

# POST-WAR COMMERCIAL HISTORY AND RE-POSITIONING OF THE GREEK ECONOMY

Grigoris Zarotiadis <sup>1</sup>

## ABSTRACT

The present paper belongs in a wider project that aims at (re-) defining the trade-potential of the Greek economy in the frame of a rapid changing international environment, especially in the neighbouring area.

Following a thorough literature review, we present the evolution of the spatial and sectoral decomposition of contemporary Hellenic trade relations. We distinguish three main periods: the first lasts till the end of the 60s, where the political and the economic orientation was towards the transatlantic consensus; a second which starts with the approximation and the entry in the European Union; and the last one beginning from the early 90s and the deep reformatations in Eastern Europe.

The continuing, deep geopolitical and economic rearrangements, combined with the deepening of the domestic insolvencies, opens new prospects for a spatial and sectoral re-orientation of the Greek economy.

**Keywords:** *Hellenic trade history, trade relations, sectoral and spatial decomposition of trade*

**JEL Classification:** N74

## 1. Introduction

Markets do fail. Daily economics confirm the misleadingness of the theoretical construct of perfect, self-regulated markets that provide us with the best possible solutions. In place of the (neo-) classical "invisible hand" we see the "robust" hands of oligopolies, the hand of a bank, a fund, of the one or the other government, a union, up to the "small, weak" hands of the consumers, the unemployed, the employees and the self-employed producers. The necessity therefore for interventions and planning is inevitable; it is in fact the very nature of the actual economy itself. The question then is which "hands" we choose.

In this sense, sectoral and spatial orientation of a national economy does not arise "naturally" objectively and inevitably; it rather results from the specific choices of (more or less) centralized socio-economic interests.

Sectoral and spatial (re-) orientation in the frame of a rapidly changing international context is a crucial issue for any regional and / or national economy. Not only because of the rapid transformations in economic and political geography, but moreover because of the deep, systemic alterations: (i) there is an endogenous trend for socialization against the intensification of centralization of production (vertically and horizontally) – in other words the prevalence of oligopolies – that strengthens as the systemic crisis remains worldwide; (ii) post-modern

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<sup>1</sup>Dr.Ass.Prof, Aristotle's University of Thessaloniki, Department of Economics, [gzarotia@econ.auth.gr](mailto:gzarotia@econ.auth.gr)

capitalism evolves from a system succeeded in covering needs into one that necessitates to discover (individual and collective) needs; (iii) additionally, instead of the accomplishment of the balancing internationalization and the completion of global markets, we witness the emergence of new competitions at a higher level, within the frames of a newly formed bipolarism.

In this context, what is the (economic) orientation of Greece and does this comply with the specific characteristics and interests of which classes and what social strata?

## 2. Periodization of modern history of Greek Trade

We can distinguish three main periods in the modern history of the Greek economy, with respect to its commercial orientation. The **first** is until the end of the 1960s, where political and economic transatlantic orientation prevailed. Binding into the NATO necessarily implied a geographical "alienation" in the context of the cold war and the US policy in the East. This was combined with the specific development of the national economy, yet following the traditional model of a regional, parasitic capitalism. Having in mind that the area from the Baltic to the Black Sea, the Near and Middle East form a region that was and will be specially vital for the socioeconomic development of Hellenism, the framework of this first period did not help the strengthening of Greek economic relations to that area and led to the **first (postwar) spatial - historical disorientation of the country**.

The **second** period starts with the gradual (economic) alliance and the entrance to the European Union (European Economic Community – EEC at that time), after the end of the Dictatorship, together with the new era in the modern political history of the country ("*Metapolitefsi*"). The orientation of the Greek economy experienced a meaningful change: along with maintaining the traditional partnership with American diplomacy, Greece developed its links in the context of the expanding European single market. If we consider this in combination to the European Community's strategy for the so-called "Eastern Enlargement" and we put in our consideration the evolving EU - Russia partnership, all this result in concluding that, in this second period, the tremendously tertiarized Greek economy was re-approaching its northern and eastern neighborhood (even if this was largely done by playing the role of a platform for the transfer of funds, rather than of commodities).

**Figure 1:** Eastern Enlargement and the re-approach of Greece with Balkans and the Black Sea



This evolution was interrupted and reversed in the still evolving **third** period, that started from the beginning of the 1990s: the neo-liberalized Europe, where the notion of “mutli-speeds” gradually prevailed, confining itself within the formed, modern dipole –on the one hand the Euro-Atlantic economic integration (think for instance of CETA and TTIP agreements) and on the other the Chinese “Belt and Road” initiative and the evolving congregation of developing capitalisms - mutated its policy of Eastern Enlargement into the strategy of “Eastern Partnership” (Global Strategy for the EU, 2016), which resulted in rupturing diplomatic and trade relations with some of the Black Sea and other eastern markets. This broader situation in combination with the modern Greek (economic and political) crisis that was transformed into a generalized collapse of the Greek production, led to the **country’s second phase of spatial, historical disorientation**.

**Figure 2:** “Belt ad Road” Strategy and its significance for the eastern European relationships



### 3. Empirical survey of the spatial orientation of Greek exports

In the following, we will empirical present the evolution of the spatial orientation of Greek exports, in order to sustain the hypotheses of the country’s second phase of (modern) disorientation. For that reason, we will use a spatial transformation of the well-known Balassa index for revealed comparative advantages:

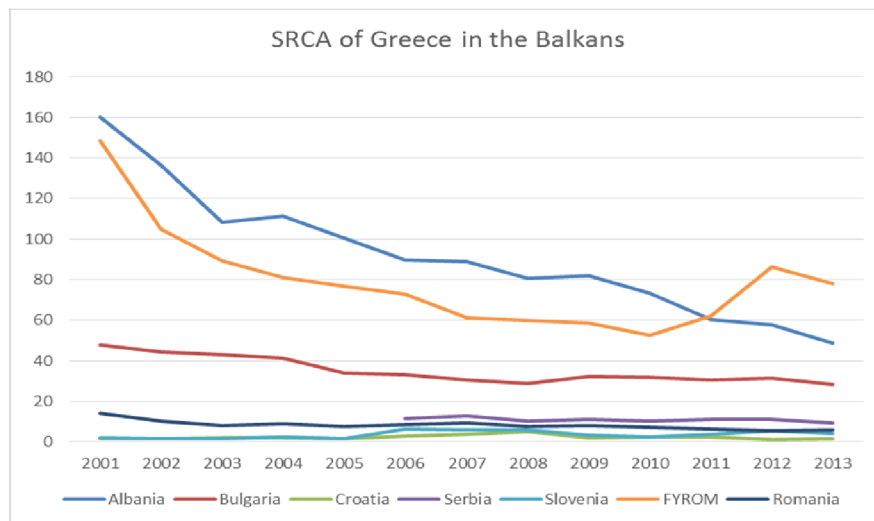
$$SRCA_{G,j} = (X_{G,j}/X_G)/(X_{w,j}+X_w)$$

where j stands for the destination country for exports from Greece (G) (in contrast to the standard version of the index where j points the different branches) and w refers to world exports.

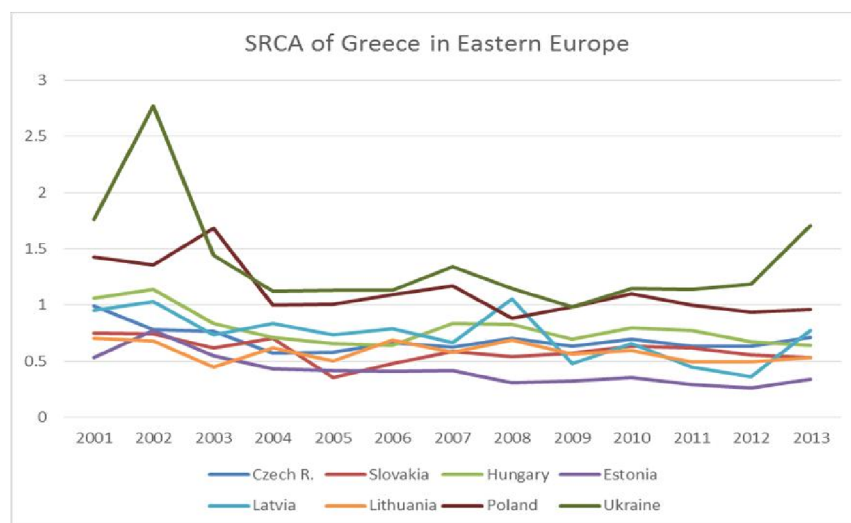
In the following four diagrams, we present the annual evolution of the spatial RCA index since 2000 for the countries of four sub-regions that form the area, which we believe to be especially vital for the socioeconomic development of Hellenism. First for the Balkans then for the (rest)

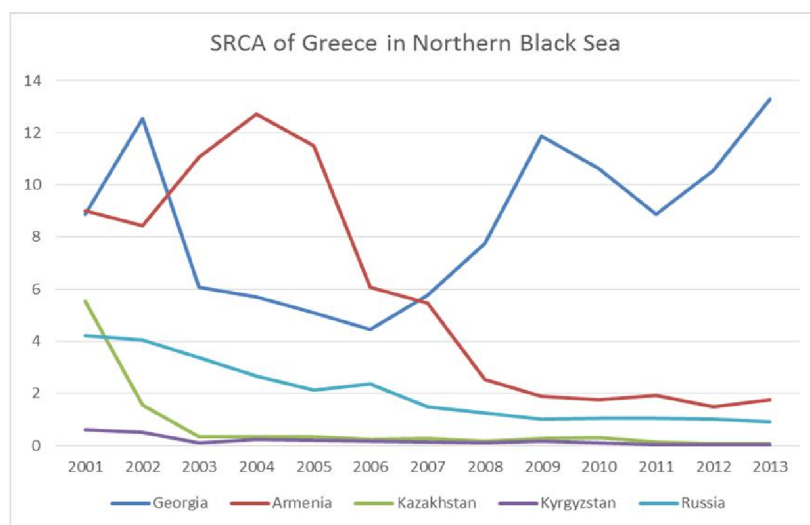
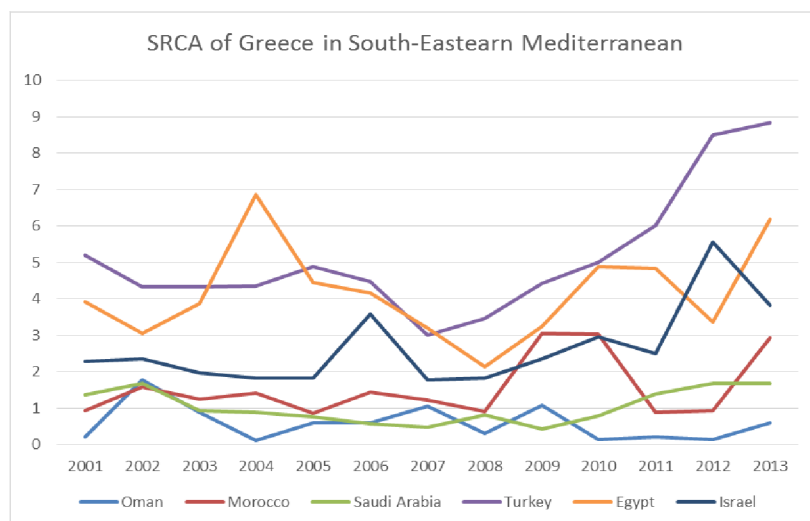
Eastern Europe, following for the north-eastern Black Sea and finally for the south-eastern Mediterranean.

**Figure 3:** Spatial RCA of Greek exports in the Balkans



**Figure 4:** Spatial RCA of Greek exports in Eastern Europe



**Figure 5:** Spatial RCA of Greek exports in the north-eastern Black Sea**Figure 6:** Spatial RCA of Greek exports in the south-eastern Mediterranean

Following the definition of the spatial RCA index, this indicates whether the position of Greek exports in the specific destination country is enhanced or not (always compared to total world exports spatial distribution). Having this in our mind, the downward trend of this indicator for the countries of the Balkans, Eastern Europe and the Black Sea region confirms the disorientation of the Greek economy. There are some exceptions for specific destination markets in the fourth group of countries – in particular Turkey and Israel – as well as for the special case of Georgia; yet those exceptions verify the meaning of the evolving diplomatic arrangements in the area and, thereby, the necessity for well-planned, political interventions, according to the spatial and sectoral characteristics of the country.

#### **4. Conclusions and policy implications**

The ongoing, geopolitical and economic upheavals, coupled with the deepening of domestic malformations, open new prospects and new necessities for a spatial and sectoral reorientation of the Greek economy. An alternative proposal for the country's extroverted development should first start from claiming the role of "a modern, progressive neutrality –an agent for cooperation, democracy, social justice and ecological balance" in the area that was and will be especially vital for the socioeconomic development of Hellenism – Eastern Europe, Black Sea, the Eastern Mediterranean and the Middle East.

Around this axis, Greece can (and should) specify separate categories of sectoral specialization within the modern international division of labour, highlighting the country as (i) an international node for commodities, capital, energy, ideas and people and (ii) a global, applied research and development laboratory.

Central and local political interventions should serve towards a reorientation of Greek production, following its horizontal advantageous in developing economies of quantity (rather than economies of scale), but also its specific sectoral strengths in the nutrition and the primary sector, in sectors where qualitative specialization and custom-made production make sense, in branches associated with cultural industry and education, shipping and tourism.

Yet above all, the spatial re-orientation of the country should be served, giving priority to the regions of Eastern Europe, Black Sea, Eastern Mediterranean and Middle East.