrialists, Greece is entering the European productive structure and division of labor, as well as the international stock markets with a determined and competitive stance. This hypothesis is confirmed by the unprecedented increase of stock market transactions in the Greek market. Even though the Greek stock market has no depth, there are serious and highly regarded industrial plants, which adhere to developed international criteria and standards.

What we are witnessing today in the productive, commercial and financial sector confirms the decisive role the Greek economy has to play in the stabilization of the Balkans and the Eastern Mediterranean, within the framework of the new international system and especially the European one. Greece's cultural features give the country the best opportunity to undertake the role of intermediary among the new rising European groups and Europe's periphery, which for the moment is searching for the safest way to incorporate itself into the new international scheme. Even though it is not at all sure that Europe has determined its course to success and it is almost sure that for the moment it is at a dead end and is moving at a very slow pace, it is just as positive that Greece is tied 'organically ' to a Europe with a common future, especially when it comes to the Balkans, which are now being reshaped.

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