

**SEMIPERIPHERAL DEVELOPMENT AND FOREIGN POLICY:
THE CASES OF GREECE AND SPAIN**

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ABSTRACT

Foreign policy analysis stands at the crossroads of different issues and academic disciplines, including political economy and international relations. In this study, the foreign policies of Greece and Spain are analysed in the period between 1945 and the early 1990s, in the context of the world-system approach in which foreign policy is considered a part of the interaction between a single world-economy and multiple political structures (nation states).

In other words, this is a study of the political economy of foreign policy. The foreign policies of Greece and Spain are analysed in the context of the world and national levels of the organisation of power and production. In this general context, the two countries are defined as the interesting but debatable category of semiperiphery states in the world-system hierarchy of states. The analysis of Greece and Spain shows that the foreign policies of both countries were strongly affected by their semiperipheral development patterns during both the “expansion-hegemonic rise” and “contraction-hegemonic decline” periods of the world-economy.

The study examines the relative impact of national and international structural factors, the distribution of wealth and power, the state, external and internal economic and power elites on the foreign policies of Greece and Spain. The examination demonstrates the effect of their semiperipheral status on their foreign policy. The main theoretical contention of the study is that the world-system analysis and the concept of “semiperiphery” provide a useful framework for the study of the political economy of the foreign policies of middle income countries.

TO THE MEMORY OF MY PARENTS
CEMİLE AND HAYDAR TAYFUR ...

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CONTENTS

INTRODUCTION	8
 CHAPTER I UNDERSTANDING FOREIGN POLICY	 13
1. Introduction	13
2. The Nature and the Definition of Foreign Policy	13
3. Traditional Understanding	16
4. Behaviouralism and the Challenge of Decision Making Approach	17
5. Comparative Foreign Policy Approach	19
6. Changes in the Agenda and the New Approaches	21
7. Conclusion	24
Notes to Chapter One	26
 CHAPTER II SYSTEMIC-STRUCTURAL APPROACHES TO INTERNATIONAL RELATIONS AND THE STUDY OF FOREIGN POLICY	 27
1. Introduction	27
1.1. The Level of Analysis Problem in International Relations	27
1.2. Identifying the External and Internal Sources of Foreign Policy Behaviour	 30
2. Systemic/Structural Approaches	32
2.1. The Systemic Approaches	32
2.2. The Systemic-Structural Approach of K.Waltz	34
3. World System Analysis	36
3.1. Modelski's Political Structure and Conceptualisation of the World Context	 37
3.2. Wallerstein's Economic Structure and Conceptualisation of the World Context	 42
4. Conclusion	58
Notes to Chapter Two	61
 CHAPTER III THE CONCEPT OF SEMIPERIPHERY	 62
1. Understanding Semiperiphery	62
2. How to Operationalise the Concept of Semiperiphery ?	68
3. Conclusion	79

CHAPTER IV	UNDERSTANDING GREECE AND SPAIN	83
1.	Introduction	83
2.	Common Characteristics of GSP Countries	84
3.	Main Approaches to the Study of GSP	91
3.1.	Nicos Poulantzas	92
3.2.	Salvador Giner	97
3.3.	Immanuel Wallerstein	102
3.4.	Giovanni Arrighi	104
3.5.	Çaglar Keyder	109
3.6.	Geoffrey Pridham	112
3.7.	Conclusion	113
CHAPTER V	GREECE: 1945 - 1974	114
1.	Introduction	114
2.	The Economic Environment	115
3.	The Political Environment	125
4.	Foreign Policy: Atlanticist Years	130
5.	An Early Challenge to Atlanticism	135
6.	The Restoration of US Influence: The Colonels Come to Power	147
	Notes to Chapter Five	156
CHAPTER VI	GREECE: 1974 - EARLY 1990s	159
1.	Introduction	159
2.	The Economic Environment: 1974 - Early 1980s	160
3.	The Political Environment: 1974 - Early 1980s	168
4.	Foreign Policy: 1974 - Early 1980s, "Europeanization"	171
5.	The Economic Environment: Early 1980s - Early 1990s	176
6.	The Political Environment and Foreign Policy: Early 1980s - Early 1990s	185
6.1.	Political Environment	185
6.2.	Foreign Policy: Europeanization ?	185
6.3.	Conclusion	189
	Notes to Chapter Six	190
CHAPTER VII	SPAIN: 1945 - 1976	194
1.	Introduction	194
2.	The Economic Environment	195
3.	The Political Environment	212
4.	Foreign Policy: Atlanticist Years	218
5.	Conclusion	228
	Notes to Chapter Seven	229

CHAPTER VIII	SPAIN: 1976 - EARLY 1990s	232
1.	Introduction	232
2.	The Economic Environment	233
3.	The Political Environment	248
4.	Foreign Policy: Europeanization	254
5.	Conclusion	271
	Notes to Chapter Eight	273
CONCLUSION		275
BIBLIOGRAPHY		282

INTRODUCTION

Foreign policy can be analysed in different contexts and at different levels. Since it stands at the crossroads of different issues and academic disciplines, and also bridges the “internal environment” with the “international system”, explanations of foreign policy depend on how the researcher perceives the foreign policy environment and formulates his/her explanatory/analytical framework. In other words, depending on the context different approaches and variables may explain the conduct of foreign policy. In this study I analyse the foreign policies of Greece and Spain in the context of the world-system approach in the period between 1945 and the early 1990s. In fact, world-system analysis does not directly and systematically deal with foreign policy. However, it does provide a “social totality” - “a modern world-system” - in which foreign policy is a part of the interaction between “a single world-economy” and “multiple political structures” (nation-states). Thus in this study foreign policy is considered a function of the complex interaction between “internal/societal” and “external/systemic” and “political” and “economic” factors. Accordingly, I look at the relationship between the foreign policies of Greece and Spain and the structure of the international system, the structure of the states in question, domestic economic and political structures, external and internal economic and political elites.

Broadly speaking this is a study of the political economy of foreign policy. I attempt to analyse foreign policy in the context of the world and national levels of the organisation of power and production. I consider whether Greece and Spain belong to the interesting but debatable category of “semiperiphery” in the world-system hierarchy of states, and I examine whether they followed “semiperipheral foreign policies” during the period under consideration. In the chapters devoted to each of the separate countries I illustrate how the foreign policies of the two countries are related to their developmental patterns. I divide the period from 1945 to 1990 into two sub-periods, the first from 1945 to the mid-1970s, and the second from the mid-1970s to the early 1990s. This division relates to the reorganisation of the world power and production structures in the mid-1970s. In world-system analysis these periods are called the “expansion” and “contraction” periods of the world-economy respectively. This is the background for my examination of the changes in the power-

Introduction

production structures of Greece and Spain between the “expansion” and “contraction” periods of the world-economy. I demonstrate how these changes in the world and national power-production structures led to changes in the foreign policies of these countries.

The general argument of this study is that the concept of “semiperiphery” provides a productive framework for the study of the political economy of the foreign policies of “middle income” countries. In fact, the debates about the existence, the shape and the boundaries etc., of the semiperipheral zone of the world-economy are still continuing. The last two edited works on the semiperiphery present various aspects of the discussions and some basic shortcomings of the concept (see Arrighi, 1985 and Martin, 1990a). Thus the concept of semiperiphery has not been totally clarified yet. However, the central aim of my study is not to clarify it. Instead this study contends that there are a significant number of states that fall neither into the “developed” nor in to “underdeveloped” categories of states. Among related concepts such as “developing countries”, “newly industrialised states”, “middle income countries” etc., the concept of “semiperiphery” used in world-system approach provides a comprehensive framework, even in its present form, and is a good tool to study and explain various phenomena (here the focus is on foreign policy) in these “intermediate countries”.

The first three chapters that follow discuss the theoretical and conceptual perspectives used in this study. In **Chapter 1**, I analyse briefly the phenomenon and the study of foreign policy, its evolution, nature and definition, the main schools in foreign policy analysis and their meaning for world-system analysis. **Chapter 2** examines how foreign policy is analysed at the systemic and structural levels. Since world-system analysis is a systemic-structural approach this will provide the reader with a general understanding of the issues. I begin by briefly explaining early system theories and structural approaches and their understanding of foreign policy. I go on to look at Modelski’s “world system analysis” which is built upon “global political structures”, in order to be able to compare it to Wallerstein’s “world-economic

Introduction

structure". In the second half of the chapter, I examine "world-system analysis" and focus on its relevance in foreign policy analysis. In **Chapter 3** I focus entirely on the concept of "semiperiphery". In the first part of the chapter I discuss the nature and the characteristics of semiperipheral states and their mobility in the "world-economy" and the "inter-state" system. I then examine various arguments on the operationalization of the concept, and emphasise the existence of different kinds of semiperipheral states in the semiperipheral zone of the world-economy. Finally I argue that semiperipheral states have common foreign policy orientations in the expansion and contraction periods of the world-economy.

Chapter 4 is a transitional chapter from theory to the case studies in which I analyse the common elements in the political and economic development of Greece, Spain (and also Portugal) and their "peculiar" position in the inter-state system in an historical context. As a result of similar rapid changes in Greece, Spain and Portugal (GSP) in the mid-1970s, social scientists have studied the three countries together and have produced a considerable amount of theoretical, empirical and comparative work. However, many of these studies conclude that similar developments in the political and economic structures of GSP started long before the mid-1970s. Thus, in the second part of Chapter 4 I discuss the main approaches to the GSP countries, including those studies which emphasise their semiperipheral status.

Chapters 5 - 8 are the case study chapters in which I apply the theoretical and conceptual frameworks to Greece and Spain. Each chapter is divided into three sections dealing with **the economic environment, the political environment, and foreign policy** in the framework of semiperipheral development. In each chapter I try to show how developments in the economic environment go hand in hand with developments in the political and foreign policy environments.

In **chapters 5 and 7** I examine Greece and Spain respectively in the period between 1945 and the mid-1970s. In world-system analysis 1945 to the mid-1970s is considered as the period of "US hegemony" and the "expansion" period of the

Introduction

“world-economy”. In this global context I discuss the nature of the national power-production structures in the two countries and the roles of the US, internal political institutions, economic, political and military elites in the establishment and functioning of this structure. I show that the functioning of this structure fits the semiperipheral patterns described by world-system analysis. Finally, I illustrate that the foreign policies of Greece and Spain were an integral part of this power-production structure and were shaped according to the interests of the external and internal actors that formed it

In chapters 6 and 8, I examine Greece and Spain respectively from the mid-1970s-until the early 1990s. On the one hand, this period corresponds to the “contraction” period of the world-economy. On the other hand, it is the period in which there was a “relative decline of US hegemony” and “the emergence of Europe (especially the EEC) as a new economic and political seat of power”. Accordingly, I look at the changes in the national power-production structures in the context of these global level changes and emphasise the decreasing role of the US and the increasing influence of Europe/EEC on the economic and political developments in Greece and Spain. I demonstrate how Greece and Spain benefited from these changes at the global and national levels; examine what the changes were in the position of the external and internal actors in the power-production structure; and consider to what extent the changes in the national power-production structure fit into semiperipheral development patterns. Furthermore, I argue that the differences between Greek and Spanish semiperipheral developmental patterns occurred because of their different locations in the semiperipheral zone. Finally, I show that the foreign policies of both Greece and Spain were shaped in this period by their different semiperipheral developmental patterns and mobilisations in the world-system hierarchy of states, as well as by the interests of the external and internal actors who controlled the power-production structures.

As I show in the Greek and Spanish cases, despite its shortcomings, semiperiphery can be a very useful concept for analysing the links between the

Introduction

external/systemic and internal/societal economic and political sources of foreign policy, and also for explaining changes in foreign policy. More generally, the concept of semiperiphery enables us to understand the crucial links between foreign policy and political economy.

In this study I used both primary and secondary sources published in English. In the conceptual and theoretical chapters I used the original works of various scholars on related issues. In the case studies, my analysis of the economic environment during different periods has largely based on OEEC/OECD Country Reports for Greece and Spain from the late 1940s to the early 1990s. However, in examining the political and foreign policy environments I mainly used secondary sources to trace the main developments and outcomes. I also interviewed a number of Greek and Spanish country specialists (*Prof. R.Clogg, Prof. C.M. Woodhouse, Prof. N.P.Mouzelis, Prof. Th.Couloumbis, Prof. P.Preston, Dr. G.Petrochilos, Mr.K.Karras, Mr. A.Gooch, and Prof. F.Rodrigo*) for the case studies.

CHAPTER I

UNDERSTANDING FOREIGN POLICY

1. Introduction

Broadly speaking foreign policy is the behaviour of states mainly towards other states in the international system through their authorised agents. However, there are several ways to explain the external behaviours of states. In other words, the study of foreign policy as a sub-field of international relations can not be confined within the boundaries of any one approach. The study of foreign policy requires inter and/or multidisciplinary investigations. This means that foreign policy can be examined at different levels of analysis and be viewed from different perspectives of the family of social sciences. Students of foreign policy are therefore confronted with a phenomenon whose boundaries are quite flexible and which allows various kinds of frameworks for study (1). The explanation of foreign policy can range from the childhood experiences of an individual leader to the characteristics of the international system depending on the framework in the researcher's mind and what he or she wants to explain. Accordingly foreign policy studies undertaken up to now reflect this diversity of interest among the researchers.

2. The Nature and the Definition of Foreign Policy

The subject matter of foreign policy comes to the fore when one asks the question 'Who are the main actors of the international system?'. And when it comes to the international system, states are the main actors in it. As the main actors the behaviours of states in the system deserves particular attention. It is at this point that the area of inquiry for the sub-field of foreign policy analysis become apparent. It focuses on the external behaviours of governments and more specifically on their authorised representatives, since states almost always act through their official agents. While international politics focuses on international relations in the way that macro economics deals with the aggregate behaviour of whole national economies, foreign policy focuses on the international relations in the way that micro economics deals with the behaviour of individual actors such as firms and consumers (McGowan, 1973:11-12).

Understanding Foreign Policy

In order to clarify the concept foreign policy further it might be useful to look at it in a closer perspective. If foreign policy is a governmental activity, what distinguishes foreign policy from other governmental activities ? Is there a clear division between domestic policy and foreign policy, or are there close interactions between the two ? First of all, foreign policy is directed towards the external environment of a state. In other words, foreign policy is a policy designed to be implemented outside the territorial boundaries of a state. As Clarke and White put it, 'Foreign policy, like domestic policy is formulated within the state, but unlike domestic policy is directed and must be implemented in the environment external to that state' (White, 1989:5). Another way of differentiating foreign and domestic politics can be associated with those studies that consider foreign policy as 'high politics' and hence a very differentiated area of governmental activity. This view equates foreign policy with security and the fundamental values of the state in which the domestic politics should not interfere. Some others, like W.Wallace, see foreign policy as a boundary issue between domestic politics and the international environment (Wallace, 1974:12-17). According to Wallace, foreign policy is a boundary problem in two respects. First, foreign policy plays the role of bridge between the nation state and its international environment. Second, it is the boundary between domestic politics and government (Political Science) and international politics and diplomacy (International Relations). This means that an understanding of foreign policy requires a mixture of knowledge which covers both domestic and international politics. Here, the problem is the difficulty of keeping foreign policy at the boundary line (White, 1989:7). If the researcher looks at it from the view point of political science, he or she will focus on domestic determinants, whereas the researcher looking from the perspective of international relations will examine determinants from the international environment in order to explain foreign policy phenomena. If we go a step further and investigate the boundary between foreign policy and other academic disciplines, the situation becomes more complex. In other words, those who are studying relationships between foreign policy and its sources (e.g. personality of leaders, policy makers, governmental structures, culture, economic development, geography, international system, etc.) will inevitably make use of any one or a mix of the academic disciplines of psychology,

Understanding Foreign Policy

sociology, economy, public administration, history, philosophy, and geography, depending on their units of analysis.

Let us now look at the definition of the concept. In 1962, Modelski defined foreign policy as the “system of activities evolved by communities for changing the behaviour of other states and for adjusting their activities to the international environment” (Modelski, 1962:6). According to Modelski, states deal with this issue through their policy makers who are entitled to act on behalf of their community. Holsti, on the other hand, describes foreign policy from the point of view of the researcher; “the student who analyses the actions of a state towards external environment and the conditions -usually domestic - under which these actions are formulated is concerned essentially with foreign policy” (Holsti, 1983:19). McGowan in 1973 offered the following definition; “foreign policy could be defined as the actions of national or central governments taken towards other actors external to the legal sovereignty of the initiating governments” (McGowan, 1973:12). Wilkenfield develops this definition as follows; “foreign policy is those official actions (and reactions) which sovereign states initiate (or receive and subsequently react to) for the purpose of altering or creating a condition (or problem) outside their territorial sovereign boundaries” (Wilkenfield et al., 1980:22). On the other hand Russett and Starr define foreign policy as the stuff of international relations; “People do not agree on exactly what should be included here, but they are concerned with the policies that states declare, the decisions taken within governmental circles, the actions actually taken by governments, and the consequences of the behaviour of governments and their official representatives. Foreign policy is the output of the state into the global system” (Russett and Starr, 1985:191).

In sum, one can say that foreign policy is an official activity formulated and implemented by the authorised agents of sovereign states as orientations, plans, commitments and actions which is directed towards the external environment of the states. Since foreign policy covers a very wide area it is almost impossible to give it a complete definition. Nevertheless, a shorthand definition of foreign policy is given by

Understanding Foreign Policy

C. Hill; "Foreign policy is the sum of official external relations conducted by independent actors in international relations" (2).

Now let us look at how major approaches in international relations explain the phenomenon of foreign policy.

3. Traditional Understanding

Realism has always been identified with traditionalism in international relations. According to realists, politics is governed by objective laws that have their roots in human nature (Morgenthau, 1978:3-15). The central beliefs in this approach were that the structural condition in the international political system - which is made up of sovereign states - is anarchy, and just like self-interested individuals, these sovereign states pursue their national interests in an endless process of maximising their power since interest is defined in terms of power. Accordingly, this approach makes explicit assumptions about the foreign policies of states (White, 1989:10-11 and Smith, 1986:15). First of all it is the state and not any other entity that can conduct foreign policy. The sovereign state is the prime actor in the international political system. Second, realists assume that states, or governments on behalf of states, are unitary entities. This means that like any individual, states have objectives and act purposefully in accordance with these objectives. The realist conception of state and foreign policy assumes that states are rational actors, therefore they do not act haphazardly but deliberately. Foreign policy action is the product of rational behaviour; it is based on, calculation of means and ends and the benefits of alternative courses of action in order to maximise the benefits. There must be proportionality between the rational interests and power of a state in order to pursue rational foreign policy. Thus rationality explains why states act as they do. In this realist picture of international relations, power becomes the driving force since in order to promote their interests states seek to maximise their powers. This means that foreign policy is nothing but a struggle for power between states. Two other dimensions of realist thinking in relation to foreign policy are worth mentioning. The first is that the realist approach views foreign policy from the environment external to the state. The determinants of foreign policy can be

found in the anarchic international environment rather than in the domestic environment. Accordingly, the balance of power in the international system, and the situation of a state in the system are the fundamental determinants of foreign policy. Secondly, in realism it is “high politics” that dominates the foreign policy agenda of states. In other words, while military and security issues are overemphasised, economic dimensions of foreign policy, named as “low politics” are de-emphasised. The realist belief in the autonomy of political sphere is prone to overlook the interaction between foreign policy and other spheres such as economics, law, or ethics.

4. Behavioralism and the Challenge of Decision Making Approaches

The reaction to the realist interpretation of international relations and foreign policy came from what is labelled as the Behaviouralist School. The first behavioural challenge was called the Decision Making Approach, and was applied to foreign policy by Snyder and his associates in 1954 (Snyder et al., 1962). According to decision making theory, foreign policy is nothing but a series of decisions taken by the official decision makers. Hence the explanation of foreign policy is the explanation of the behaviour of an individual or a group acting in a structured domestic machinery in order to decide which course of action to adopt.

A cursory glance at the decision making approach reveals the fact that it was strongly influenced by the basic premises of the realist school. First of all, despite its identification of the state with its official decision makers, the state remained the only actor in the international system. Second, the rational actor model of realism was translated into the Decision Making Approach as rational decision maker or rational decision making process. Hence, like the abstract state of the realist school, the concrete decision maker(s) began to calculate the pluses and the minuses of alternative courses of action, and chose the most appropriate (beneficial) course that would lead to the achievement of the desired goal(s).

Nevertheless, behaviouralism, under the label of the decision making approach, brought very significant changes to the concept of foreign policy (White, 1989:13-15).

Understanding Foreign Policy

First, it introduced the idea that the states or the governments are all abstractions, and are not able to behave by themselves. They could act only through concrete individuals known as decision makers. Thus the Behaviouralist School equated the state with the official decision makers whose behaviours, unlike abstractions, can easily be observed and analysed. Second, the Decision Making Approach challenged the “objectivist” perspective of realism by proposing a “subjectivist” outlook. According to the Decision Making Approach, the definition of the situation by the decision makers is the key to the explanation of the behaviour of states. What counts is not the objective realities of the international environment but the subjective perception of that environment by the decision maker(s). Thirdly, the introduction of the impact of the internal setting and societal factors on the decision maker(s) and the decision making process showed the significance of domestic sources of foreign policy as opposed to realists who focused almost totally on the external sources of foreign policy.

Besides these important differences, the main controversy between behaviouralism and realism was methodological. The common tendency of traditional scholars was to study the foreign policies of individual countries. Their beliefs were based on the uniqueness of the foreign policies of states. According to the traditionalists foreign policy should be studied by individualising rather than by generalising. Consequently, they advocated detailed case studies of the foreign policies of individual states which usually employed an historical-diplomatic method based on intuition and insight. For behaviouralists the central aim was to study international relations “scientifically”, and the main concern of 'scientific' studies was to reach generalisations rather than to reach specification. In order to achieve this end, behaviouralists looked for patterns and regularities in the behaviours of states which, at the end would lead to theory building. Inspired by the positivism and empiricism used in other academic disciplines, behaviouralists advocated the construction of hypotheses about the behaviours of states and the collection of observable “objective” data for the verification of these hypotheses. Without having an observable data base, according to behaviouralism, the discipline of international relations could not reach a sound general theory. Hence, in order to evaluate data “objectively” behaviouralists began to employ

Understanding Foreign Policy

quantitative techniques in the explanation of foreign policy. The aim of the behaviouralists was to introduce universal scientific methods in the field of international relations.

The advent of behaviouralist thinking was indeed a breakthrough in the field of international relations and foreign policy. The publication of David Singer's paper, "The Level of Analysis Problem in International Relations" brought a new feature in the studies of foreign policy (Singer, 1961). According to Singer the foreign policies of states could be explained at two different levels; either at the level of nation states or at the level of international system. One could give priority and overemphasise the impact of either level of analysis in explaining foreign policy behaviour. Despite its several problems, it can be said that this division has led to the enrichment of foreign policy studies. One of the consequences of Singer's article was the emergence of systems analysis which gives priority to the systemic determinants of foreign policy. The aim of these systemic studies were more than the explanation of foreign policy behaviour. Being loyal to the behavioural understanding of science, they tried to predict the behaviours of states through creating different systemic models (Kaplan, 1957; McClelland, 1966; and Rosecrance, 1966). Nevertheless their understanding of the system was somewhat simple. The system, according to those early system analysts of foreign policy, was the sum of its constituent parts, and they only paid attention to the behaviours and interactions of a few great powers, ignoring the lesser actors of the system. On the other hand, at the state level of analysis the decision making school emphasised the domestic sources of foreign policy. Its impact on the foreign policy studies was remarkable (White, 1989:14-17).

5. Comparative Foreign Policy Approach (CFP)

The most striking school of behaviouralism came under the title of Comparative Foreign Policy Approach (CFP). The emergence of the comparative study of foreign policy was the direct result of the behavioural movement of the 1950s. The central idea of the behavioural movement was to establish social scientific methods of research which meant systematic-empirical data collection, conceptualisation, hypothesis

Understanding Foreign Policy

testing, and theory building. In parallel to this scientificism, the ultimate aim of CFP was to build up a general theory of foreign policy through the use of methods borrowed from the natural sciences.

According to Rosenau (Rosenau, 1966) foreign policy analysis has suffered from a lack of testable generalisations of foreign policy behaviour. In other words, foreign policy analysis was devoid of general theory. With this in his mind, he first identified a series of explanatory variables of foreign policy: (1) Idiosyncratic; (2) Role; (3) Governmental; (4) Societal; (5) Systemic. He considered these five categories of variables as the main sources of foreign policy behaviour. Nevertheless, he argued that the degree of the explanatory power of these variables might well change in relation to the state(s) under investigation. In other words certain variables would better explain the foreign policy of a particular state than others, depending on the typology the state under investigation. According to Rosenau (1968) foreign policy analysis had been dominated by non-comparable, non-cumulative single case studies for decades. Even the decision making approach had not considered the possibility of comparing the perspectives of decision makers of different countries but had simply improved the quality of the case histories. What was needed, argued Rosenau, was not to enumerate foreign policy variables and to discuss them as if they operate identically in all states, but to generate a comparative analysis that could allow relevant generalisations. In CFP, comparison was conceived in methodological terms rather than in terms of subject matter: comparison was a method. One could investigate foreign policy phenomena in different ways, and the comparative method was only one of them. It was a suitable method to generate and test hypotheses about foreign policy behaviour that applied to more than one state. Thus the aim of CFP was to identify similarities and differences in the foreign policy behaviour of more than one state in order to reach generalisations.

In the CFP school, foreign policy was regarded as the composite of national and international politics. Studies of foreign policy therefore had to focus on the association between variations in the behaviour of nations and variations in their external

Understanding Foreign Policy

environment. Given the national and international dimensions, the subject matter of foreign policy, would naturally overlap with other fields of social sciences. If a foreign policy analyst was interested in the sources, contents and consequences of foreign policy as a totality, such analysis would inevitably overlap with other fields of inquiry.

In relation to the question of rationality, CFP regarded foreign policy behaviour as purposeful behaviour. Yet the meaning of the term “purpose” in CFP was presented somewhat differently to what is conventionally accepted. Being purposeful in CFP meant that officials do not act randomly. They always act with some goal in mind, but these goals might not necessarily be highly concrete or rational, or part of a plan. They might be unrealistic but they are formulated in order to achieve something. It is in this sense that the foreign policy behaviour is purposeful.

In sharp contrast to the regularity seeking nature of CFP in explaining foreign policy behaviour, the case study approach insists on the uniqueness of the foreign policies of each state. It is not possible, therefore, to explain the foreign policies of states through a common methodology and a common approach. In case studies, history is the place where the foreign policies of individual states are to be studied. One can explain foreign policy only through the detailed analysis of the individual histories. A central belief in case studies is that explanations of foreign policy behaviours through generalisations result in the loss of the unique factors that make up any foreign policy action.

6. Changes in the Agenda and New Approaches

The CFP began to decline in the mid-1970s. The reasons stemmed both from changes in the international environment and from the problems within the discipline itself (Smith, 1986:19-22 and Rosenau, 1987:2-4). First, in the mid-1970s the role of the economy in international relations and in the conduct of foreign policy increased remarkably. With the advent of nuclear stalemate and the increasing demands of the Third World for economic welfare, the central concerns of foreign policy which were traditionally focused on political-military matters began to be challenged. As issues of

Understanding Foreign Policy

economic interdependence and political economy became dominant in the global agenda, the traditional assumptions about the role and the limits of the state began to diminish. Students of foreign policy who used to equate the state with its government or decision makers began to consider the role, competence, and autonomy of state when faced with the non-governmental actors both in and outside the state. The role of the state as an actor in international relations began to decline with the emergence of competent non-state actors in global affairs. Furthermore, with growing interdependence at the global level, the distinction between domestic and foreign policies declined considerably.

In the mid-1970s the international relations, and hence the foreign policy agenda began to shift from political-military issues to economics and political economy. The main characteristic of this shift was a dissatisfaction with the state-centric outlook of existing approaches. Thus the fields of international relations and foreign policy came under the influence of what is known as “The Complex Interdependence Approach”. The main focus of this school was the complex nature of world politics which could best be characterised as transnational relations (Keohane and Nye, 1971 and 1977). According to the Complex Interdependence Approach, the role of non-governmental or non-state actors in world politics was as significant as that of states. In other words, transnational corporations and transgovernmental organisations played significant roles in world politics. Nevertheless, their roles were somewhat different from those of states; they were involved in economic rather than political-military issues. In the period of détente, according to the Complex Interdependence School, world politics could not be confined solely to the realist view of politics among states. Economic issues, through the complex web of transnational relations had become an important issue in world politics. Thus, with the increasing importance of economic issues, and their interaction with politics, the world had entered into a state of complex interdependence. Nevertheless, the Complex Interdependence Approach remained a contributor rather than becoming a distinct framework to be studied.

Understanding Foreign Policy

Since the Complex Interdependence did not lead to an overall revolution other new approaches began to offer some advanced frameworks for the study of international relations and foreign policy. “Neo-realism” and “World System Analysis” were the most striking examples of these new approaches which were subsumed under the general title of structuralism. Inspired by early system theories and the Complex Interdependence Approaches, these new frameworks focused on aggregates (systems) rather than particulars (states) in explaining foreign policy behaviour.

The neo-realist approach of K.Waltz (Waltz, 1979) tried to explain foreign policy behaviours from a structural-systemic perspective. Waltz's systemic perspective was different from the early systemic theorists. According to early system theories, a system was defined as a totality composed of its parts. In other words, the international system was composed of nation states, and their interactions were central to system studies. For Waltz a system was still composed of interacting units, but it was more than its parts. Apart from nation states, according to Waltz, the international system has a structure which is distinct from its constituent units. In this way Waltz clearly establishes a distinction between system level and other levels of analysis. The structure is the system level component of the international system and operates as the organising engine. And it is this structure of the international system that determines the behaviours of states.

The second approach under the general heading of structuralism was “world-system analysis”. Like Waltz, world-system analysts regarded the international system as a totality greater than its parts. The major proponent of this approach is I.Wallerstein. For Wallerstein, the behaviour of states in the international system is determined by the world-system structure and its processes. In this perspective, the world-economy is the most important structure in determining the behaviours of states. In other words, there is one single economy in the world-system, and the foreign policies of states are determined by the way the states are involved in this economic structure. In order to understand the foreign policy of any state, one should not only look at the position of

Understanding Foreign Policy

the state in the world-economy but also at the point of time where this economic structure is standing in the cyclical process in which it continuously circulates.

In fact, since the phenomenon of foreign policy stands at the crossroads of many academic disciplines it seems impossible to reach a single clear cut explanation of it. What influences and what explains foreign policy depends, on the one hand on the situation at hand, and on how the researcher perceives and formulates his explanatory framework on the other hand. In other words, different approaches and variables explain the phenomena best in different contexts because what determines foreign policy behaviour is a complex set of variables and only one or some of them can become dominant in different situations.

7. Conclusion

Having looked briefly at the evolution of foreign policy analysis it is time now to focus on the world-system analysis of Wallerstein which I shall use in this study. Although the world-system school does not directly consider the foreign policy analysis, it presents foreign policy analysts with an interesting and valuable framework in the field of the political economy of foreign policy.

From the perspective of foreign policy analysis, my contention is that Wallerstein's world-system analysis subsumed many of the different contributions to the study of foreign policy described above. Hence, it incorporated the importance of power and external environment from **Realism**; like **Behavioralism** it emphasised generalisations and looking for patterns and regularities in the behaviours of states. It took from the **Level of Analysis Issue**, the importance of the system level and systemic determinants. Like **CFP**, it concentrates on comparative analysis that can allow relevant generalisations, identifying similarities and differences in the foreign policy behaviour of more than one state, the classification of states (creating typologies), and sees foreign policy as a composite of national and international politics, emphasising the multi-disciplinary study of foreign policy. It also recognises, as the **Complex Interdependence School** does, the importance of economics and transnational actors.

Understanding Foreign Policy

And, the world-system school itself contributed to the study of foreign policy through emphasising the importance of the system level component, namely the structure, particularly economic structure, and its processes and operations and the way they affect the foreign policy behaviours of states. Furthermore, it emphasised the interdependence and interaction between **power and production** in the modern world-system, and hence its reflection on the external behaviours of states.

In the next chapter, therefore I shall first, focus briefly on the systemic-structural approaches to the study of foreign policy. I shall then turn to world-system analysis and its relevance for the study of Greek and Spanish foreign policies.

Understanding Foreign Policy

Notes to Chapter One

(1) On Foreign policy analysis, see Hill and Light, 1985 and Light, 1994.

(2) This definition of foreign policy was made by Prof.Christopher Hill in his Foreign Policy Analysis lectures at the LSE.

CHAPTER II

SYSTEMIC-STRUCTURAL APPROACHES TO INTERNATIONAL RELATIONS AND THE STUDY OF FOREIGN POLICY

1. Introduction

In order to evaluate world-system analysis better it may be helpful to give an account of systemic-structural approaches to international relations in relation to the study of foreign policy. In this context I shall discuss the level of analysis problem in international relations, systems approaches, Waltz's systemic-structural approach, and the "world system analysis" of both Modelski and Wallerstein.

1.1. The Level of Analysis Problem in International Relations

Since the publication of Singer's well-known article in 1961 (Singer, 1961), the level of analysis problem has been one of the major issues in the study of international relations. Originally, it was concerned with the advantages and disadvantages of two levels in analysing international relations: the international system and the national state as levels of analysis. The central concern was the level at which one can best describe, explain and predict international phenomena. In fact, since each level has merits as well as disadvantages, the problem was to clarify the issue of whether a researcher should interpret reality in terms of the whole or in terms of parts of the whole in the study of international relations. This differentiation between the levels of analysis corresponds to the classical division of the field of International Relations into the main subfields of International Politics and Foreign Policy.

It is widely accepted that while international politics focuses on the structures, processes, and working of the international system, the subject matter of foreign policy focuses on the external relations of individual states. Hence, it becomes important for students of international relations to differentiate between the analysis of the international system and the analysis of the foreign policy of individual states.

The International System as Level of Analysis: Since it covers all the interactions within the system, the system level of analysis is considered the most comprehensive level. It encompasses all the international actors (mainly nation states)

Systemic-Structural Approaches and the Study of Foreign Policy

and focuses on the patterns of interactions among the actors in the system. Accordingly, it studies, the forming and dissolving of alliances in the international system, the maintenance of stability, crisis, war, balance of power, international organisations, etc., and makes generalisations about these phenomena. In this way it allows us to study international relations in a totality. Yet this encompassing character of system level analysis leads the researcher to overemphasise the impact of the system on the state actors, on the one hand, and to undervalue the autonomy of states in the international system on the other. Moreover, while the notions of national autonomy and freedom of choice are ignored at the systemic level, a strong deterministic orientation often becomes dominant. A kind of “invisible hand” which determines the behaviour of states appears as one of the main characteristics of system level analysis. Furthermore, in relation to foreign policy it leads to the understanding that there exists a high degree of uniformity in the foreign policy behaviours of state actors. This level of analysis, therefore, allows little room for divergence in the behaviours of states, and hence conveys a homogenised picture of states in the international system.

The National State as Level of Analysis: This particular level of analysis in international relations focuses on the primary actors of the international system, namely the nation state. In contrast to the international system level, the national state level of analysis allows the researcher to study the differences between state actors. An emphasis on the different foreign policy goals of different nations permits detailed examination of individual states, and accordingly leads to significant differentiation among the behaviours of the actors, in contrast to the similarity-seeking nature of system level analysis. State level analysis stresses the primacy of internal factors in the formulation of national foreign policies; hence, rather than the international interaction and its systemic outcomes, the influences of decision makers, pressure groups, classes, public opinion etc., are considered as the determinants of the behaviours of state actors. The problem is, however, that the focus on differences at the national level leads to an underestimation of the role of systemic outcomes on the behaviours of the actors.

Systemic-Structural Approaches and the Study of Foreign Policy

Moreover, there is a further problem. The level of analysis in international relations cannot be limited only to two levels. For instance, R.Yalem argues the possibility of an additional level of analysis as a result of the increasing regionalisation of world politics (Yalem, 1977). Accordingly, he proposes the regional subsystem as a third level of analysis between the international and national levels.

I do not intend here to focus on the merits or demerits of different formulations of levels of analysis in international relations. However, I do not agree that the national state level of analysis should only examine the internal determinants of the foreign policies of nation states and should not employ system level analysis. The foreign policies of national states are by no means determined only by factors internal to that society. On the contrary, foreign policy is a mixture of both internal and external factors, and it might well be explained in relation to its larger environment - that is, in relation to the international system and its structures. Hence, the study of the external influences on the foreign policy of state actors is by no means a systemic level study, but a national one. In other words, it is one thing to carry out an entirely systemic study, and it is another to incorporate a system level perspective into the analysis and to study the external influences on foreign policy. The latter might still be considered a national state level study, since what the researcher proposes to do is to explain the foreign policy of one or more states in relation to the larger world context rather than restricting him- or herself to the explanation of, or theorising on, the international system and/or its structures.

Accordingly, in this study of Greek and Spanish foreign policy I shall use the national state level of analysis although I shall incorporate the perspectives of world-system studies and borrow concepts from them. In other words, I shall use systemic/structural approaches and their concepts and vocabulary as well as national ones in explaining the foreign policies of Greece and Spain.

1.2. Identifying the External and Internal Sources of Foreign Policy Behaviour

One of the central concerns of students of foreign policy has been to identify the external and internal sources of state behaviour. The division between the two sources of foreign policy behaviour is known as the division between the external/systemic and internal/societal factors affecting foreign policy. Although the answer to the question of which one of these two factors has generally become dominant in the formulation of the foreign policy is an open one, or at least depends on the situation at hand, most foreign policy studies have been dominated by the internal/societal factors approach, while the use of external/systemic factors has remained marginal.(McGowan and Kegley, 1983:7).

Studies which search for the role of internal/societal factors on foreign policy focuses on the variables that are internal to the societies. In other words, they focus on the effects of the individual characteristics of leaders and decision makers, on decision making processes, governmental and political structures, pressure groups, classes, national history and so on. Changes in the general foreign policy orientation are attributed to forces internal to society, without paying sufficient attention either to the restrictive or to the facilitative nature of the world context on the internal sources of change. Accordingly, it becomes difficult to establish connections between foreign policy behaviour and the world context. System studies, on the contrary, give priority to external/systemic factors in the explanation of foreign policy behaviours and orientations, emphasising the determining role of the world context on foreign policy. Changes in the international system or in the political and economic structures of the international system are considered the primary sources of change in foreign policy behaviours and orientations.

In comparing the two approaches it is clear that since the internal/societal approach focuses on internal variables, the inevitable differences between states cannot lead to generalisations and theoretical studies. Hence, the use of internal/societal variables leads to the detailed case studies of the foreign policies of individual states. The external/systemic approach, on the other hand, provides more opportunity to make

Systemic-Structural Approaches and the Study of Foreign Policy

generalisations about the foreign policy behaviours of the states and makes theoretical studies possible. In contrast to the rather particularistic and discriminating characteristics of the internal/societal approach, the highly deterministic nature of external/systemic variables on foreign policy results in the probability of similar foreign policy behaviours and orientations of at least similar types of states. In other words, the impact of external/systemic influences on national states leads to similar foreign policy orientations and behaviours, and the degree of this similarity increases as the resemblance of individual states' internal organisations and positions in the international system increases.

Bearing these points in mind, I shall classify Greece and Spain in a category called "semiperiphery" which I borrow from the world-system approach of Wallerstein, and I shall investigate whether the structural characteristics of semiperipherality might lead to similar orientations and policies. Hence, I shall primarily seek to establish whether external/systemic influences play similar roles on the foreign policies of Greece and Spain. In other words, I shall examine the influences of the economic and political structures of the international system on the foreign policy orientations and behaviours of these countries. But this does not mean that the internal/societal influences will be ignored or that the study will not cover the particular characteristics of the foreign policies of Greece and Spain. I believe that the foreign policy of any country is a mixture of unique and general factors. In other words, while the foreign policies of semiperipheral states display some general characteristics, there are also features which are unique to Greek and Spanish foreign policies. Hence, I shall attempt to show both the general characteristics in their foreign policies which they share with other semiperipheral countries, and the unique aspects of each state's individual foreign policy. This means that I shall examine the internal/societal influences on the foreign policy of each country, and accordingly not ignore the intermingled nature of domestic and foreign issues.

2. Systemic/Structural Approaches

2.1. The Systemic Approach

One of the most important issues in foreign policy studies which seek for explanations to the behaviours and orientations of states in the external environment is to conceptualise that external environment. In other words a picture of that environment must be given in order to understand the relationship between the foreign policy and its larger setting.

One of the consequences of Singer's article was the emergence of systems analysis which emphasised the importance of identifying various interaction patterns in the international system. The systems approach was a new way of looking at the relations among the actors of the international system. The primary aim of the early systems theorists was to explain system-wide phenomena rather than to study the foreign policy of individual states. Accordingly, the conditions and patterns of international stability and instability, conflicts, alliance building, and the concepts of balance of power, bipolarity and multipolarity became a central concern. The new understanding was "...that interaction sequences (among the states) have a logic of their own and that their outcomes can thus be explained - and perhaps even anticipated - by examining the patterns they form rather than the actors who sustain them" (Rosenau, 1969:289).

However, scholars referred to the internal forces of individual states which could affect the international system in their attempts to explain the international interaction patterns and their outcomes. In other words, the foreign policies of individual states which reflect their internal attributes were seen as the causes of those system-wide phenomena that the early system theorists claimed to explain (Dougherty and Pfaltzgraf, 1981:134-80 and Rosenau, 1969:289-335). For instance, according to McClelland, conditions and events in the international system were generated within the nation states by interest groups, political parties, public opinion, etc. In a similar manner, Rosecrance emphasised the determinant role of domestic elites for the

Systemic-Structural Approaches and the Study of Foreign Policy

establishment of international stability. Furthermore, according to Kaplan, international patterns of behaviour were related to the characteristics of states. In all these examples, internal forces within states were thought to exert major effects on the functioning of the international system. The impact of the systemic understanding of international relations on the foreign policy studies of individual states appeared as the study of the influences of different domestic factors on international systems and/or international interaction patterns, rather than vice versa. For instance, since there were differences in the interaction patterns and workings of balance of power, bipolar, and multipolar international systems etc., early system theories tried to explain the impact of internal forces on the formation of different international interaction patterns and system-wide phenomena rather than the influences of those different international systems and interaction patterns on foreign policy orientations and behaviours.

The main contribution of systems studies to international relations is that it shifted the attention of scholars from studying the actions of individual states to the study of interaction among states. However, these early systems approaches defined a system as a totality composed of its parts. In other words, the international system was composed of nation states and only their interactions were central to systems studies. Furthermore, the interactions between great powers were considered important rather than the interactions among all states - great, medium or small powers - in the international system.

If we turn back to the original concern of giving a picture of the external environment in order to explain the foreign policies of states in relation to their larger environment, the early systems approach's conceptualisation of that environment can be summarised as follows; **a.** The main actors of the international system are nation states, and the international system is the aggregate of these nation states and their interactions. **b.** There are regularities and patterns in the interactions of states. **c.** There are different types of international systems and they are characterised by hypothesised patterns of interactions. Thus, each system has its own interaction patterns. **d.** Interaction patterns and outcomes are greatly affected by the domestic forces within

states. Accordingly, the foreign policies of national political units are to be studied in order to understand and explain international systems. In other words, they are the causes rather than the effects of the systems. e. Superpower and/or great powers, rather than small states are central to the interactions in these systems. Hence, there has always been an implicit hierarchy among states.

2.2. The Systemic-Structural Approach of K.Waltz

The conceptualisation of the external environment by the early systemic school was somewhat simplistic and blurred, primarily because the system was defined through its constituent units and their interactions without including any system level component. However, it paved the way for more advanced contending attempts at theorising the external environment.

According to Waltz (1979), theories of international politics examine international phenomena through one of two major avenues which he defines as reductionist and systemic approaches. Reductionist theories of international politics concentrate on the individual or national level, while systemic theories conceive of causes operating at the international level. According to Waltz, the early systems theories fall into the reductionist category. Reductionist theories are not really national level analysis since they do not necessarily explain national level influences on the foreign policy behaviour of a particular state, but try to explain the totality of international politics through examining the properties and the interconnections of states. Thus, reductionist approaches have holistic characteristics in the sense that they claim to explain international events rather than foreign policies. In reductionist approaches the whole is understood by knowing the attributes and the interactions of its parts. Accordingly, international politics are explained in terms of individual leaders, decision makers, national bureaucracies or national political and economic characteristics etc., and their interactions. Hence, from the systemic standpoint the reductionist explanation of international events can only become meaningful when system level effects are absent.

Systemic-Structural Approaches and the Study of Foreign Policy

In fact, international events are affected not only by the properties and interactions of states but also by the way in which they are organised. In other words, a system is defined as a set of interacting units, but it also consists of a **structure** which is the system level component. Structure is not something that can be seen. It is an abstraction. However, it is defined only through the arrangements of the system's parts. It is this structure which makes us think that a system is more than a collection of its parts. Accordingly, "any approach or theory if its rightly termed systemic, must show how the system level, or structure, is distinct from the level of interacting units" (Waltz, 1979:40). Early system theories, which were based on national attributes and the interaction of states but failed to show systemic properties that could effect international outcomes, cannot thus be considered true systemic theories. Reductionists fail to differentiate the interactions of states from the arrangements of that interaction.

The primary task of a system theory is to conceive of an international system's structure, and to show how it affects the actions and the interactions of the states. Its emphasis is on the forces that operate at the system level rather than at the level of the nations. The structure, being the system level component, is a constraining and disposing force on the behaviours of its parts. In other words structures belong to the organisational realm of the system and are considered the forces to which states are subjected.

Structural/systemic theories seek for recurrent patterns and features of international politics. Because of this regularity- seeking characteristic, structural approaches lack detailed analysis. Instead they explain broader patterns of international political life. In other words in such theories what is to be explained is "why different units behave similarly and, despite their variations, produce outcomes that fall within expected ranges?" rather than "why different units behave differently despite their similar placement in the system?" (Waltz, 1979:72).

In order to reach generalisations, structural approaches observe big regularities and patterns and ignore differences at the national level. The national system level is

Systemic-Structural Approaches and the Study of Foreign Policy

taken for granted, in the sense that change at the national level has nothing to do with the changes at the system level. In relation to the foreign policies of individual states they can only emphasise how structural/systemic conditions generally play a role in the formulation of similar national policies. Another aspect of structural/systemic theories is their emphasis on the primacy of great powers in the international system. The assumption is that the structures of the system are generated by the interactions of its principal actors, in other words, the great powers of the system set the environment for the lesser actors (other medium or small powers) as well as for themselves.

In Waltz's theory the structure appears as the central concept to be explained (Waltz, 1979:101). But Waltz distinguishes between structures and is concerned with one particular type of international system. In the neorealist approach the international political system is considered as a distinct system from the economic, social, or other international systems. Moreover neorealist theories confine themselves to the political realm, and thus focus on international political structures.

In relation to the foreign policies of individual states the picture of the external environment presented Waltz's structuralist approach appears highly deterministic. The structure of the international system limits the varying aims of states and shows them the ways to be followed that would lead to common qualities in the outcomes. In other words, the orientations and behaviours of states are to a great extent determined by the political structure of the international system. Accordingly, the foremost aim of every state appears to be survival in the centuries-long anarchic arrangement of the international system. The organising principle of self help and the need for security direct the efforts of different states towards national policies that ensure their survival in the system. The structure of the system forces all states in the system to cope with this structural principle.

3. World System Analysis

Two other structuralist conceptualisations of the international system or world context come under the heading of "world system approach". Like Waltz, the leading figures

of the “world system perspective”, Modelski and Wallerstein, also emphasise the structuralist motto that “the whole is more than the sum of its parts”. According to world system theorists international phenomena should be studied in terms of the determining nature of world system structures. In this way Modelski and Wallerstein conceptualise the external environment around the global political and economic structures respectively. Now let us turn to these two approaches.

3.1. Modelski's Political Structure and Conceptualisation of the World Context

Modelski's aim is to establish a systemic understanding of world politics based on observable recurrences in long cycles (Modelski, 1978, 1987a, 1987b). The study of long cycles is the study of world politics on the basis of the relationship between the recurrence of world wars and the emergence of world leaders. One of Modelski's major contentions is that there are repeating patterns in the relationship between great wars and world leadership, and further that these patterns are related to major trends of global development. Hence the long cycles become more than repetitions in the sense that they embrace evolutionary development in the global political system.

According to Modelski, world systems are “social systems constituted by states and processes of social interaction among acting units” and “... the world system is a device for viewing the world's social arrangements as a totality, and for investigating the relationship between world-wide interactions and social arrangements at the regional, national and sub-system levels” (Modelski, 1987a:20). He distinguishes different world systems throughout history and considers that the modern world system was born around 1500.

The global system is the most comprehensive level of interaction among vertically differentiated global, regional, national and local levels. In the context of the global system (as at the other levels) there are also horizontally differentiated functional sub-systems of polity, economy, societal, community and pattern maintenance. In the framework of these vertical and horizontal differentiation at the level of world system, the global polity, or the global political system, appears as the most important political

Systemic-Structural Approaches and the Study of Foreign Policy

structure of the world system and becomes the focus of Modelski's approach to the study of international phenomena. The global political system is the topmost structure of the world system, and the organisation of the world - the definition and the clarification of all global problems and of action in relation to them - takes place at this level (Modelski, 1978:214). However, although its functioning is dominated by all the major powers of the time, the most crucial interaction in the global polity is the interaction between the world leader and its challenger.

The study of the global political system considers the whole world as one non-territorial political unit and focuses on intercontinental, oceanic patterns of interdependence and on global reach (Modelski, 1978:214). Yet it is a political system and it must be separated from global economic networks whose functions are basically differentiated.

At the heart of Modelski's politics dominated world system approach there lies the question of authority. In other words the question of who governs that non-territorial but supposedly unified global political system and how, becomes a critical issue. Indeed, a striking feature of the global political system is the lack of a central authority that would dominate it. There is no world empire or world state in a superordinate position to enforce rules and give orders to be obeyed. The system is politically decentralised. However, for Modelski the lack of an overriding authority does not necessarily mean that there is no order or authority at all. Although there is no formal authority, the global political system is governed by a global leader, and its very existence provides order and stability in the international system. Global leaders are 'those units monopolising (that is controlling more than one half of) the market for (or the supply of) order-keeping in the global layer of interdependence' (Modelski, 1978:216).

Modelski confines his study of the world system to global politics, and he defines and explains how it works through long cycles. Long cycles are the recurrent patterns in the life of the global political system: at certain periods of time the system

Systemic-Structural Approaches and the Study of Foreign Policy

passes through the same stages that it has pass through before. It describes periodicities of a social system; the patterns of global wars and the rise and the decline of world powers in relation to one another. According to Modelski 'long cycles are sequences of events that repeat in regular pattern' (Modelski, 1987b:3).

The global powers are the dominant units in the system. They are those powers whose patterns of interactions structure the global polity. They supply order to the global system through organising and maintaining alliances and deploying forces in all parts of the world. The state of politics at the global level is determined by their actions and interactions. There are three categories of global powers; the world power (historically, Portugal, Netherlands, Britain and the United States), the challenger (historically, Spain, France, Germany, and the Soviet Union) and the other global powers.

The world power is the leading unit in global politics. It is the most powerful political unit at the global level and accordingly has the superior position in terms of global reach. The ascendancy of a world power begins at the end of a global war and it organises the global political system and co-ordinates it with other global sub-systems. Global leadership not only corresponds to superiority in power but also to the accomplishment of global services. These services are basically the political services which make the global system work. For instance, a global leader defines the global problems and analyses them according to their priorities; it creates coalitions as the basic infrastructure of world order; and it puts a world order into practice that mainly administers the international economic order. In sum, it can be said that the global leader produces order and the other units (from nation states to individuals) consume it. On the other hand, the challenger is a global power aiming at global leadership. It is thus the major source of tension and destabilisation in the system, and its most dramatic challenge comes in the phase of global war. Historical experience shows that no challenger has managed to attain the status of world power. The new leader has emerged among the coalition allies of the former world power.

Systemic-Structural Approaches and the Study of Foreign Policy

Temporally, each long cycle is divided into four distinct successive systemic phases. A long cycle starts with the phase of global war where an intense conflict in the form of a major war prevails. As a result of the weak organisation of the global political system, that the strengths of the global powers are put to the test in order to determine who will shape the new organisation of the world order. The next phase is called the phase of world power. At the end of a global war, a powerful nation state emerges as the new global leader and establishes the new order. In the third phase, called the delegitimation phase, the power and authority of the world power begins to erode and signs of weakness and decline appear in the orderly working of the system. Challengers appear and the authority of the global leader begins to be questioned. The final phase of the long cycle is the deconcentration phase. Here, increasing competition among the world powers leads to the building of rival coalitions, and consequently the order of the system totally collapses. Hence, the cycle moves towards its initial position of global war, and with the outbreak of war another long cycle begins.

The cyclical processes of the global political system do not mean that the long cycles are static. On the contrary although the phases remain the same, the contexts are fundamentally differentiated in each long cycle. The dynamism of the long cycles basically corresponds to the ways that the global powers organise the system and their specific innovations. Accordingly, the long cycle is not only a replacement of world power but at the same time it is the major source of political and social development in the system (Modelska, 1987a:34).

Modelska also argues that the linkage between politics and economics is strong and important (Modelska, 1983:134-135 and Kumon, 1987:61-63). The most advanced and active sectors of the world economy are located in the world power's domain and the world political leader is, at the same time, the world economic leader. Moreover, the organisation of the international economy is realised to a great extent by the world powers which play a decisive role in setting the rules of international trade, investment and finance. Hence changes in the positions of the global power in different phases of long cycles can easily be associated with changes in global economic relations.

Systemic-Structural Approaches and the Study of Foreign Policy

When it comes to the question of 'how Modelski conceptualises the world context?', for him there is a world system functioning on the political structure and it is more of a product of world powers (Modelski, 1978:216). Although the world powers are subject to the structural/systemic processes of long cycles, they have the power to determine their context and their quality.

However, Modelski's conceptualisation of world context does not make clear cut statements about the foreign policies of individual states. At best, since only great power actions and interactions structure the global political system, one cannot study the foreign policies of nation states directly except for those of the great powers in Modelski's world system analysis. However, he provides us with a regional level of interaction where one might study the foreign policies of lesser states, but he does not give us any clue about how to study politics at the regional level (or at the national and local levels). In other words, if you want to study the foreign policies of individual states Modelski has little to say about the regional level other than that regional powers have powerful land armies which might indeed also be characteristic of a global power. Furthermore, he does not specify whether all small states without exception are to be included in the regional level of interaction.

As a result, Modelski's world system approach does not provide an easy framework for foreign policy studies, especially for studying the foreign policies of medium or small states. It is primarily a framework for the study of great power politics. Yet this does not necessarily mean that we cannot study the foreign policies of medium or small states in this framework. Indeed we can. First, for Modelski "In as much as the long cycle also affects politics at the regional, national and local levels... its role might be studied in the broader context of world politics" (Modelski, 1987a:9). Secondly, one can also employ foreign policy studies of medium or small states in the framework of Modelski's approach by examining the behaviours of these states besides the behaviours of great powers in the different phases of long cycles.

Systemic-Structural Approaches and the Study of Foreign Policy

I shall not directly incorporate Modelski's world system approach in my analysis of Greek and Spanish foreign policies. Yet it is necessary to know the basic assumptions of his 'world political structure' in order to understand the systemic-structural (holistic) understanding to international relations better, and to see the similarities and differences between his and Wallerstein's approach which will be employed in this study. Now, let us turn to Wallerstein's world-system analysis which, in the framework of world economic structure, presents a more complex analysis of interstate relations.

3.2. Wallerstein's Economic Structure and Conceptualisation of the World Context

Wallerstein's world-system analysis is the most advanced challenge to the theories of modernisation which focus on the nation state and their developments. According to modernisation theory, the world consists of autonomous national societies each following a similar developmental pattern on the evolutionary ladder from tradition to modernity, although they started this process at different times and speeds. Modernisation theorists argue that every state must pass through the same stages that today's advanced (Western) societies once experienced in order to reach a position of relative well-being.

The first challenge to the developmentalist view of modernisation theory came from the dependency school. Dependency theorists argued that there is no such thing as a linear developmental pattern through which every society should pass in order to become an advanced society. On the contrary, they claimed that a capitalist world-economy exist, and that the present backward position of many countries is due to the disadvantageous relations they have had with advanced countries within the capitalist world-economy rather than a question of internal structures or starting late. In other words, they focused on the theme of the development of underdevelopment and emphasised that the historical development of advanced societies and the underdevelopment of backward ones are two sides of the same coin. Accordingly, they

used this framework in order to analyse patterns of underdevelopment in the Third World (especially in Latin America) countries in which they were primarily interested.

Wallerstein's challenge came as a major step forward on the path opened by the dependency school. Wallerstein's modern world-system analysis is one of the most comprehensive approaches to social phenomena in the social sciences. It also establishes links between historical sociology, large-scale historical change and complex web of international relations (Little, 1994:12-14). In general terms, the central understanding of Wallerstein's approach is that any social phenomena can only be understood properly through examining the totality called "social system" rather than by investigating arbitrarily constituted units of that totality. In fact, there are two kinds of totalities; "mini-systems" and "world-systems", but since the mini-systems no longer exist, the world-system is the only social system to be studied. For Wallerstein the phenomena in this world-system that should be analysed are the development and the functioning of the system itself, rather than the development of its major constituent units called nation states (Wallerstein, 1974:390). Accordingly, world-system analysis contends that there is something happening beyond the individual societal level and hence there exists a collective reality at the world level of analysis. However, this does not include the study of international relations in the sense of multiple sovereign states interacting with each other. The world level collective reality is somewhat exogenous to the nation states; it has its own laws of motions which determine the social, economic and political phenomena in the national societies it encompasses. The modern world-system has structures such as core-periphery relations, the division of labour, unequal exchange and cyclical motions of expansion and stagnation, and the rise and fall of hegemonic powers. These properties can be studied in their own right or in terms of their effects on the development of national societies. Modern world-system analysis is basically synchronic; it investigates the structural relations among different societies in the same time periods (Bergersen, 1980:6). In this way, it tries to understand the question of how nations are interrelated with each other in the world-economy. The concepts of core-periphery relations, the division of labour and unequal exchange etc., are the main concern of the modern world-system analysis in explaining

the interconnections among nations, and long-term social changes in the capitalist world-system. In Wallerstein's words "if there is one thing which distinguishes a world-system perspective from any other, it is its insistence that the unit of analysis is a world-system defined in terms of economic processes and links, and not any units defined in terms of judicial, political, cultural, geological etc., criteria" (Hopkins, 1977 quoted in Bergersen, 1980:8).

Nevertheless, the world-system perspective claims that economics and politics are not separate phenomena. A social system can only be understood by analysing how both power and production are organised. In this context, it looks at the political economy of the modern world-system which focuses on the interaction and interdependence between economic and political activities. In other words, the world-system school investigates the 'specific ways in which economic and political action are intertwined within the capitalist world-economy' (Chase-Dunn, 1989:107). Accordingly, it argues that the interstate system which is composed of unequally powerful and competing states is the political body of the capitalist world-economy, and the capitalist institutions of this system are central to the maintenance and reproduction of the interstate system, as well as vice versa (Chase-Dunn, 1989:107).

One of the most important structural characteristics of world social systems is the existence of a division of labour within them. This means that different geographical areas in the system specialise in the production of different goods, and consequently each region becomes dependent upon economic exchange with others in order to supply the continuing needs of that region. However, there are two kinds of world-systems where this economic exchange operates in different frameworks: world empires with a common political structure, and world economies without a common political structure. In the first case the economy is basically a redistributive one. This means that the whole economy is administered by a central political authority, and the economic benefits are redistributed from this centre to different regions. In other words, political structures dominate the functioning of the system. The second kind of world-system, which is known as the capitalist economic system or the modern world-system,

Systemic-Structural Approaches and the Study of Foreign Policy

is an historical system which came into existence in the 16th century in north-west Europe through a series of historical, geographical and ecological accidents and which developed into a world-economy in the 19th and 20th centuries. In it the capitalist economic structure determines the operation of the system. The world-economy is defined without a common political structure; there are multiple political structures. Since the primary structure of this world- system is the economy, politics takes place primarily within and through state structures whose boundaries are much smaller than the economy. In the modern world-system it is not the political-military competition but the interaction between states and capitalist commodity production which occupies the central place (Chase-Dunn, 1989:111).

However, a world-economy does not mean an international economy. The theory of international economy assumes that separate national economies exist and that they trade with each other under certain circumstances. The sum of all these interstate economic contacts is called the international economy. The concept of world-economy, on the other hand, means "...an ongoing extensive and relatively complete social division of labour within an integrated set of production processes which relate to each other through a market which has been instituted or created in some complex way" (Wallerstein, 1984:13). Today we call this the capitalist world- economy, and its boundaries are far larger than any political unit. There is no common authoritative political body encompassing the whole area but within it there are multiple political structures known as states. Within this system, there is a single division of labour among core and peripheral zones .

The division of labour within the world-system implies that different geographical areas in the system specialise in different productive tasks. These productive specialisations may change over time, but it is always the case that different specialisations receive unequal economic rewards. Whatever the goods produced, the core area has always specialised in relatively highly mechanised, high profit, high wage, highly skilled labour activities in contrast to the totally opposite specialisations in

the periphery. In other words, in the world capitalist economy the division of labour and complementarity goes along with inequality.

According to Wallerstein, the defining characteristic of the capitalist world-economy is production for maximum profit in the market. Production is based on the capitalist principle of maximising capital accumulation, which means reducing costs to the minimum and raising sales prices to the maximum feasible. The reduction of costs is maintained mainly through reducing the income of direct producers to a minimum and allowing the capitalist to appropriate the remaining value. In order to reduce the costs, a legal system based on unequal contractual property rights becomes an essential element, and the state plays the most important role in the enforcement of these laws. On the other hand, the second principle of accumulation, the expansion of sale prices, is ensured through creating quasi-monopolies in the world market. In the absence of a common political structure, only quasi-monopolies can utilise state power in order to constrain potential competitors in the world market. This means the intervention of the state in the normal functioning of the market in order to create favourable conditions of profit for some economic actors.

In the world-economy production is organised in a cross-cutting network of interlinked processes called commodity chains. This means that in the production process there are multiple product entry points. For instance, as Wallerstein oversimplifies this process, “there is a commodity chain that goes from cotton production to thread production, to textile production to clothing production ...[and] at each of these production points there is an input of other productive materials” (Wallerstein, 1984a:4). On the other hand, almost all commodity chains cross national boundaries at some point. The most important point here is that “at each point that there is a labourer, there is state pressure on the labourer's income...[and also] at each point that there is an exchange of product, there is state pressure on the price” (Wallerstein, 1984a:4). These two kinds of state pressure regulate the relationship between the bourgeoisie and proletariat, and the relationship between the different kinds of bourgeoisie respectively. This means that while the state ensures the appropriation of

value by the bourgeoisie, it might favour some kind of bourgeoisie more than others in this process. The crucial role played by the state leads to two kinds of politics in the capitalist world-economy: a class struggle between the bourgeoisie and proletariat; and political struggles between different bourgeoisies. In the world-economy various groups of bourgeoisie compete within a single world market in order to get the largest possible proportion of the world-economy's economic surplus. And since states are the most effective expression of power and political organisation of the world-economy, different bourgeoisie located in different states use their state's power in order to influence the market for their own benefit. In other words, the world bourgeoisie compete with each other and try to distort the normal functioning of the world market through state mechanisms. Accordingly the relative strength of the states becomes very important in this task.

In Wallerstein's modern world-system approach states are classified according to two overlapping criteria. First, they are divided according to their relative strengths into strong or weak and secondly, they are categorised according to their structural positions in the world-economy as core, periphery and semiperiphery. A state is defined as strong or weak in relation to its relative strength vis-à-vis other domestic centres of power, other states and external non-state forces (Wallerstein, 1984:20). The power of a state can be measured by the amount of resources it can mobilise relative to the amount of resources which can be mobilised against it during a crisis period (Chase-Dunn, 1989:113). Here, the crucial elements that determine the power of a state are two fold: the magnitude of resources, and the relative unity within and among classes (Chase-Dunn, 1989:114). In order to gain the highest possible competitive advantage in the world market, the bourgeoisie want to increase the importance of the state's political structures, and hence its constraining power in the world market.

This drive to increase the power of states is greatest in states where core-like production is dominant. A strong state mechanism is the primary tool with which the bourgeoisie of core states can control the internal labour force and manipulate and distort the world market in their own favour vis-à-vis the competing bourgeoisie of

other states. Thus, strong states are strongly supported by an alliance of their economic elites with large resources, because the state supplies sufficient protection for successful capitalist accumulation (Chase-Dunn, 1989:114). In a competitive world market, state protection becomes an important component for the profits of the economic elites. On the other hand, state power is also crucial for protecting domestic infant industries from foreign competition, especially during the industrialisation of semiperipheral states. Consequently, while strong states fall into the core state category, the periphery contains weak states. Thus the strength of states can be explained through the structural role that they play in the world economy at any moment in time. However, the initial structural position of a state is often decided by historical accident or by the geography of a particular country. Yet once it is decided, the market forces operating in the world-economy emphasise structural differences and make them almost impossible to overcome in the short term.

There is a hierarchy in the structural positions of states in the world-economy, and at the top of this hierarchy are core states. Core states are those in which production is most efficient and other economic activities are most complex. Politically, they have strong state machineries which provide them with the power to accumulate greater amounts of capital and to receive the lion's share of the surplus produced in the world-economy. At the bottom of the hierarchy are peripheral states. In a sharp contrast to core states production in the periphery is the least efficient, and it specialises in much less rewarded goods.

Since states play an important role in the process of capital accumulation (e.g., through providing external and internal protection and distorting the world market, etc.) economic elites wish to institutionalise their interests within the state structures. However, the relative power of the states and the nature of the demands that the capitalists make on the state are determined by the nature of the dominant economic elite in a country. Accordingly, “(t)he [dominance of] industrial-commercial-financial block in core countries produces strong states, while export-oriented block in peripheral states produces weaker states” (Chase-Dunn, 1989:240). In strong/core states where

Systemic-Structural Approaches and the Study of Foreign Policy

industrial-commercial interests are dominant, economic elites demand an aggressive foreign policy (commercial and military) in order to gain access to foreign markets both for raw materials and for the selling of both capital and consumption goods, and in turn they support increasing the strength of the state. On the other hand, in peripheral countries in which the dominant economic elite are producing and exporting primary products there will be no such demands for an aggressive foreign policy because it is not easy to increase the demand for such primary goods by state action. Thus, since there is less interest in an aggressive foreign policy peripheral states be less strong.

Production processes are also grouped according to geographical location into core and periphery-like production activities (Chase-Dunn, 1980:191). These production processes are defined according to the degree to which they incorporate labour value, are mechanised, and are highly profitable. In other words, while core-like production employs relatively capital intensive techniques and utilises skilled and highly paid labour, periphery-like production employs labour intensive techniques and utilises coerced low wage labour. However, the defining characteristics of any core or peripheral products may change over time because of product cycles. For instance, while textile manufacturing was a core activity in the 19th century, it became a peripheral activity in the 20th century. Similarly, wheat production in the late 20th century is a core-like production in contrast to its peripheral position in the past. This means that it is not the product itself which is core-like or peripheral: the nature of the production process determines their core or periphery-like qualities.

According to the world-system approach, the structural positions of both core and periphery are the result of a relationship based on unequal exchange. The appropriation by core states of the surplus produced in the periphery is called unequal exchange in the modern world-system approach. Without a periphery it is impossible to talk about a core and without either there would not be capitalist development. Once we establish a difference in the strengths of states and the operation of unequal exchange between them, we come to the conclusion that capitalism involves not only the appropriation of surplus value by the owner from the direct producer, but also the

appropriation of the surplus of the world-economy by the strong (core) states from the weak (peripheral) ones. This also explains the advantageous position of the bourgeoisie of core area not only over the work force of its own area, but also over the bourgeoisie of peripheral area. According to Wallerstein, the phenomenon of unequal exchange has been a constant feature of the world-economy since its beginning. In other words, core-periphery relations have always been characterised by the mechanism of unequal exchange. As a process, unequal exchange has operated through different historical arrangements and institutions such as colonial trade monopolies, multinational corporations, or bi- or multilateral agreements among states. But whatever the form it employs, the crucial thing is that it has always reproduced the basic core-periphery division of labour and integration despite the continual shifts in the areas and processes constituting the core, periphery and semiperiphery (Hopkins, 1982a:21).

However, there is an intermediate semiperipheral category between core and periphery. The production activity in these semiperipheral zones of the world-economy constitutes a mixture of core and periphery-like production. This category, being both exploited and exploiter, plays an important political role in balancing and reducing the amount of opposition directed towards the core by the periphery. Unlike core and periphery, it is much more of a political category than an economic one. I shall deal separately with this semiperipheral category later in this section.

Membership in these three categories is by no means constant. Mobility in structural position is possible; states in each category might become upwardly or downwardly mobile. In world-system analysis national development is defined as upward mobility in the hierarchical divisions between core and periphery. And this upward mobility refers to the reorganisation of the relationship of the ascending state with the world-economy. Nevertheless, the world-system approach views upward mobility in the hierarchy as exceptional.

The growth and the development of the world-system has occurred in a process of ups and downs called expansion and stagnation (Wallerstein, 1984a:6-8 and

1984b;16-17). According to world-system analysts there are recurring bottlenecks in the capitalist world-economy when the total amount of production exceeds the effective demand resulting from the existing distribution of world income. Periods of stagnation restructure the previous order in the world-economy. The volume of overall production decreases and an intensified class struggle leads to the redistribution of world income to the lower classes in the core zones and to the bourgeoisie in the semiperiphery and the periphery. This redistribution process revitalises the effective demand and consequently expands the market. Yet, this is achieved through the incorporation of new peripheral zones in the world economy where workers receive wages below the cost of production. For Wallerstein the important thing in this process is to understand that while the workers in the core countries strengthen their political positions and increase their standard of living, the incorporation of new lower strata in the peripheralized countries keeps the real overall distribution of income in the world-economy almost the same as in the previous periods.

The periods of stagnation and expansion also lead to other changes in the world-economy. For instance, the production costs of pre-stagnation core products are reduced either through advanced mechanisation or shifting these activities to lower wage regions. Furthermore, at the end of stagnation periods new core-like activities which create high rates of profits are invented. In this process of restructuring, inefficient producers are eliminated. Wallerstein argues that those old enterprises and the states in which they operate are faced with steadily rising costs because of the cost of amortising older capital investment and rising labour costs resulting from the increasing political strength of the labour unions. As a result, newly emerged enterprises and the states in which they operate replace the old ones in the competitive quasi-monopolistic world market. Wallerstein calls this process a game of musical chairs at the top. In other words, together with changes in the production process, the positions of the core states in the world-economy may change. But the game of musical chairs is not only played by core states but also by semiperipheral and peripheral states. I shall return to this issue later in the discussion of semiperipheral states. However, the crucial point is that whether the game of musical chairs is played at the top or the

middle of the hierarchy, the number of states in each category (core, semiperiphery and periphery) has remained proportionally constant throughout the history of the world-economy (Wallerstein, 1984a:7).

As an historical system the capitalist world-economy has experienced cyclical movements. One of the most striking cycles in the inter-state system of the world-economy is the rise and decline of hegemonic powers. This is the most critical mobility which takes place within the core area. There is a balance of power in the inter-state system which primarily regulates the power relations among the core states. This means that no individual state ever acquires sufficient capacity to transform the world-economy into a world empire. However, states have repeatedly attempted to achieve a hegemonic position in the world state system. In three instances they managed to do so for relatively brief periods: United Provinces (The Netherlands), 1620-1650; United Kingdom, 1815-1873; and United States, 1945-67 (Wallerstein, 1984d).

Hegemony differs from imperium in that its functioning is primarily based on the market, although there are always politico-military and cultural dimensions. Hegemony means that for a brief period of time one of the core states appears as the dominant state in the interstate system and can impose its rules in the economic, political, military, diplomatic and even cultural areas. Hegemony over the system is established when a core state demonstrates its superiority in productive, commercial and financial spheres.

Supremacy in the productive field means that the most advanced industrial production for a given period is preponderantly located in the state in question, and that it is capable of exporting such production competitively to other core states, as well as to the periphery and semiperiphery. Commercial supremacy means that the value of external and carrying trade is the highest in comparison with that of other core states, and that its services are used by other core states. Financial supremacy means that the value of capital being saved, lent or exported across state boundaries is the highest in comparison with others, and that it performs banking operations for other core states (Hopkins et al., 1982:62).

Systemic-Structural Approaches and the Study of Foreign Policy

Supremacy in those three fields constitutes hegemony and is reflected in political-military advantage in the interstate system. Hegemonic military power has primarily been sea and air power. According to Wallerstein, political hegemony refers to critical periods when allied core powers are client states and the opposing major powers are in a defensive position. However, fulfilling a hegemonic role is very costly and hegemonic states begin to lose their competitive advantages shortly after they acquire them. They lose them for two reasons: (a) other core and even semiperipheral states improve their efficiency in production to the level of that of hegemonic power by exploiting the advantage of latecomers in acquiring the latest technology; (b) the costs of production in the hegemonic state become vulnerable to wage demands coming from a well organised labour force (Hopkins et al., 1982:62).

In all three historical cases of hegemony, hegemonic position was acquired by a very destructive thirty year land-based world war in which all the major military powers of the era participated: the Thirty Years War; the Napoleonic Wars; and the German Wars. Each of these World Wars led to a major restructuring of the inter-state system and the establishment of new alliances under the supervision of the new hegemonic power: Westphalia; Concert of Europe; and the UN and Bretton Woods. However as soon as hegemonic position or advantage in the production sphere begins to erode, the alliances established by the hegemonic power also begin to erode and reshuffle.

The ideology and the policy of the hegemonic powers have always promoted global liberalism. The free flow of goods, capital and labour (production factors) in the world-economy is the central concern of the hegemonic powers. They advocate free trade and open door policies in the economic sphere. Hence, the strength of a hegemonic power can be measured by its ability to minimise all the quasi-monopolies in the world market (Wallerstein, 1984a:5). Furthermore, hegemonic powers extend this liberalism to the political sphere and become the defenders of liberal parliamentary institutions and civil liberties, while condemning political change through violent means. But Wallerstein also reminds us that the economic and political liberalism of hegemonic powers should not be exaggerated: they may make exceptions to their anti-

restrictive principles, they may interfere in the political processes in other states, and further they may become repressive at home when their interests so dictate (Wallerstein, 1984d:41).

During the long period that follows hegemonic decline two contending powers seem to emerge as the candidates for the next hegemonic cycle (Wallerstein, 1984d:43). Historically, these two contending pairs were England and France after Dutch hegemony, the US and Germany after British, and now Japan and Western Europe after US hegemony. According to Wallerstein another historical tendency of newly emerged hegemonic powers is their strategy of co-operating with the old hegemon as the principal partner in the new world order; for example Britain co-operated with the Dutch; the US co-operated with Great Britain; and perhaps, Western Europe will co-operate with the US in the future.

In world-system analysis the creation of the state is considered to be an effect of the development of the capitalist world-economy (Wallerstein, 1984:Ch.3). The state is the political expression of this world economic structure. The relative power of the state is its most important property and, as I implied earlier, it more or less determines the structural position of the state in the system. Different groups exist within and outside of the state which try to increase or decrease the power of any given state or states. Their aim in seeking to change the power of the state is to create favourable conditions in the world market for their interests since the state is considered to be the most convenient institution to distort the normal operation of the world market in favour of certain groups. In this process of increasing state strength, strong and weak states are created and hence a hierarchy appears in the inter-state system.

The key issues of state policy that occupy the attention of different groups are the rules that affect the allocation of surplus and the price structure of markets because the relative competitiveness of particular producers and their profit levels can be changed through playing with these two critical issues. It is states that make those rules in the world-economy and strong states intervene in relatively weaker states when they try to

establish their own rules. In the capitalist world market strong entrepreneurs do not need state aid to create quasi-monopolies but they do need it to prevent others from creating monopoly privileges at the expense of their interests. Accordingly, in world-system analysis, states are defined as “...created institutions reflecting the needs of class forces operating in the world-economy. They are not however created in a void but in the framework of an interstate system” (Wallerstein, 1984c:33).

Classes (mainly proletariat and bourgeoisie) are defined as the classes of the world-economy because they are formed in the world-economy and their interests are determined by their collective relationship to the world-economy (Wallerstein, 1984c:34). However, when the bourgeoisie felt that their interests vis-à-vis the working class and their competitors in the world market were best served through creating and using state machineries, they began to define themselves as national bourgeoisies. Moreover, since class consciousness is a political rather than an economic phenomenon, and since the most effective political structure of the world-system is the state, in practical terms classes are considered as national classes. In the capitalist world-economy since the state is defined as the expression of power, it becomes the most appropriate instrument in the hands of the bourgeoisie for the appropriation of surplus from the working class of their country to the extent that they are not restrained by the organised resistance of the proletariat. Furthermore, the power of the state also ensures the appropriation of surplus by one kind of bourgeoisie rather than another kind. If different kinds of bourgeoisie control different state structures, the fight for the appropriation of surplus may take the form of an interstate struggle. Working classes, through their organisations, may also attempt to influence the power of the state for their own ends. Since states are an integral part of the production relations in the world-economy, the nature and the degree of the relationship between various kinds of groups and state are an important phenomenon.

On the other hand, world-system analysis argues that states may act both to control markets and to create them (Chase-Dunn, 1989:120). Those states which successfully promote capitalist development not only supply social order but also create

necessary structures that promote profitable enterprises. Accordingly, state capitalism, instead of waiting for entrepreneurs, create opportunities for them and furthermore, it sometimes takes the entrepreneurial role itself.

Although states came into existence to promote the needs of certain groups in the world market, they are by no means the mere puppets of their creators. Once created any social organisation has a life of its own and acquires a certain autonomy, in the sense that various groups exploit it for various and contradictory ends. Moreover, all social organisations generate a permanent staff (bureaucracy/state managers) whose interests lie in the further strengthening of the organisation independent of the varying interests of their creators (Wallerstein, 1974:402 and 1984c:30-31). In this sense states may promote the interests of different types of groups, and for this reason those different groups fight to influence state policies.

One of the interesting characteristics of world-system analysis is that a category of states exist known as the semiperiphery. The semiperiphery is a structural position in the world-economy between core and periphery (1). Earlier, I defined the core as characterised by high profit, high technology and high wage production, and the periphery as characterised by low profit, low technology, and low wage production. In fact, these are categories defined in terms of economic activities. There is no sui generis semiperipheral economic activity as such, but there are semiperipheral states where economic activities reveal an even mix of core and peripheral types of production (Chase-Dunn, 1980:191). In other words, there is a rough balance between core and peripheral production processes in semiperipheral states. According to Wallerstein, semiperiphery is a fruitless concept unless it refers to certain political processes. The relationship between economics and politics here is directly attributed to the relation between state policies and the accumulation of capital. The state is more important and the struggle to control it is more intense in the semiperiphery than in the core or periphery because of the roughly equal distribution and the contradictory interests of core and periphery-like producers. Hence, within the semiperiphery to effect and transform state policies becomes the vital concern of various groups whose interests lie

in the semiperiphery. On the other hand, since different kinds of economic elites tend to have opposing interests in the semiperiphery, it is often the case that the state becomes the dominant element in forming power blocks and shaping political coalitions among economic groups (Chase-Dunn, 1989:241). Moreover, another important characteristic of semiperipheral states is that in those which have potential for upward mobility, state mobilisation of economic development is an important feature (Chase-Dunn, 1989:241).

Wallerstein also argues that the semiperiphery ensures the smooth functioning of the capitalist world-economy. As I indicated earlier, there has always been unequal distribution of rewards among regions in the world-economy. If this is the case, how does the world-system manage to survive politically ? In other words why does the exploited majority not revolt against the exploiting minority ? According to Wallerstein there are mechanisms in the system which prevent the likelihood of such a possibility (Wallerstein, 1974:403-5). First, the military strength concentrated in core zones plays an important role in maintaining political stability. Second, the cadres of the system feeling that their well being is closely related with the smooth functioning of the system, attach a pervasive ideological commitment to its survival. However, these mechanisms are not enough. For the political stability of the system we need a third key mechanism that is the semiperiphery. The world-system could function economically without having a semiperipheral zone, but it would not be politically stable, since it would be a polarised system. The existence of the semiperiphery, being both exploited and exploiter, decreases the possibility of unified non-core opposition against the core. In other words, the semiperiphery tends to depolarise and stabilise core/periphery relations. Consequently it is a zone of political analysis rather than economic.

The game of musical chairs is also played by the semiperiphery. In the semiperiphery some groups try to strengthen the state mechanism in order to change the composition of production, and accordingly to change the relative position of the country in the world-system hierarchy (Wallerstein, 1984e:50). But, this is not an easy task and there are counter pressures from both internal and external groups. In times of

expansion semiperipheral states find themselves as satellites of core powers, and they play the role of economic transmission belts and political agents of the hegemonic power (Wallerstein, 1984a:7). However, periods of stagnation in the world-economy give the semiperiphery the opportunity to move upwards since the competition between core powers intensifies in these periods while their grip on satellites decreases. However, one should not ignore the other side of the coin; during these periods of difficulty the flow of income, capital and technology from the core to the semiperiphery is cut off. That means that while a few semiperipheral states (those which are relatively strong) may manage to push themselves towards the core (2), relatively weak semiperipheral states do not manage to do so. In the upwardly mobile semiperipheral states the core producers are in ascendance. But there is also the danger of downward mobility for semiperipheral states if they are dominated by peripheral producers or former core producers who were inefficient and were pushed out of the market (Chase-Dunn, 1980:191).

4. Conclusion

In conclusion, if we compare the frameworks of Waltz, Modelski, and Wallerstein we see that; (1) All three focus on the global level and investigate the characteristics of this level which are supposed to be different from the characteristics of its constituent units, namely states. (2) All three argue that behaviour in the international system is explained through global level structures. However, while Waltz and Modelski see these global level structures as political structures, Wallerstein presents an economic structure. In fact, both kinds of global structure are the main determinants of the behaviour of nation states. (3) In contrast to Waltz's ahistorical model Modelski and Wallerstein provide frameworks which contain historical analysis. (4) In contrast to the horizontal (non-hierarchical) organisation of the international system in Waltz's account, Modelski and Wallerstein consider the international system as hierarchic.

Now, if we turn back to the world-system analysis which I use in this study, one of the major criticisms directed against it is that Wallerstein undervalues political structures and processes, and reduces state structures and politics to determination by

economic conditions and dominant class interests. Consequently in world-system analysis states are treated as economic rather than political actors (Skocpol, 1977 and Zolberg, 1981). In this context what sort of external environment does world-system analysis present us for the study of foreign policy? In general, Wallerstein's framework focuses on the impact of the external environment (modern world-system) on individual states as the determinant of their behaviours and accordingly, as a system-oriented model, it postulates a high degree of uniformity in the behaviours of the states. In particular, Wallerstein offers an economics dominated external structure. This means that in conventional terms we can hardly study foreign policy using his model because his external environment for the study of foreign policy is the capitalist world-economy.

Does that mean that one cannot employ this approach for the study of foreign policy? According to Ray (1983) although the foreign policies of states are not central to Wallerstein's approach, one can pick out the relevant points on foreign policy in his work and apply them to the study of foreign policy. As Ray argues economic, rather than political interaction is the driving force among states. However, foreign policy also comes to the surface when Wallerstein discusses the advantages enjoyed by the core states. Here what is relevant for foreign policy is the concept of power and, more specifically, the use of power by core states in order to distort the normal operation of world market forces. According to Ray, this is the principal foreign policy goal of the core states (Ray, 1983:16). It follows that world-system analysis becomes relevant in this way for the foreign policy study of core states or great powers.

However, I wonder whether it is proper to employ Wallerstein's framework for the study of foreign policy by simply picking out what is relevant for it. As Ray is aware, world-system analysis is an integrated whole and it cannot be studied by dividing it into the various disciplines of the social sciences and extracting the relevant points. If it is studied in this way, world-system analysis will most likely lose its paradigm and researches will probably end up with misleading conclusions. An alternative way to employ world-system analysis in foreign policy studies might be to

Systemic-Structural Approaches and the Study of Foreign Policy

perceive the foreign policies of individual states as an integral part of that system, and to investigate to what extent in practice they are in conformity with, or diverge from the premises of the framework proposed by Wallerstein. In other words, it seems sound to me to study the foreign policies of individual states in a totality composed of economic and political history, political science, sociology, geography, etc. (in other words those disciplines incorporated by world-system analysis) and to investigate the impact of this whole on the phenomenon of foreign policy.

World-system analysis provides a very good starting point for this task. First, it divides states into three main categories of core (plus hegemonic power), semiperiphery, and periphery. States in each category have more or less the same characteristics, and consequently behave in a similar way in the system. Second, world-system analysis provides us with cyclical rhythms of “the rise and decline of the hegemonic powers” and “expansion and contraction” periods in the world-economy. These processes reveal similar characteristics in each cycle. Furthermore, each category of state behaves in a similar manner during the different phases of these cycles of the modern world-system. Accordingly, it would not be unrealistic to employ world-system analysis in a study of foreign policy. The first task would be to determine the structural category of those states whose foreign policies are to be analysed. Then, the second task would be to determine the time in the cyclical rhythm, for instance, is it an expansion or contraction period ? Or is it an ascending or declining phase of the hegemonic power ? These basic questions need to be clarified before examining the foreign policies of individual states in the framework of world-system analysis.

However, it might not be easy to give clear answers to some of those questions, since Wallerstein is also criticised for not giving clear cut definitions and accounts of those three structural categories (Snyder and Kick, 1979). Hence the main task for the researcher must include further clarification of those concepts and their applicability to the states in question. In order to examine the foreign policies of Greece and Spain, therefore the next task will accordingly be the further clarification of the concept semiperiphery, and its relevance to those two states.

Notes to Chapter Two

(1) The term semiperiphery is used by other scholars in different contexts. For example, Nicos Mouzelis, who does not identify himself with the world-system school, uses the concept “semi-periphery” (1986, pp.xiv-xv) “as a kind of *shorthand* for referring to a number of societies all of which, unlike most other third-world countries, have experienced both advanced industrialisation and a long history of parliamentary rule”.

(2) Fred Halliday (1994, pp.120-21) calls this upward move in the hierarchy of states as “semi-peripheral escape” .

CHAPTER III

THE CONCEPT OF SEMIPERIPHERY

1. Understanding Semiperiphery

Categorisation is one of the techniques used in science in order to make generalisations about a set whose membership is determined by defining characteristics. Accordingly, in Wallerstein's world-system analysis semiperiphery is the categorisation of a set of countries revealing similar structural, historical and behavioural characteristics. As I mentioned earlier semiperiphery is not an isolated concept. It is an intermediate category which is generally associated with the categories of core and periphery.

However, one might well be sceptical about such a three-modal categorisation (core-semiperiphery-periphery) of states and ask 'why do we have three rather than four, five or more categories of states'? On the one hand, it is not an easy task to give satisfactory answers to such questions because it is almost impossible to create a few, mutually exhaustive, categories of states. In other words, unless you create the same number of categories equal to the actual number of existing units (here states), you might not totally satisfy others. But if you do this, the ability to generalise is lost. On the other hand, the aim of categorisation is to bring together those units whose general characteristics reveal significant similarities. Hence, generalisation, by nature, leads to the creation of as limited a number of categories as possible. Since the primary goal of categorisation is to reach generalisations, the number of categories have always been limited. This is the underlying logic behind categorisation. Accordingly, in political science and international relations, depending on a criterion such as political, economic, military, etc., the tendency has always been to divide the states/countries of the modern world into two or three set categories; e.g. developed-developing states; first- second - third world; developed - underdeveloped countries; super-powers -great powers - small powers; north - south; democratic - authoritarian states, and so forth. This does not imply that the states within a particular category are copies of one another. On the contrary, they are considered similar in relation to a predetermined broader criterion (political, military, economic, etc.). Consequently, it follows that categorisation is, to a certain extent, an arbitrary but practical way of grouping a number of states. Moreover, it is a plausible way to reach generalisations.

The Concept of Semiperiphery

In fact, categorisation is not an easy task. Once you engage in such a task, it is expected that all the units in your study should be located clearly in one of the categories defined in accordance with a predetermined criterion or criteria. However, as Wallerstein indicates (Wallerstein, 1985:32), there are often borderline cases/units that you cannot locate easily in any one of your existing categories. And whenever the number of such cases is considerable, a general tendency has been to create an intermediate or an in-between category in which to locate difficult cases. It is in this sense that the category of semiperiphery is an intermediate conceptual category between the two other conceptual categories of core and periphery in world-system analysis.

The concepts of core and periphery are relational concepts. The relation between the two is unequal in that the "coreness" of one region or set of states depends on the "peripherality" of another region or another set of states. In other words, it refers to the unequal distribution of the rewards of the world-economy resulting from the nature of core and periphery-like production processes dominant in the two regions. Semiperiphery, however, is not a relational concept since there are no semiperiphery-like production processes. On the contrary, the production processes in the semiperiphery reveal an even mix of both core and periphery-like processes. In other words, in world-system analysis semiperiphery refers to the balance between core and periphery-like activities within the boundaries of a given state. Being semiperipheral corresponds to a fairly even overall mix of the two types of activity (Wallerstein, 1985:34). However, unless it is also an indicator of certain political processes the above definition of semiperiphery might not be fruitful.

For Wallerstein, political rather than economic processes are important in analysing the concept semiperiphery. A roughly even mix of core and periphery-like activities and, accordingly, a roughly equal distribution of core and periphery-like producers (whose interests are conflicting) leads to intense competition over control of state structures. This is because state policies in the semiperiphery can immediately and directly affect the accumulation of capital by controlling flows of goods and capital

The Concept of Semiperiphery

across frontiers, controlling the internal work force, taxation, redistributive expenditures and expenditures on social overheads etc. Thus in the semiperiphery, the main internal and external economic actors (owner-producers, work force, state bureaucracy, multinational corporations) focus on state-oriented political activity in order to accumulate capital for their own interests. Accordingly,

... the closer the overall mix of core-peripheral activities is to an even one in a given state -that is the more semiperipheral the state - the more will the complex calculus tilt towards rewarding efforts to secure economic advantage via effecting (transforming) the state structure. This is because the nearer to some median is the economic mix, the more immediately and directly can state policies affect the accumulation of capital (Wallerstein, 1985:35).

Furthermore, since different kinds of economic elites tend to have opposing interests in the semiperiphery, the state usually becomes the dominant element in forming the power blocks and political coalitions among economic groups (Chase-Dunn, 1989:241).

On the other hand, another world-system scholar, Chase-Dunn, redefines core and peripheral activities as a continuum of relatively capital intensive/labour intensive forms of production (Chase-Dunn, 1989:211). In other words, he focuses on relative levels of the capital intensity of commodity production. In this context, he argues that semiperipheral areas contain intermediate level of production. According to Chase-Dunn, there are two kinds of semiperipheries; first, states in which there is a balanced mix of core and peripheral activities, and second, states in which there is a predominance of activities which are intermediate in terms of the relative level of capital intensity/labour intensity (Chase-Dunn, 1989:211-212). Thus, he emphasises that in the semiperiphery there is a preponderance of intermediate levels of capital intensive production (Chase-Dunn, 1990:3).

In semiperipheral countries the state may attempt to change the mix of activities in favour of core or periphery-like production processes, and it may easily affect the

The Concept of Semiperiphery

direction of internal redistribution of rewards. But this does not mean that core and peripheral states cannot do the same. Wallerstein believes that they can. However, there are two reasons which make the pay-off bigger for semiperipheral states than for the other two. First, it can be assumed that such state policies are more likely to succeed in semiperipheral than in peripheral states because in the periphery the opportunities for upward mobility are much more limited. Second, one can assume that there are alternative market mechanisms for core producers to achieve the same objectives without concentrating on state-oriented political activity (Wallerstein, 1985:35). Hence, upwardly mobile semiperipheral countries have tended to employ more state-directed and state-mobilised development policies than have core countries (Chase-Dunn, 1989:241).

A very important characteristic of semiperipheral states is related to the possible improvement of their status in the world-economy during contraction periods. As mentioned previously, periods of expansion and contraction in the world-economy are one of the critical issues of world-system analysis. These cyclical shifts of the world-economy, in broader terms, are the function of the relationship between supply and effective demand in the world market. Contraction periods are periods of over-supply in the world economy leading to changes in the production process and production relations in order to reach an equilibrium point. During expansion periods, on the other hand, world wide effective demand is maintained as a result of shifts in the production process and relations. The direction of the surplus of the world-economy also changes during these periods. During expansion phases the largest proportion of the surplus is extracted by the core areas, while in contraction periods part of the surplus goes to the semiperipheral states at the expense of the core states. According to Wallerstein, during contraction periods semiperipheral states can effectively control their internal markets and, furthermore they can penetrate into peripheral markets at the expense of core producers (Wallerstein, 1976:464). This is because intense intra-core competition takes place over the world market shares of core products during these over-supply periods. This gives semiperipheral countries the option of choosing among core producers when selling their products, purchasing core products, and inviting core investments. In sum,

The Concept of Semiperiphery

during contraction periods semiperipheral states expand their national product, improve their terms of trade and may shift their position upwards in the world-economy. Changes in the economic sphere are reflected in the politics of semiperipheral countries (Wallerstein, 1976:464). Internally, political regimes may change, since the old structures can no longer cope with the changing nature of international politics. Externally, semiperipheral states may change the pattern of their international diplomatic alliances. And, as a result of the economic and political changes the degree of direct intervention in the internal affairs of semiperipheral states by the core powers decreases.

However, the upward mobility of individual states is considered exceptional (Arrighi and Drangel, 1986:42). First, semiperipheral states which take off into a core position are expected to experience extremely high rates of growth for a considerable time (Arrighi and Drangel, 1986:52). Moreover, although all semiperipheral states can benefit from a contraction period in the capitalist world-economy, only a few of them succeed in shifting their positions in the world-system. The reason is straight forward. Among other things, the problem is intra-semiperiphery fighting. For "... a semiperipheral country rising to core status does so, not merely at the expense of some or all core powers, but at the expense of other semiperipheral powers" (Wallerstein, 1976:466). On the other hand, in times of expansion semiperipheral countries tend to become clients of core countries "...seeking their aid to obtain a part of the world market against the other semiperipheral countries" (Wallerstein, 1979:83). In this way they become agents of core states, and some of them play sub-imperial roles in relation to some peripheral areas. Furthermore, these states are often turned into ideological and political appendages of world powers.

Broadly speaking, in semiperipheral states the bourgeoisie divides into two groups: the indigenous and the external bourgeoisie (Wallerstein, 1976:469). The indigenous bourgeoisie is the national bourgeoisie whose activities are concentrated in certain sectors. They are small in number and weaker than the national bourgeoisies of core countries. However their striking feature is their strong structural links with

The Concept of Semiperiphery

corporations in the core areas. For Wallerstein, this is one of the defining structural characteristics of semiperipheral countries. The external bourgeoisie, on the other hand, belongs to multinational corporations (MNCs). The critical point for MNCs is to remain profitable in the location in which they operate. Accordingly they are primarily interested in the policies of state.

Wallerstein argues that wage levels are one of the indicators of the position of a state in the world-economy (Wallerstein, 1979:71 and 84-85). In other words, while low wage levels correspond to peripherality, high and medium wage levels indicate coreness and semiperipherality respectively. According to Wallerstein one of the basic structural characteristics of the world-economy is the unequal exchange which takes place among core, peripheral and semiperipheral areas. It is a constant of the system; without unequal exchange there would not be a capitalist world-economy. The kinds of products exchanged in this process might not be proof of the structural position of any country in the system, because core or peripheral-like products are the functions of ever-changing world technology. Accordingly one should look at the wage patterns and profit margins of particular products at particular moments of time in order to identify the positions of different states in the capitalist world-economy. And, in this system semiperipheral countries are defined through their medium level of wages and profit margins in comparison to core and periphery.

The picture of semiperiphery that I have presented so far is a theoretical exposition of the concept and it draws predominantly on the original views of its creator Wallerstein. It is clear that Wallerstein's understanding of the concept of semiperiphery is rather complex. Moreover, it is difficult to operationalise. However, if semiperiphery, as a conceptual category, has some merits, there must be reasonable and manageable criteria (however arbitrary) to operationalise it. Let us turn to the problem of operationalising of semiperiphery.

2. How to Operationalise the Concept of Semiperiphery ?

In general, there are major criticisms directed to Wallerstein's elaboration of the semiperiphery. First, Wallerstein is both vague and formal, according to Arrighi, in defining the concept (Arrighi, 1985:243). He is vague because he emphasises two things in his definition. He points to “a fairly even mix” of core and periphery-like economic activities in the semiperiphery, and he emphasises the intermediate semiperipheral position in the world- system. However, he does not indicate which of these criteria is important in identifying semiperipheral countries. On the other hand, Wallerstein is formal because he does not substantiate his hypothesis for how to identify core or periphery-like activities in the various commodity chains, and how these two types of activities change over time.

Aymard also points to a dichotomy resulting from ambiguous usage of the concept (Aymard, 1985:40). According to Aymard, semiperiphery is defined on economic grounds, on the one hand, referring to those regions where the coming in and going out surpluses equal to zero. On the other hand, a semiperipheral state is defined on political grounds as a state pursuing a “catching up with the core” policy in order to improve its position in the interstate system. For Aymard these two definitions are hardly reconcilable.

Another major criticism directed to the Wallersteinian concept of semiperiphery focuses on its empirical applicability. According to Arrighi, Aymard and Lange (Lange, 1985:181) all three terms, semiperiphery, core and periphery, cannot easily be measured operationally in the writings of Wallerstein. For instance, Wallerstein does not tell us how to measure the overall “fairly even mix of activities” nor to quantify them.

The aim of this study is not to get involved in the debate on the semiperiphery. However, I need to present and perhaps to clarify the meaning of semiperiphery in the context of this examination of Spain and Greece. Accordingly, although I tend to agree with the second line of criticism, I do not agree with some of the implications of the

The Concept of Semiperiphery

first group of criticism. First, it is fairly clear in Wallerstein's writings that the international position of any country is a function of the dominant type of economic activity that falls within its boundaries rather than vice versa. In other words, what makes a state core or peripheral is the type of economic activities (core or periphery-like) that dominate the production process. A state is core (or peripheral) primarily because its production processes are highly profitable (or less profitable) and dominated by capital intensive techniques, skilled and highly paid labour (or low profit, labour intensive techniques and coerced low wage labour). Accordingly, a state is semiperipheral, first because a "fairly even mix" of core and periphery-like activities fall within its borders. Yet, in contrast to core and periphery, this is not enough to define a country as semiperipheral. It must be supported by certain political processes at the national political economy level. The relationship between state policies and the direction of capital accumulation is the second important criteria in identifying semiperipheral states.

In an economy dominated by a "fairly even mix" of economic activities, state policies, compared to core and peripheral states, can relatively easily affect the direction of capital accumulation. This is because none of the economic actors significantly dominate the state structures. Accordingly there is a precarious political balance of power between the economic actors of semiperipheral states. As a result of this, the state acquires and maintains a relative degree of independence from all the economic groups. It follows that the different actors (fractions of bourgeoisie, workers, external economic actors) engage in a political struggle to affect the state structures and policies in favour of their respective economic interests. Hence, in order to label a country as semiperipheral one should also look at the intensity of state-oriented activities of national and international actors. Thus, Wallerstein proposes two criteria (economic and political) for the identification of semiperiphery. These two criteria **together** (not separately) determine the international position of a semiperipheral state. The economic criterion (a fairly even mix) is the precondition of being semiperipheral. The political criterion, on the other hand, indicates to which international position a semiperipheral state is moving or is likely to move, or whether it will move.

The Concept of Semiperiphery

On the other hand, it must be admitted that Wallerstein does not provide us with good yard sticks to operationalise the concept. Indeed, it seems that he himself is not clear about what operational criteria are to be employed in identifying a semiperipheral state. Accordingly he classifies a vast number of states as semiperipheral;

The semiperiphery includes a wide range of countries in terms of economic strength and political background. It includes the economically stronger countries of Latin America; Brazil, Mexico, Argentina, Venezuela, possibly Chile and Cuba. It includes the outer rim of Europe; the southern tier of Portugal, Spain, Italy and Greece; most of Eastern Europe; parts of the northern tier such as Norway and Finland. It includes a series of Arab states; Algeria, Egypt, Saudi Arabia; and also Israel.. It includes in Africa at least Nigeria and Zaire and in Asia; Turkey, Iran, India, Indonesia, China, Korea, and Vietnam. And it includes the old white Commonwealth; Canada, Australia, South Africa, possibly New Zealand (Wallerstein, 1976:465).

As Arrighi rightly points out, the concept semiperiphery, introduced to solve the problem of border cases, has itself become the main problem here. The difficulty of clearly operationalising the concept thus leads Wallerstein to include vastly different countries in the semiperipheral category.

There have been other attempts to clarify and operationalise the concept. P.Lange, for example, in an article discussing Italy's special position in the world-system (Lange, 1985) proposes a sub-group of core states called the "perimeter of the core". A country located at the perimeter of the core is one which has recently shifted from periphery to core. In other words he posits a sub-core-region where semiperipheral and core characteristics might coexist. One of his critical argument is that domestic politics plays a role in changing the world-system position of countries. Indeed, one of the criticisms of world-system analysis is its neglect of internal politics. Wallerstein rarely refers to the importance of internal politics. For instance, in one article he maintains that 'Both their [semiperipheral countries'] internal politics and their social structures are distinctive, and it turns out that their ability to take advantage

The Concept of Semiperiphery

of the flexibility offered by the downturns of economic activity is in general greater than that of either core or peripheral countries' (Wallerstein, 1976:463). Furthermore, as Lange himself points out, Wallerstein remarks on the importance of the relationship between the national political economy and the world-economy in moving from one position to another (p.183). However, Lange argues that these remarks can only be useful at the macro level; they do not assist individual or country level studies. Lange considers that the major domestic actors play a critical role in the process of shifting from semiperiphery to core. In other words, it is important to observe the struggles (if any) among the domestic actors over the distribution of economic shares and political power during the positional shift. According to Lange, in such instances domestic actors choose strategies in order to promote their interests; thus they act intentionally. It is at this point that the position in the world-system intervenes in the picture. Lange maintains that although this position strongly affects the opportunity structure for states "it cannot determine the specific form of the opportunity structure for any individual country, much less the specific strategies that will be adopted by the relevant actors, nor can it explain which specific combination of strategies adopted will result in an alteration of that country's position in the world-system" (p.184).

A second critical factor that Lange points us is the behaviour of a country whose position has recently shifted from semiperiphery to the core. For Lange, those states (in his case Italy) first arrive at the "perimeter of the core" and experience an "adaptation" period there, during which major domestic actors and the state try to formulate their new strategies. Accordingly, their behaviour reveals a mixture of core and semiperipheral characteristics. An important point here is that the behaviours of the actors and the adaptation period as a whole are significantly influenced by the past history and the national characteristics of individual states. Furthermore, there is always the possibility of falling back to a semiperipheral position.

In operationalising these and other points in the Italian case, Lange takes wage structure (wage levels and their rate of increase) as his main criterion. In fact, in his various writings Wallerstein proposes six indicators by which the world-system

The Concept of Semiperiphery

position of individual countries can be assessed (Lange, 1985:186): Gross National Product per capita; the structure of national production; the structure of trade; the class structure; the wage structure; patterns of development and political response under conditions of economic crisis. According to Lange, in the postwar period the wage structure is an important indicator of a shift from semiperiphery to core because a change in wage levels is mainly a function of changes in terms and patterns of trade of a country with the world-system and requires an upgrading of the average technological level of domestic production.

Lange's study focuses on a particular case (Italy) at a particular time (postwar period). On the other hand, Arrighi presents a more comprehensive operationalisation not only of semiperiphery, but also of core and periphery (Arrighi, 1985 and Arrighi and Drangel, 1986). According to Arrighi and Drangel "there is no [direct] operational way of empirically distinguishing between peripheral and core-like activities and therefore classifying states according to the mix of core-peripheral activities that fall under their jurisdiction". Furthermore "[in] order to classify activities as core and periphery-like one should minimally need a complete map of all commodity chains of the world- economy as well as an assessment of the relative competitive pressure at each of their nodes, and this is in itself an impossible task" (Arrighi and Drangel, 1986:30). Arrighi, therefore, proposes an indirect measurement of the stratification of the world-economy. Referring to the ambiguous usage of the concept semiperiphery, he argues that there is a desperate need for a standard that could reflect a meaning of the concept as close as possible to its original purpose. Furthermore, the standard should also give the maximum possible clarity in categorising states into the three zones of the world-economy. He proposes GNP per capita as such a standard operational criterion that could satisfy these expectations.

Arrighi's starting point is the original writings of Wallerstein (Arrighi, 1985 and Arrighi and Drangel, 1986). According to Wallerstein while core activities appropriate a large share of the total surplus produced in the world-economy, peripheral activities receive the remaining small amount. Arrighi believes that this disproportional

The Concept of Semiperiphery

distribution of the world-economy's surplus must be reflected in the GNP per capita differentials of the residents of the two types of states. In other words, since core activities command aggregate rewards that incorporate most of the overall benefits of the world division of labour while peripheral activities command aggregate rewards that incorporate few of those benefits, the differences in command over the total benefits of the world division of labour must necessarily be reflected in commensurate differences in the GNP per capita of the states (Arrighi and Drangel, 1986:31). Since semiperipheral states have a fairly even mix of core and peripheral activities, they receive a more or less average share of the world-economy's surplus and accordingly their GNP per capita income reflect an intermediate level between core and periphery.

But what is an intermediate level of per capita GNP ? At what level should we set the lower and upper boundaries of the semiperipheral zone? Arrighi refers to Wallerstein, for whom semiperiphery is neither a residual nor a transitional part, but a stable and permanent feature of the world-economy. It is easily differentiated both from core and periphery. Hence if the world- economy is composed of three permanent categories of states, 'we should be able to set the boundaries of the semiperiphery simply by inspecting the distribution of states (presumably weighted by population) according to their per capita GNP' (Arrighi, 1985:245). Here, one must look at the relative rather than the absolute differences between states, and at differences in command over world economic resources rather than at differences in actual standards of living (Arrighi and Drangel, 1986:31). Referring to 1983 World Bank data, Arrighi claims that Wallerstein's three modal distribution of states is consistent with the distribution of world GNP per capita. Leaving aside states with a population of less than one million he reclassifies the states into five categories of per capita GNP (Arrighi, 1985), arguing that this regrouping demonstrates the coincidence between three modal distribution of states and the distribution of GNP per capita levels in relation to population in each category (Arrighi and Drangel, 1986:32-52).

However, there appear to be two relatively depopulated, new categories. Let us look at Arrighi's table (Arrighi, 1985).

The Concept of Semiperiphery

CLASS	GNP PER CAPITA, 1981 (in dollars)	NUMBER OF STATES	PERCENTAGE OF WORLD POPULATION
I	less than 800	50	58
I/II	800 - 1500	19	5
II	1500 - 4500	31	20
II/III	4500 - 9000	10	3
III	more than 9000	19	14

Class I : Periphery. **Class II** : Semiperiphery. **Class III** : Core. **Class I/II** : “Perimeter of Periphery”. **Class II/III** : “Perimeter of Core” .

Arrighi points out that his “perimeter of the core” (Class II/III) and by analogy “perimeter of periphery” (Class I/II) have nothing to do with Lange's understanding of “perimeter of the core”. Arrighi's perimeters are intermediate zones rather than lines demarcating two zones.

Let us examine now at what Arrighi offers that is new. His criterion (GNP per capita) for operationalising the concept semiperiphery seems plausible and manageable. It would not be unrealistic to think first, that the distribution of the world- economy's surplus among different countries is a function of a country's position in the production activities and second, that the distribution of GNP per capita income in a country is the function of the amount of (+) (-) surplus appropriated by that country. Hence, GNP per capita might indeed easily be a good indicator for identifying any country's position in the world- economy.

Arrighi's table is important. It brings us, although roughly and in a modified way, a representative picture of the position in the world-economy in terms of GNP per capita. In other words, unless we develop a more sensitive and more reflective method of establishing groupings, Arrighi's table might be used by testing its reliability with other indicators of each category. In fact, it is not easy to locate every state at a clear-

The Concept of Semiperiphery

cut world-system position with precision. Thus if we need to identify these positions, we have to rely on some rough measures. Perhaps this is the main characteristic that one should take into consideration in the process of identifying not only world-system positions, but also the other comprehensive, macro classifications that we use frequently in the social sciences, for example, First World, Third World; South, North; Developing Countries, etc. In other words, there are no clear-cut indicators and measures for the demarcation lines between, say, South and North other than rough and arbitrary ones.

On the other hand, when it comes to the modifications that Arrighi introduced as classes I/II and II/III, one can say that as a borderline case, semiperiphery is not an adequate category unless it is a broad one. As I pointed out earlier, in Wallerstein's categorisation semiperiphery consists of a vast number of states, ranging from Zaire to Canada. This means that semiperiphery is not a homogenised category. Accordingly, there is enough reason for Arrighi to create two more categories for the further clarification of the semiperipheral zone. Arrighi and Drangel propose that (1986:51) the semiperipheral zone of the world-economy, at any given time, includes not only its organic members but also some states that have been more or less temporarily demoted from the core (or promoted from periphery) by one of the systematic shocks through which the world-economy operates. Thus Arrighi's table can be used with reservations and through testing with other indicators, to operationalise the concept semiperiphery.

In Arrighi and Drangel's classification of the position of states in the world-economy in terms of GNP per capita in the three periods 1938-50, 1960-70 and 1975-83 (Arrighi and Drangel, 1986:60-71), they classify **organic members** of the three zones of the world-system as follows; **Organic Members of the Core zone:** Australia, Canada, Denmark, New Zealand, Norway, Sweden, Switzerland, UK, USA, W.Germany. **Organic Members of the Semiperipheral zone:** Argentina, Chile, Costa Rica, **GREECE**, Hong Kong, Hungary, Ireland, Israel, Jamaica, Mexico, Panama, Portugal, Romania, S. Africa, **SPAIN**, Turkey, Uruguay, USSR, Venezuela, Yugoslavia. **Organic Members of the Peripheral zone:** Afghanistan, Angola,

The Concept of Semiperiphery

Bangladesh, Benin, Bolivia, Burma, Burundi, Cameroon, Central African Republic, Chad, China, Egypt, El Salvador, Ethiopia, Guinea, Haiti, Honduras, India, Indonesia, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Niger, Nigeria, Pakistan, Papua New Guinea, Philippines, Rwanda, Senegal, Somalia, Sri Lanka, Sudan, Tanzania, Thailand, Togo, Uganda, Upper Volta, Zambia, Zimbabwe.

Thus in this classification of states according to their GNP per capita, the case studies examined in this research, namely Greece and Spain, appear clearly as organic members of the semiperipheral zone. More specifically, in Arrighi and Drangel's study the world-system positions of Greece and Spain in the three periods appear as follows:

Period	Greece	Spain
1938-50	Semiperiphery	Semiperiphery
1960-70	Semiperiphery	Semiperiphery
1975-83	Semiperiphery	Perimeter of Core

Another important point is related to the unique position of the world-system's semiperipheral zone. As Arrighi and Drangel rightly put it (1986:59-60), neither of the two other competing theories of Modernisation and Dependency establish an intermediate and persistent zone/group of states which is relatively large in number. The addition of an in-between zone, in turn, implies the inadequacy of classifying of states as developed/developing; developed/underdeveloped; or core/periphery, and emphasises the necessity to differentiate an intermediate group of states from other groupings. A further contention of world-system analyst is that the semiperiphery has been a zone of political turbulence (Arrighi and Drangel, 1986:60). Thus, the world-system school provides a more comprehensive conceptualisation and categorisation of the states of the international system.

The Concept of Semiperiphery

Nemeth and Smith (1985) also attempted to determine empirically the structural positions of states in the world-system according to their patterns of commodity trade. Referring to the contention of world-system theory that position in the world- economy is related to the types of commodities a state trades, Nemeth and Smith analyse the trade patterns of 86 non-centrally planned countries in terms of five types of commodities: Heavy Manufacturing/High Technology; Intermediate Manufactures; Light Manufactures; Food Products and Raw Materials. They use data from UN Commodity Trade Statistics for the year 1970. On the basis of their findings they group countries into blocs depending upon their structural similarities in relation to trade flows of various commodity types. In other words, they classify countries into discrete, mutually exclusive, and exhaustive categories based on their trade of all five commodity group. The general decomposition patterns, and the direction and the magnitude of trade of each commodity type between blocs resulted in an eight-group division of countries which can be characterised as representing four structural positions in the world economy: core, periphery, strong semiperiphery and weak semiperiphery. This regrouping is made according to commodity-trades and import and export destinations. In this context, they characterise the groups as follows:

Core: For the Heavy Manufacturing/High Technology commodity type, core states are the chief exporter to all other blocks as well as the leading importer from each other block, and core countries send much greater values of this type of product to other blocks than they receive from them. For Intermediate Manufacturing, there is a similar pattern of trade between core and the other groups with one exception: the core imports more of this type of commodity from the strong semiperiphery than it exports to the same group. On the other hand, the core generally receives more raw materials from the other groups than it exports. For the Light Manufacture commodities, the amount of core exports is greater than the amount received except for large imports from the strong semiperiphery. Finally, core countries import food products far more than it exports to other groups.

Members: (Bloc A) Belgium, Canada, France, Italy, Japan, Netherlands, United Kingdom, United States, Germany.

The Concept of Semiperiphery

Strong Semiperiphery: For the Heavy Manufacturing/High Technology commodity type, Strong Semiperiphery states have importing and exporting ties with core and the other semiperipheral block. They trade most heavily with the core, then with themselves and the Weak Semiperiphery, and finally with the Periphery. They trade greater amounts of this type of commodity than either Weak Semiperiphery or Periphery. For Intermediate Manufactures, they export large amounts to Core and all Semiperipheral blocks. In the Strong Semiperiphery trade patterns for Intermediate Manufactures centre mainly on the core, next on the semiperiphery, and then on the peripheral blocks. For Raw Materials, in terms of value, they export more to the core than they receive from this zone. For Light Manufacturing, Strong Semiperiphery has importing and exporting ties with the Core and other Semiperipheral blocks, but their exports to the Core are much greater than their imports from the Core. They also export to, but do not import this type of commodity from the Periphery. On the other hand, the pattern of trade in food products is that the Strong Semiperiphery has import and export ties with other Core and other Semiperipheral blocks and it does not have any large trade ties with the periphery.

Members: (Bloc B) Australia, Austria, Brazil, Denmark, Mexico, Nigeria, **SPAIN**, Switzerland, Sweden, Venezuela. (Group C) Argentina, Hong Kong, India, Philippines, Singapore, South Korea. (Group D) Finland, **GREECE**, Iran, Ireland, Israel, Libya, Norway.

Weak Semiperiphery: Those states have import and export ties with the Core and Strong semiperiphery, but engage in little trade with either Periphery or other countries in their own block. However, there is a sparseness of trade to any non-core blocks in their trade patterns. Their trade volume is much greater with Core.

Members: (Group F) Chile, Columbia, Ghana, Pakistan, Thailand. (Group G) Egypt, Kenya, Malaysia, New Zealand, Portugal, Zaire, Zambia.

Periphery: Peripheral states' trade links are almost exclusively with the core nations. This group does not import many Heavy Manufacturing/High-Technology goods but is dependent on the Core for such commodity imports. They import all types of

The Concept of Semiperiphery

manufactured goods and exports, raw materials and food products. They are dependent on the Core countries.

Members: (Group E) Cameroon, Ivory Coast, Madagascar, Morocco, Senegal, Tunisia. (Group H) Afghanistan, Benin, Bolivia, Burma, Cambodia, Central African Republic, Chad, Congo, Costa Rica, El Salvador, Ecuador, Ethiopia, Guatemala, Honduras, Indonesia, Jordan, Laos, Lebanon, Liberia, Malawi, Mali, Mauritania, Nicaragua, Niger, Panama, Paraguay, Peru, Sri Lanka, Somalia, Sudan, Tanzania, Togo, Turkey, Uganda, Upper Volta, Uruguay.

Hence, Nemeth and Smith's analysis of 86 countries' patterns of commodity trade support World-System Approach. They find that, core countries trade with nations located in all the strata of the world-economy. Their strength is reflected in the type, diversity and quantity of their export. Peripheral countries trade mainly with core and some semiperipheral countries; and they specialise in the export of a few commodities; Finally, the semiperiphery forms a middle category in terms of commodity mixes and flows. On the basis of their findings Nemeth and Smith argue that the international economic system is hierarchically ordered, and the eight strata derived from their model can be conceptualised as fulfilling four distinct roles in the world-economy which conform well to the world-system categorisation of states as core, periphery and semiperiphery. In other words, they emphasise that the structure of commodity exchange in the international system conforms to the expectations of the World System Approach. Another important point is that in Nemeth and Smith's study both Greece and Spain appear in the (Strong) Semiperipheral zone of the world-economy, although the criteria for determining their world-system position are different.

3. Conclusion

It seems clear that the semiperipheral zone of the world economy is a heterogeneous zone composed of rather different states. This is the major point that leads to problems for the semiperiphery. An alternative way to reduce these problems to some extent is perhaps to regroup and study the most similar semiperipheral states. This method,

The Concept of Semiperiphery

however, decreases the generalising power of the concept while increasing its practicality and operationalisability. Yet if the concept of semiperiphery is to become a fruitful concept, it is necessary to study relatively more similar cases, rather than the whole range of semiperipherality. To do this, one needs to take into account a number of indicators of semiperipherality in order to apply them to the states under consideration.

Having argued the basic tenets of the world-system analysis and the concept of semiperiphery, let me now explain how I shall utilise them in the framework of this study. First of all, I must emphasise that although world-system analysis focuses on the study of the external environment and systemic-structural conditions and processes, this study investigates the effects of that environment and those conditions and processes on national development, and examines consequences of occupying a given structural position in the world-economy. In other words, the main concern of this study is the effects of the structures and the operation of the capitalist world-economy on the national development and foreign policies of two (semiperipheral) countries (Greece and Spain) in the period between 1945-1990s. A common misunderstanding in relation to World-System Analysis is that it can only investigate the systemic/structural or international levels. However, the study of other levels of analysis, such as zones, states, organisations, etc., is, also, possible in World-System Analysis (Chase-Dunn, 1989:310). In fact, as a holistic structure the world-system contains all those levels, and the processes operating at the international and national levels. This study accordingly, attempts to analyse the foreign policies of the two semiperipheral countries in relation to their economic position in the world-economy. In this context, I shall look at how both power and production are organised, and investigate the interaction and interdependence between economic and political activities.

In this study both Greece and Spain are considered to be semiperipheral states. They are provisionally considered semiperipheral, first, because, neither country fits in either the core or the peripheral end of the world-system hierarchy. Hence they are in the intermediate category of the semiperiphery. Moreover, using the operationalisation

The Concept of Semiperiphery

of both Arrighi and Drangel and of Nemeth and Smith these two states are clearly located in the semiperipheral category. In the next chapters, I shall investigate whether my findings accord with the location of Greece and Spain in the semiperiphery and whether other economic and political indicators support this categorisation.

I shall begin by looking at the economic and political histories of Greece and Spain, in order to investigate their semiperipheral characteristics in the periods between 1945 and the mid-1970s and between the mid-1970s and the 1990s which correspond roughly both the rise and decline of American hegemony and to expansion and contraction periods of the world-economy. In both periods I shall look first, at the economic environment to see the production patterns, the role of the state in the economy, the nature of the dominant economic elite, the nature of the relationship between the state and the economic elites, and among the economic elites themselves, and the nature of the relationship between foreign capital (of hegemonic USA) and other core (EEC/EC/EU) powers and the Greek and Spanish states and their domestic economic elites. Furthermore, in the second period (mid-1970s to 1990s), I shall also investigate whether both Greece and Spain experienced upward mobility towards the core zone in the world-system hierarchy.

Second, I shall turn to the political environment to investigate the interactions between economic development and domestic politics and political structures, and to see whether the two states displayed semiperipheral characteristics. The World-System Analysis proposes that in expansion periods of the world- economy semiperipheral states experiences high degrees of intervention in their domestic affairs by the core/hegemonic powers. Furthermore, in these periods semiperipheral states turn into satellites, and become political and ideological agents of hegemonic/ core powers. Thus, in the first period (1945 to mid-1970s) I shall look at whether either state was subjected to such experiences. On the other hand, according to the world-system school, in contraction periods of the world economy in (upwardly mobile) semiperipheral states the old political structures collapse and the interventions of

The Concept of Semiperiphery

hegemonic/core powers come to an end. Accordingly, I shall investigate whether this holds true for Greece and Spain in the period between the mid-1970s and the 1990s.

The World-System Approach implies that the foreign policies of semiperipheral states go hand in hand with developments in the economic and political spheres. It is argued that, during expansion periods, the foreign policies of semiperipheral states are directed towards the accomplishment of the global objectives of hegemonic/ core powers. Furthermore, the policies to be followed may be dictated to semiperipheral states. In other words, they become satellites of the hegemonic/core powers, and their national interests and national sovereignty may be subordinated to the global/regional interests of the hegemonic/core powers. Thus, in the first period (1945 to mid-1970s) I shall examine whether Greece and Spain displayed such foreign policy behaviours.

Similarly, in contraction periods, in parallel to the changes in the economic and political spheres, the foreign policies of semiperipheral states may change. According to World-System Analysis semiperipheral states change their international alliances in these periods. They give up their satellite-like foreign policies and pursue a relatively independent foreign policy. Some upwardly mobile semiperipheral countries compete with other semiperipheral states for more economic and political gains. Furthermore, I also propose that, in their foreign policy orientations, these upwardly mobile semiperipheral states may also fulfil an intermediary/bridge role between the core zones and those areas which they are geographically proximate and/or with which they have cultural and historical ties. They also seek to become involved in the management of international problems. I shall therefore, examine whether Greek and Spanish foreign policies followed such a course in the period between the mid-1970s and the 1990s. However, before examining their development patterns and individual foreign policies, it may be useful to understand why Greece and Spain (and, most of the time, Portugal) are taken together and considered as a coherent group of countries by a number of researchers. In this way, I shall also be able to examine various perspectives on the study of Greece and Spain (and Portugal) and, at the same time, emphasise the difference between this study and previous studies of these countries.

CHAPTER IV

UNDERSTANDING GREECE AND SPAIN

1. Introduction

The 1970s were one of the most eventful decades in the history of the modern world. The Bretton Woods system which had governed the international economic order since the end of the Second World War began to collapse. In August 1971 the Americans abolished the fixed exchange rate system which had established the dollar as the international currency. In 1973 a war broke out in the Middle East and it led to the first oil-price shock and a world-wide inflation and recession. In 1974 Greece and Turkey came near to an all out war over Cyprus. European Political Co-operation (EPC) came into being as a result of diverging European and American interests in the Middle East. Towards the end of the decade a revolution occurred in Iran which ended with the establishment of a radical Islamic state and soon another oil-price shock hit the world. Finally, the USSR invaded Afghanistan in 1979.

Among these major events the developments which occurred in three southern European countries, namely Greece, Spain and Portugal (GSP), were by no means of secondary importance. The 1970s witnessed the collapse of the dictatorships and the establishment of democratic regimes in the GSP countries. The long standing authoritarian regimes of Salazar in Portugal (1926-74), and of Franco in Spain (1936-76) came to an end together with the seven year (1967-74) dictatorship of the Greek colonels. The successive overthrow of the dictatorships and the establishment of democratic structures in the southern Europe did not take long to arouse the interest of social scientists. In 1975, even before the death of Franco, the publication of Nicos Poulantas', **La Crise des Dictatures**, which emphasised the similarity of the political and economic developments which led to social change in these countries, took the lead of the studies on the region and thus opened the way for comparative studies of GSP countries. Social scientists' interests in the issue increased when, in the 1980s, they all become full-members of the European Community (EC), and socialist-led governments came to power in all three countries. As the convergences in the political and economic histories of the trio proliferated, scholars, in order to explain the phenomenon, began to

seek similarities in the underlying causes and patterns that might govern social change in GSP countries.

2. Common Characteristics of GSP Countries

The geographical factor has played an important role in the political and economic developments of GSP countries. Their physical proximity to Western Europe on the one hand and, on the other, the fact that they border strategically important points of the Mediterranean and the Atlantic Ocean have had important consequences on both the shared and the unique national experiences of these countries. Moreover, political and economic developments in Western Europe have usually created both constraints and opportunities for national developments in the south. To put it differently, their geographical locations have provided them with different paths to follow compared to the geographical locations of other semiperipheral states of Latin America and East Asia.

In this context, historically, the 19th Century liberal-conservative (or modern-traditional) struggles in southern Europe reflect the political and social debates on liberalism, parliamentarism and constitutionalism then taking place in the West. Similarly, the destruction of both political and economic ideas and institutions during the First World War and in its aftermath led to the emergence of authoritarian and autarkic regimes in Western Europe and the GSP countries followed suit immediately. Finally, after the Second World War establishment of a new international order under American hegemony, the advent of Cold War and the division of Europe into two hostile blocs and the reign of anti-Communist ideology played decisive roles in the continuation of authoritarian and restrictive parliamentary regimes in GSP. However, the emergence of Europe as an economic and political power in the late 1960s and early 1970s significantly contributed to the democratisation of the political structures and further liberalisation of the economies of southern Europe. The existence of the EC and the eventual incorporation of GSP into the organisation indicate that the fortunes of these three countries are linked to developments in their Western neighbours.

Most of the studies of GSP have tended to identify these countries in a distinct category both from “developed” and “underdeveloped” countries. In each case the classification implies that they occupy a peculiar position in the international system. For instance, apart from the concept “**semiperiphery**”, the terms “**Underdeveloped Europe**”, “**Periphery of Europe**” (Seers, 1979a), “**European Periphery**” (Seddon, n.d. and Selwyn, 1979) have been used interchangeably to identify the GSP countries. The terms “underdeveloped” and “periphery” imply that the GSP countries have similar and shared characteristics with “Third World” countries. However, the terms “Europe/European” refer both to the significance of their geographical location and, to their core-like characteristics and distinct peripheral/underdeveloped positions (relatively better-off positions) in comparison to Third World countries. Accordingly, another common characteristic of most of the studies is their focus on the political economy of these three states. In other words, the relationship between the state, politics and economics, both at the national and international level, and the role of national and international actors in political and economic changes in relation to this interaction are common themes (though to varying degrees and in different explanatory frameworks) of most comparative studies of GSP countries.

Indeed, there are some common points in the political economies of the three countries. One of them is the dependent position of their economies in relation to the core, despite their relatively better-off positions compared to the periphery. The lack of technological capacity and capital goods industries, little control over the ownership of local manufacturing (Seers, 1979b:3) and over the use of resources, the inability to participate effectively in major economic decisions (for example, what to produce and where and how to produce) and lack of innovation (Selwyn, 1979:37) are the main characteristics of the dependency of GSP economies on core countries, mainly the US and the EC. Even the new international division of labour which corresponds to the upward shift of GSP in the world-economy has not altered the main characteristics of this dependency, such as the control of technology by the core and the location of management and research centres from core to these countries (Williams, 1984:15).

Another common characteristic is the flow of migrant workers to core countries and the flow of tourists from core to GSP countries. Especially in the 1960s and early 1970s, emigrant remittances and tourism revenues contributed significantly to the balance-of-payments accounts of GSP. A third similarity is the existence of few big and a plethora of small firms side by side in the economies of the three countries. Thus, while the big companies which are owned by private, foreign or state capital are run on capitalist principles, uncompetitive small firms represent an inefficient part of the GSP economies. Finally, a large parasitic service sector, mostly created through clientelistic networks, constitutes another common characteristic.

One of the most striking features of GSP countries in relation to this study is, perhaps, the existence of significant divisions among their social and political forces up to recent times and their implications for political and economic development (Diamandouros, 1986a:548-49). The introduction of liberalism and parliamentarism into these countries before industrialisation caused contradictions among existing social forces and led to long-lasting legitimacy crises in GSP. None of the forces was powerful enough to establish hegemony and this resulted in either restricted parliamentary or authoritarian regimes up to the mid-1970s. Hence, unlike in the developed West, in the absence of hegemonic bourgeoisies, the states began to play a crucial role in the economy through public enterprises and in this way became the central actor in both economics and politics. It was only towards the middle of the 1970s that these cleavages between antagonistic forces began to dissolve for the first time through reconciliation and the legitimacy of the internationalist capitalist system was established. In other words, old-style conservatives were either eliminated or incorporated by the pro-capitalist forces, and left wing forces were allowed to participate in the competitive politics through democratisation. Theoretically speaking, these are what I emphasised as the characteristics of semiperipheral states: a roughly equal distribution of core-and periphery-like producers; their struggle over state structures in order to control them and establish their hegemony; and the central position of the state. Furthermore, the political and economic transformations which took place in the mid-1970s, namely the democratisation of the political regimes and

Understanding Greece and Spain

the further interaction of the economies with international markets and their accession to the EC in the 1980s, implied the victory of liberal-democratic and pro-capitalist over the authoritarian-conservative and statist forces. This, in turn, indicated an attempt to shift the semiperipheral position of GSP towards the core in the world-economy at a time of the relative hegemonic decline of the US and the ascendancy of the EC.

Now let us turn to the main economic and political developments in GSP countries in the postwar period. Postwar economic and political developments in GSP fall naturally into two main periods: the period from 1945 to the mid-1970s, and the period after the mid-1970s. In order to consolidate American hegemony, US policy makers concentrated on two things in the immediate postwar years: the establishment of a free market economy throughout the world, and the containment of the Soviet Union and communism. In this task the Americans were particularly sensitive about Western Europe. For this reason the immediate effects of the new hegemonic order in southern Europe were somewhat different from those in Western Europe. Since the economic structures of the south were not as developed as those of the north, the process of economic reconstruction in the south was directed towards the establishment of market integrated national economies through building roads and communication networks and the development and modernisation of the agricultural sector in the 1950s (Seddon, n.d.:4-5).

On the other hand, in spite of the US rhetoric of democracy, the authoritarian regimes in GSP countries remained in power in exchange for their commitment to the market economy. In fact, in the immediate postwar years these authoritarian regimes briefly opted for autarkic economic policies: protective tariffs and quotas and import substitution were put into practice, and the state began to control the economy again. However, three factors contributed to the opening and internationalisation of these economies. The first was the structure and the rationale of the new international economic order established by the US which was hostile to autarkic tendencies. The second was that these autarkic policies themselves began to restrict economic growth at a certain point (Williams, 1984 :10). Finally there were pressures from the newly

Understanding Greece and Spain

established international institutions like the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD) for the opening up of the GSP economies in order to ease their balance-of-payments deficits. Accordingly, Greece devalued the drachma a hundred percent in 1953 and opened its economy to foreign investments. Spain became a member of the World Bank and the IMF in 1958, started to implement a stabilisation programme and devalued the peseta in 1959, while Portugal joined European Free Trade Area (EFTA) in 1959.

In the 1960s, however, the situation in GSP began to change. Between 1960 and 1973 they achieved growth rates of about 6 to 8 percent (Tovias, 1984:159 and Williams, 1984:8) and entered into industrialisation processes. Massive labour shifts occurred from the agricultural to the industrial and service sectors (Williams, 1984:8-9). The existence of low cost and surplus labour, together with the absence of labour unions, contributed significantly to the rapid industrialisation of these countries in this period. The internationalisation of their economies intensified and, accordingly, they signed special trade agreements with the EC: Greece in 1962, Spain in 1970 and Portugal in 1972.

Three main factors played an important role in the process of internationalisation: foreign investment and technological transfer, emigration and tourism (Williams, 1984:10). In relation to foreign investment, Hudson and Lewis (1984) enumerate four factors for the flow of private foreign investment capital into GSP: the availability of natural resources, the absence of anti-pollution measures, access for domestic and third country markets, and the availability of low cost flexible labour. Of these four factors market access was the most important because in addition to penetrating GSP's domestic markets, foreign capital gained better access to the markets of third countries. Between 1950 and the mid-1970s, the largest share of foreign investment capital in the GSP economies was American (Hudson and Lewis, 1984:188). By investing in GSP, foreign industrial capital aimed at penetrating domestic markets and also at establishing platforms for export to North Africa and the

Middle East (Williams, 1984:15). Furthermore US and Japan-dominated multinationals gained better access to EC markets (Hudson and Lewis, 1984:188).

The second important element of the internationalisation of the GSP economies was the emigration of southern European peasants to Western Europe where there was a demand for low-wage labour during the 1950s and 1960s. The remittances of these emigrant workers reached significant amounts in the early 1970s and, although they spent on consumption rather than production, they made important positive contributions to the balance-of-payment deficits of these countries. Like workers' remittances, the third factor of internationalisation, namely tourism, contributed significantly to the balance-of-payments accounts. Increasing living standards in Western Europe as a result of the postwar economic boom and the geographical proximity and climatic characteristics of GSP led Western Europeans to spend their leisure time and excess money in their relatively poor southern neighbours.

Between the end of the Second World War and the mid-1970s the GSP dictatorships tried to adapt their economies to the requirements of new hegemonic structures and in this way they remained in power until the mid-1970s. However, the gradual liberalisation and expansion of their economies without a concomitant political liberalisation paved the way for their eventual collapse in the mid-1970s. In fact, by the early 1970s the GSP dictatorships had almost totally lost their social bases. Hence even their attempts to liberalise the political system could not prevent their collapse. On the other hand, apart from being incorporated into the new world economic structures, on the strategic front they had become faithful followers of American anti-Soviet, anti-Communist policies. Accordingly, while Greece and Portugal were incorporated into NATO, Spain was attached to the Western alliance through bilateral agreements with the US in the early 1950s.

The developments in the world-economy in the early 1970s slowed down the economic growth in GSP countries. The abolition of the fixed exchange rate principle by the Americans and the collapse of the monetary system established at Bretton

Woods, recession in the OECD economies and the two oil-price shocks, the first in 1973 and the second in 1979, led to difficulties in the GSP economies. Moreover, the decline in tourism revenues and in the demand for emigrant workers, and the sharp rise in energy costs hit the energy dependent economies of the three countries. As a result investment fell, inflation rose and unemployment increased (Williams, 1984:11). All these developments in the world and national economies contributed significantly to the collapse of their authoritarian regimes.

However, after the collapse of the dictatorships, the newly established democracies mostly paid attention to political stability and the consolidation of democracy against a possible authoritarian counter-revolution and they postponed dealing with the economic difficulties caused by the dramatic developments in the world-economy (Diamandouros, 1986a:551-56). On the strategic front, the oil crises increased the importance of the Mediterranean region and thus the necessity of pro-western stability in GSP countries which, in turn, contributed to the democratisation processes and to increasing support from the West.

In order to strengthen their democratic structures and to neutralise any attempt to revitalise the old structures, the new or renewed political and economic elites of GSP undertook both domestic and external measures. Domestically, they focused on creating a consensus among social and political forces on the terms of the transition to democracy. Internationally, they sought economic, political and ideological support from international actors, especially from the EC. I shall focus on this period later in the chapters on individual countries. Suffice it to say here that in the domestic sphere, dramatic shifts in the stances of both conservative and left-wing forces from extremist to moderate positions made consensus possible not only on the terms of transition but on the consolidation of democracy. The advent to power of democratic socialist parties in the three countries in the 1980s proved the success of the democratisation processes started in the mid-1970s. The measures taken in the international sphere for a peaceful transition to, and the consolidation of, democracy also proved fruitful. Accordingly, in the 1980s GSP became full members of the EC. However, it should be emphasised that

although at first primarily political and ideological support was sought in the external sphere, in the face of severe economic disturbances it did not take long before decisive international support was extended to the GSP countries to neutralise the negative effects of the world economic disturbances on the process of democratisation (Tovias, 1984:169).

These are the major points which gave every GSP researcher the inspiration to employ a comparative perspective in studying the region. However, although the convergences provided their starting points each individual researcher refined and redefined them in accordance with their respective frameworks.

3. Main Approaches to the Study of GSP

One can identify some general characteristics of the diverse approaches to the change in the GSP and classify them. First, they can be classified according to the time span that they investigate. In other words, some studies analyse the change either in a long or in specific time periods, with or without a historical perspective. Second, GSP studies can be divided into two according to the type of environment in which they analyse the change and/or according to the type of actors that carry the real burden in the process. In other words, some studies give priority to the domestic environment and/or domestic actors while others emphasise the role of the external environment and/or external actors in the process of social change. In the former, the domestic environment mainly comprises of political parties, bourgeoisies, middle classes, working classes and labour unions, military, government, bureaucracy and individual leaders. In the latter, the external environment and external actors mainly include the international system and its structure, the US, the EC, the USSR, NATO, Transnational Corporations (TNCs) and other international/ intergovernmental organisations. This does not mean that every GSP study falls necessarily and exclusively into one of these categories. GSP studies also incorporate other approaches and variables in their own frameworks. In other words, there is a complex interaction between different variables that effect change in GSP and, as a result of this, it is possible to create different compositions. In discussing

existing frameworks of GSP change, priority should be given to Poulantzas' work **The Crisis of the Dictatorships** (1976).

3.1. Nicos Poulantzas

Poulantzas' book was first published in French at the height of the changes in GSP: the Greek and Portuguese dictatorships had recently collapsed. Despite its early appearance a number of points raised by Poulantzas have provided the stimulus for GSP researchers. In general, Poulantzas analyses social and political change in GSP on the basis of two phenomena: first, the nature of the relationship between the US and Europe in the new world context and, second, the complex interrelationships among social classes and institutions in GSP countries. The result of the interaction between these two phenomena was the crisis and later collapse of the dictatorships and regime changes in these countries.

According to Poulantzas, GSP countries are in a dependent relationship with the imperialist metropolises (the US and the EC being the dominant ones) and are characterised by their experiences of exceptional capitalist regimes (of fascism, bonapartism, military dictatorship). However, their dependent positions are of a special kind: on the one hand, they are not underdeveloped in the sense that the term traditionally connotes (their economic and social structures, compared to those of the Third World countries, are in a relatively better-off position). On the other hand, their specific form of dependence is a function of their particular histories and is characterised by two contrasting developments. First, an old-established primitive capital accumulation differentiates GSP from other underdeveloped countries. Second, the blockage of the endogenous accumulation of capital at the right time put GSP in a similar position to other dependent countries.

The changes that took place in GSP in the middle of the 1970s can only be understood in terms of the new phase of imperialism and its effects on European countries. In the early phases of imperialism, when metropolitan countries exported capital to and extracted raw materials from, dependent countries, the dividing line

between metropolises and dependent countries corresponded to industry and agriculture. The capitalist mode of production had not yet incorporated and dominated the relations of production in the dependent countries; feudal modes of production and a form of petty commodity production were in a symbiotic interaction with capitalist practices. The effects of that early form of imperialism on the socio-economic and political structures of GSP are multiple. As a result of delayed industrialisation, their working classes remained weak compared to their large and precapitalist peasantry. Second, a significant traditional petty-bourgeois class in manufacture, handicrafts and commerce, and a state petty- bourgeoisie which increased in number as a result of the parasitic growth of the state bureaucracy became the characteristic feature of these societies. Third, their dependent situation led to the emergence of an oligarchic power bloc which was composed of big land owners and comprador big bourgeoisie who acted as the commercial and financial intermediary of foreign imperialist capital.

However, the situation changed immediately after the Second World War. A new phase of imperialism was put into practice which was consolidated in the 1960s. Capital was exported from the metropolises to control raw materials and extend markets. But it was also now directed to the exploitation of labour on a world scale as a result of the falling rate of profit. Thus foreign capital, in the form of direct investment, began to enter into the industrial sphere of a number of dependent countries where production costs were relatively low. One of the consequences of this internationalisation of capital was the socialisation of labour processes in the capitalist rationale on the world scale. According to Poulantzas, the socio-economic structures of the GSP countries were substantially affected as a result of this reorganisation of imperialism. The form of their dependence on the imperialist metropolises shifted from an industry/agriculture division to a type of dependence which involved their industrialisation through foreign capital. The result was the reproduction of capitalist relations of production in these countries through subordinating labour power and dissolving pre-capitalist relations. Poulantzas called this new form of domination and dependence “**dependent industrialisation**”. It was put into practice not only in GSP, but also in Latin America.

Understanding Greece and Spain

One of the striking points in Poulantzas' argument about the transformation in the GSP countries is the important role of changing US-European relations. He points to GSP's increasing economic ties with the EC at the expense of the US at a time of inter-imperialist contradictions between the US and the EC. The increasing level of both foreign capital investment in GSP, and the volume of foreign trade between GSP and the US and Europe in favour of the EC provides empirical evidence of this tendency. Here Poulantzas raises the question of whether the contradictions between the US and the EC played a role in the decline and fall of the dictatorships. In order to answer the question, he first analyses the nature of the relationship between the US and the EC. For him there is no such thing as the inevitable decline of the US and the emergence of Europe as a counter-imperialist force. He argues that American direct investments still play a very important role in the economies of West European countries. As a consequence, there is no unification of capital among Europeans, and hence individual West European countries' relations with the US have an important effect on the relations among Western Europeans themselves. These characteristics of US-European relations have affected the EC's attitude vis-à-vis the GSP dictatorships. Yet at the same time there are inter-imperialist contradictions between the US and the EC, for example for the conquest of protected territories, for capital export, for export of commodities and the control of raw materials. Furthermore, there are intense struggles over the control of the intermediate countries which serve as a staging post for the further expansion of imperialist capital. Portugal and Greece are characteristic cases in this respect because of their position between foreign capital and its penetration into African markets. As far as the southern Europe was concerned the contradiction between the US and the EC was expressed by the independent strategy pursued by the Community in the Mediterranean region in the 1970s.

When it comes to the relationship between US-Europe contradictions and the collapse of the GSP dictatorships, Poulantzas maintains that although the contradiction played an important role in the process, it was not direct or immediate. US-Europe contradictions were reflected in the divisions among the endogenous bourgeoisie of GSP countries (in parallel with their lines of dependence) into American- or European-

oriented bourgeoisie. In other words, the contradiction between the US and Europe at a global level led to intra-bourgeoisie contradictions in GSP countries. The fall of the dictatorial regimes in GSP was significantly affected by the redistribution of power between the two fractions of the bourgeoisie in favour of the European-oriented section. From a political point of view, while the American-oriented bourgeoisie was identified with the military dictatorships, the European-oriented fraction was identified with democratic regimes. However, the victory of European-oriented capital over American-oriented did not necessarily mean the total elimination of the latter. Accordingly, it was not a radical challenge to American capital.

European-oriented capital (which Poulantzas also called the domestic bourgeoisie) was the product of the process of dependent industrialisation which commenced in the 1960s. It was chiefly involved in light industry in the consumer goods field, although occasionally it was involved in heavy industry (consumer durables, textiles, engineering, steel, and chemicals) and the construction industries (cement etc.). Furthermore, the domestic bourgeoisie invested in the fields of transport, distribution (commercial capital) and services of various kinds (particularly tourism). On the other hand, American-oriented capital (which Poulantzas also called the comprador bourgeoisie or the oligarchy) was the representative of foreign capital. Its interests were totally subordinated to foreign capital, and it was involved in speculative activities in the financial, banking and commercial sectors. However, it also existed in some sectors of industry, but totally dependent and subordinated to foreign capital.

The contradictions between the fractions of the bourgeoisie in GSP originated from the distribution of surplus value; although both fractions were dependent on foreign capital, American capital and its agent, the comprador bourgeoisie, seized the largest slice of the surplus at the expense of the domestic bourgeoisie. Furthermore, there were striking differences in the nature of their relationship with foreign capital. In contrast to the totally subordinated position of the comprador bourgeoisie to foreign capital, the domestic bourgeoisie, aiming at industrial development, was sensitive towards the degree of exploitation of the country by foreign capital. It favoured state

intervention for the protection of home markets and tried to make it more competitive vis-à-vis foreign capital. It also promoted the extension and development of the home market by increasing the purchasing power of the masses and it demanded state contributions to the promotion of exports. In this context, the political contradiction between the two fractions of the bourgeoisie was the under-representation of the domestic bourgeoisie in the state structures which were dominated by representatives of comprador interests during the dictatorships. In the struggle for power against its comprador counterpart, the domestic bourgeoisie claimed the support of the popular masses and working classes in exchange for promises of democratisation. Yet the struggle was more about the rearrangement of the balance of forces between the two fractions for the extraction of surplus than it was inspired by democratisation.

In the ideological sphere Poulantzas argues that a progressive nationalist ideology played an important role for the incorporation of the urban petty-bourgeoisie and a part of the army into the struggle against the dictatorships. This neo-nationalist ideology was based upon the promotion of national independence and the revival of popular culture. In this context, the introduction of the themes of “Europeanization”, “development,” “modernisation” and the notions of “independence” and “sovereignty”, themes to which the petty-bourgeoisie and the army were very sensitive, played an important role in the decline and fall of the dictatorships.

Using this framework, Poulantzas introduces a striking study of the internal and international political economy, drawing attention to the interaction between the two and the impact of the interaction on social and political change. Although he emphasises the primacy of internal factors in his work (p.22), he argues that in the present phase of imperialism a mechanistic distinction between external and internal factors no longer exists: “...there is really no such thing as external factors acting purely from outside” (p.22). In other words, he suggest that “those coordinates of the imperialist chain that are external to a country - the global balance of forces, the role of a particular great power, etc. - only act on the country in question by way of their internalisation, i.e., by their articulation to its own specific contradictions” (p.22).

Poulantzas' work is an important contribution to the theoretical and comparative study of change. As Chilcote put it "Whatever his faults Poulantzas demonstrated that theory can lead to a basis for comparison as well as insights and understandings beyond descriptive accounts that characterise most studies of the region" (Chilcote,1991:7).

3.2. Salvador Giner

In an article (1986) on social and political change in southern Europe S.Giner, presents an historical perspective for GSP studies by focusing on national factors. He also describes southern European countries as a distinct category between advanced capitalist industrial centres and those countries which are called the Third World. In other words, southern European countries cannot be located in any of the traditional pair-classifications of countries such as backward/modern, preindustrial capitalist/advanced capitalist, etc. He uses the Wallersteinian concept of 'semiperiphery' and stresses their incomplete passage into a far more central position in the world-economy.

For Giner, contradictory trends and the uneven development prevailing in these countries give way to ambiguities and strains: dependent industrialisation through foreign capitalist investment, and a substantial degree of national capitalism, exist side by side in southern European countries. These contradictory processes which led to undemocratic solutions at the political level, when combined with certain historical continuities and a common geographical location, provide Giner with a distinct region to study and to reach generalisations, however cautious and limited.

His work is built upon class and power structures in the region. In this respect there are four common historical periods, separated by three modes of transition in the development of capitalism in the GSP countries since the 19th century. They are; Oligarchic Rule and Extreme Popular Exclusion; Bourgeoisie Consolidation and Continued Popular Exclusion; Fascist and Fascistoid Military Dictatorships; Constitutional Order within Advanced Capitalist Corporatism.

The first phase of **Oligarchic Rule** was established shortly after the popular wars of liberation and independence against the ancien regimes. After a very short period when liberals were in power, the oligarchy came to power and reigned through restricted franchise and military intervention. The reasons for this oligarchic domination were the small size of local industrial bourgeoisie, the penetration of international capitalism through dealing with state officials and foreign loans, and the large and scattered position of rural population. During the phase of **Bourgeoisie Consolidation**, the parliamentary institutions established in the previous phase were revitalised by the rising commercial, rural and industrial bourgeoisies in alliance with the middle classes. Yet the exclusion of the masses from political participation continued, and rotating conservative and liberal governments allowed a very limited space for legitimate political activity. However, these monarchist, parliamentary and bourgeoisie orders came to an end when it became evident that they were not able to incorporate or control the growing radical extra-parliamentary opposition and failed to implant an imperial state. The phase of **Fascist Dictatorships** was the result of the serious challenges posed by the newly mobilised groups (the excluded and persecuted radical bourgeoisie and its allies). In response to the establishment of quasi-revolutionary regimes by these new groups, reactionary, law-and-order militaristic coalitions came to power in the region. They promoted private capital accumulation through state intervention. Under these fascist regimes modernisation from above continued but the civil rights and freedoms of the previous phase were eliminated. Changes occurred in social life such as the continued rise of middle classes, urbanisation and depeasantisation, secularisation, the emergence of working class opposition, and an increasing international penetration of the economy, leading to the decline and fall of the dictatorships. The fourth phase, **Constitutional Order within Advanced Capitalist Corporatism**, began when the authoritarian regimes eventually disappeared as a result of military adventurism, military defeat and the renewed upsurge of popular and democratic forces. In this phase, the left wing was incorporated into the system in exchange for deradicalization and a consensus was reached between governments, employers, and trade unions as a result of the evolving contemporary

corporatism in the economy. Moderation became dominant in the southern European countries in relation to the demands of the radicals and conservatives.

For Giner, apart from the sequential and episodic similarities among southern European countries, there are structural convergences in the development of capitalism in the region. When the industrial revolution was gaining momentum in Western Europe, it was defeated in GSP and capitalism was confined to commerce and property without capital accumulation. Later in the 19th century modernising efforts were obstructed by the precapitalist oligarchic components of the time. The development of capitalism was carried out by the weak liberal bourgeoisies slowly, and only by making coalitions with backward-looking elements of the society. The lack of private capital and the weak financial situation of the states led to the penetration of foreign capital regardless of the specific needs of the countries. In creating national capital investment Spain was more successful than the other two countries since while Greece possessed an absentee merchant bourgeoisie, Portugal lacked one. According to Giner, the lack of national capital and consequent chronic dependence on foreign investment paved the way for the fascistic autarky of the next phase. However, before the rise of fascism, in the phase of Bourgeoisie Consolidation, a kind of liberal bourgeoisie order was established in each country in contrast to its backward socio-economic environment; in Greece the Venizelos period after 1910, the restoration period in Spain between 1876-1923, and a long period of Portuguese republicanism between 1822-1926. This early liberal era was unlike West European liberalism. Its characteristics were restrictive parliamentarism, a liberal creed with divisions and with southern European conservative tones, societal dualism and the utopian elements of national aggrandisement and belligerent expansionism. Giner believes that the contradictions of this liberal phase led to fascist solutions when the existing political order could no longer cope with the social transformation. A new political solution was needed to legitimise the system of inequality, to foster the aim of national aggrandisement and capitalist industrialisation, and to destroy the rising revolutionary movements.

Understanding Greece and Spain

Fascism was established in GSP in the interwar period and was identified with their leaders; the Metaxas regime in Greece (1936-40), Francoism in Spain (1936-76) and Salazarism in Portugal (1926-74). In fact, in southern Europe, according to Giner, fascism is a long-wave social and political phenomenon. In order to understand it one must take into account other dictatorial periods in GSP that precede or succeed the main fascist periods; the Primo de Rivera dictatorship in Spain (1923-31) and the Colonels' dictatorship in Greece (1967-74). These two periods can be analysed as parts of the historical era either starting or completing it. It is in this sense that fascism in the GSP countries is a unified and long-wave phenomenon rather than a scattered one.

With the establishment of fascism the political and economic roles of the state in GSP changed dramatically. Although the fascist state promoted populist nationalism in the sense that it represented everybody's interests, it was primarily dominated by the interests of a right wing reactionary coalition composed of land owners, industrialists and financiers. The general aim of the fascist state was to create favourable conditions for the accumulation of capital. To this end it suppressed working class movements and neutralised dissident intellectuals and students. On the other hand, the reactionary coalition controlled the state through the army. The ideological spectrum was also occupied by the ideologies of the members of the ruling coalition. The ideologies of other classes or groups - especially the ideologies of the subordinate classes - were almost totally excluded from the 'legal' sphere. Communism was considered as the first and foremost danger threatening society. It soon became the scapegoat of the coalition and, was used to accuse democratic opponents of the regime, as well as socialists and separatists.

The collapse of the dictatorships and the establishment of democratic structures were caused first, by the exhaustion of fascist ideology and second, by the transformation of the structure of the economy. The state of the fascist regime had functioned as the major source of capital accumulation, industrialisation and urbanisation. However, after the massive influx of foreign investment in the 1960s, its economic role began to change. It now became the general coordinator of the economy,

Understanding Greece and Spain

guaranteeing its smooth functioning, the easy repatriation of foreign capital, and its close integration into the capitalist core. The change in the international environment forced GSP to open their economies to foreign investments and to provide stability and low-wage labour. In this way liberal economic policies began to be implemented under the authoritarian regimes. However, these changes which started after the Second World War gradually undermined the political and economic basis of the regimes and ended with their collapse in the middle of the 1970s.

According to Giner the concept of “dependent development” cannot entirely be applied to GSP because it is not clear whether all the national industries and enterprises are subordinated to foreign capital. He tries to substantiate this argument by pointing to some internationally competitive GSP industries (without giving examples) and to the foreign trade expansion of these countries. At this point he considers that these changes in GSP mark their final entry into core areas from the semiperiphery, which in turn can lead to significant changes in the international division of labour in southern Europe. Clear indications of this mobilisation are the declining labour migration from GSP since 1973 and the establishment of factories in these countries mainly by German, French and American industries as a result of cheap skilled labour and the existence of satisfactory infrastructure such as motorways and telecommunications. Hence, he also maintains that the GSP's shift to the core means greater subordination to the international corporate economy but not necessarily economic independence.

On the other hand, in this period concomitant changes occurred in the political sphere. Pluralistic politics flourished and new pressure groups, parties, unions and other organisations which had been excluded from participation in political life were incorporated into the newly emerging system. A striking feature of the new politics was the transformation of the old reactionary political classes into right-wing democratic parties; Karamanlis's Nea Demokratia in Greece, Suarez's Union de Centro Democratico in Spain, and Sa Carneiro's conservative coalition in Portugal. Moreover, the advent of the 'socialist' parties of Papandreou in Greece, Gonzales in Spain and Soarez in Portugal (those forces which were once excluded from political participation)

to power after the conservative governments marked the evolution of the new system towards maturity.

3.3. Immanuel Wallerstein

In the context of world-system analysis Wallerstein also provides us with an historical interpretation of the events in the GSP (Wallerstein,1985) which he considered to be situated in the semiperiphery of the world-economy. Between the Congress of Vienna and the outbreak of the First World War, these countries were subjected to peripheralisation by core countries, and accordingly played the role of low-cost producers in the world-economy's division of labour. Modernised but weak states with adequate bureaucracies were established to maintain optimal flows of the factors of production. The primary tasks of these states were to create an economic infrastructure, personnel training systems and, to maintain order against potential labour unrest. The liberal constitutional state was the model for GSP in this period. The local capitalist classes, large land owners and the new bureaucratic and cultural intelligentsia often gave political support to the system.

However, there were two lines of resistance to these developments; a) resistance coming from the beneficiaries of the previous order that caused conservative-liberal tensions and, b) a very small group of resistant local capitalist strata - which Wallerstein called the partisans of the semiperipheral state - who wanted to use the state in favour of their interests rather than in the interests of core states and core capitalists. However, their social base was very weak. On the other hand, there was no need for intermediaries to play sub-imperial roles for core states in this period and hence no need to strengthen the GSP states. Accordingly, in the last quarter of the 19th century core states penetrated into Africa, Southeast Asia and the Pacific directly rather than through intermediaries.

Wallerstein defines the political developments in the interwar period “as one grand response to the sense and reality of having been left behind” by core powers which scored political and economic successes between 1815 and 1914 (p.37).

However, economic difficulties also contributed to the establishment of authoritarian regimes in GSP. Fascism and corporatism, political and economic nationalism, the cult of the state and the revival of ancient glories were the characteristic features of this “grand response”. Fascism in the GSP meant three things; a rejection of Anglo-American economic and cultural imperialism, a mode of catching up with core countries, and the repudiation of the Third International alternative (socialism). In contrast to the previous period, internal forces “seeking to benefit from a strong state were much stronger sociologically and the efficacy of outside counter pressure much weaker because of the world economic difficulties” (p.38). Fascism was also an efficient means to contain the workers and their demands.

In the postwar period, the formerly autarkic GSP economies were forced by the US economy to reopen themselves to core interests. However, this time reopening also meant economic “development” and “modernisation” and this process, slow at the beginning, had gained momentum by the 1960s. According to Wallerstein, at this time the core zone needed an intermediate sector in the system because as the world-economy further expanded and became integrated, many countries appeared which could play peripheral roles. The intermediary zone was required to balance the demographic weight in the system. That is why GSP were given the semiperipheral role. The development and modernisation process which started in this period in GSP and which had intensified by the 1960s, and the efforts to link them politically and ideologically to the core through NATO and the EC, were expressions of this tendency. For Wallerstein semiperipheral states have a different structural content according to time and place, and a different social meaning. They can act as both anti-systemic thrusts as in the interwar years, and also as stabilisers in the system as exemplified in the postwar period. Thus, they become a critical device in the functioning of the world-economy.

Wallerstein interprets the recent efforts of GSP governments (both on the right and left) to strengthen the state and to improve their relative position in the world-economy as attempts to gain secondary (but considerable) economic gains rather to

block further core gains for the establishment of a new economic structure at a time of interstate core rivalry.

3.4. Giovanni Arrighi

G. Arrighi (Arrighi, 1985) is another scholar who questions the developments in GSP in a theoretical and comparative way. He focuses on the patterns of political and economic convergences in GSP in the interwar and postwar periods. Arrighi argues that although Wallerstein's interpretation of fascism in GSP in the interwar years as "one grand response to the sense and reality of having been left behind" has its merits, it does not explain the similarities and differences between the experiences of the individual countries. He sees fascism in the GSP as more than a response to the sense of having been left behind. Specifically, it was a "response to the acute conflicts among and within states" which appeared as a result of the eventual collapse of the 19th century liberal world order under British hegemony (p.255). Moreover, it was a reaction to the Marxist alternative of creating a socialist world order. On the other hand, these authoritarian regimes were established and functioned on the characteristic features of the interwar years: 'the failure to establish free trade in the 1920s; the subsequent break up of the world market and the resurgence of inter imperialist rivalries in the 1930s; and the outbreak of the Second World War'. These developments at the global level created a favourable environment for the promotion of both fascist and communist ideologies. As semiperipheral countries where social dislocation and extreme dualism were prevalent as a result of early industrialisation, GSP countries were the most affected ones.

Arrighi emphasises the importance of the extreme dualism in the semiperiphery for the rise of fascism. In an environment where a (developing) modern, large scale industry existed side by side with a backward social environment full of large reserves of pre-industrial wage-labour, the power of labour movements, although potentially able to interrupt capital accumulation, was not strong enough to meet counter attacks in the work place or in the political arena. The economic mobilisation of a large labour army and the political mobilisation and support of other social groups for anti-labour

Understanding Greece and Spain

policies neutralised the mobilisation of labour movements. The support for fascism came from a variety of social groups. However, its main supporters were the urban and rural middle classes 'whose livelihood, security and status were directly or indirectly threatened by the combination of workers' power, break down of law and order, and intensifying market competition' (p.256-7). These groups (i.e., small and medium entrepreneurs and property holders, white collar employees, unemployed veterans and army officers, students and displaced intellectuals) were in favour of a strong state independent of both organised labour and capital and, since they had diversified interests, the autonomy of the state was easily ensured. However, the success of each individual case was largely determined by the kind of relationship between the fascist regimes and historically rooted capitalist interests prevailing in the individual country. When it comes to the critical question of 'why fascist regimes emerged in southern European semiperipheral countries in the interwar years? ', Arrighi points out the geographical proximity of the region to central and north- western Europe as the epicentre of anarchy and the peculiarities of state formation in the GSP countries.

The fascist regimes aimed at internal social harmony through a strong corporatist state. Their similar economic policies comprised of a strong currency, protectionism/mercantilism, labour repressive corporatism and direct state regulation of developmental process. In this context, market rule, liberal democracy and class conflict were considered threats to internal social harmony. Furthermore, apart from replacing the market through regulating key economic processes, the fascist state in some instances provided support and stimulus to the weak capitalist classes.

Arrighi argues that although the Spanish fascist experience was started by the Primo de Rivera dictatorship in 1923, it was reversed for a short period in 1931. However, in 1936 Franco re-established fascism in Spain through the decisive interventions of Nazi Germany and Fascist Italy and also with the support of peasants who were organised by the Catholic Church. In relation to capitalist development, Arrighi points to the early anti-developmental characteristic of Spanish fascism, but also emphasises its eventual shift to a developmentalist line later in the process.

Understanding Greece and Spain

In the Greek case fascism was not able to consolidate itself in the interwar years because of the absence of an industrial structure and a significant labour movement. Early Greek capital had been accumulated under the Ottoman administration. Later, after the establishment of the Greek state, the Greek Diaspora bourgeoisie living elsewhere in Europe constantly improved its position through its formidable sea transport fleet. The Diaspora bourgeoisie channelled considerable resources to the mainland for the education of necessary human resources and for the development of sectors to support Greek mercantile and financial capital. However, in this way the Greek state developed a kind of bourgeoisie without having control over it. As a result, Greek political elites were not able to create a long lasting fascist regime for political and economic regulation.

According to Arrighi, the postwar transitions in GSP also occurred in response to acute conflict. These conflicts originated from defeat or quasi-defeat in the war and from social movements of protest and of resistance to exploitation. Although a military defeat never occurred in Spain, the latter phenomenon played a role in all three countries. The common point in the transitions of GSP in the postwar period was the resurgence of labour movements in such a way that the existing elites could only contain them in social democratic forms of political-economic regulation. (Here, Arrighi draws attention to the relatively weak position of the Greek labour movement). In fact, Arrighi's main concern is to find answers to the question of 'why the social conflicts of the interwar and postwar periods called forth opposite forms of conflict resolution ?' (p.265). In other words, he is interested in 'why social democratic regimes became the form of conflict resolution in the postwar period, in contrast to the fascist forms of conflict resolution in the previous period ?' (p.265). According to Arrighi, the answer can be found in the changed patterns of world hegemony and in the concomitant transformations in the social structures of southern Europe. To put it differently, the establishment of US hegemony with its new world order, and the impact of this new hegemonic structure on the social structures of GSP are the causes of declining fascist and emerging social democratic tendencies of conflict resolution in the region in the postwar era.

Understanding Greece and Spain

The establishment of US hegemony put an end to the prevailing anarchy in the interstate system. In response to the bilateralism of the interwar years, American hegemony established the principle of multilateral exchanges and payments between, within and, across boundaries. The new liberal world order was significantly different from the 19th century liberalism of British hegemony. These differences were reflected in the ideological, political and economic spheres. Ideologically, the old liberal understanding of a self-regulating market was abolished; the market was now considered to be incapable of regulating itself. Instead, the market was perceived as an essential instrument to be used against fascism and communism. Accordingly, the state began to play a crucial role in the market economy through 'creating and reproducing global, regional and national institutional arrangements' (p.266). Moreover, it was also given the authority of "setting developmental objectives, and of supplementing, regulating or even partially displacing market mechanisms" (p.266) for the smooth functioning of the market economy. At the political level, Americans established multiple interstate organisations; military organisations like NATO, SEATO etc.; economic and financial institutions like IMF, GATT, EEC etc., were established for the swift consolidation of the principle of multilateral exchanges and payments. In the economic sphere, direct investment became the main characteristic of US hegemony. Indeed, it was a revolution in the functioning of world economic processes in the sense that through direct investment, restrictions on penetration into national markets, the exploitation of national resources, and quotas and tariffs were all de facto abolished. As long as foreign investment was allowed to operate in national locales and to transfer certain amounts of profit out of the country in which it operates, trade restrictions were acceptable. Hence, in contrast to the "free-trade" principle of British hegemony, Americans established the primacy of "free-enterprise".

Naturally, these dramatic changes in the global environment led to transformations in the policy options of GSP. In the short run US hegemony followed a conservative line in the region as a result of its policy of suppressing communist tactics and strategies in the US sphere of influence. In other words, the outbreak of the Cold War decisively contributed to the survival of the Spanish and Portuguese fascist, and

Understanding Greece and Spain

the Greek authoritarian regimes. However, in the medium term the new hegemonic structure played a reformist role in the region by transforming and undermining the pillars of the fascist regimes through market mechanisms. The anarchy in the interstate system and the world- economy through which these fascist regimes legitimised their nationalist and protectionist policies was over. Thus the reconstruction of the world market lost them their ideological and practical strongholds. Their incorporation into the new system of multilateral exchanges and payments and the operations of the market forces in these fascist regimes which now abandoned their anti-market stance in exchange for survival, paved the way for their eventual collapse in the mid-1970s.

The introduction of capitalist rationalisation in these societies radically changed the social structures and balance of forces that the fascist regimes rested upon. According to Arrighi, US' activities in Europe contributed to the economic and social transformation in southern Europe in two ways. First, the US extended aid to the region (redistributive measures) in order to relax the balance-of-payments constraints in the industrialisation process. Second, the reconstruction, integration and rationalisation of central and north-west European economies, which was realised through deliberate US policies, generated spread effects in the geographically proximate regions of southern Europe. The practice of direct investment further contributed to this process through inter-enterprise relations; direct investment, which penetrated the economies of the fascist regimes of southern Europe as a result of economic liberalisation, accelerated the spread of the most advanced techniques of capitalist production from core to semiperipheral countries.

In this new competitive world market characterised by direct investment, West European countries took advantage of the low-wage labour supplies of southern European peasants. The economic expansion of both Western and southern European economies relied heavily on this phenomenon. The peasants became migrant workers in the industrial towns of Europe or at home. According to Arrighi, the European economies would not have become competitively advantageous in industrial production if they had not employed southern European peasants in semi-skilled or unskilled jobs.

However, these developments led to significant changes in labour-capital relations. As the peasant labour reserves in the southern European countries diminished as a result of proletarianisation (or through changes in the outlooks and expectations) the power of labour increased vis-à-vis the power of capital. This process was experienced in southern Europe between the 1950s and 1970s. As market mechanisms further operated and the bargaining power of labour consolidated on the basis of capitalist labour movement processes after the mid-1970s, the forms of labour control shifted towards democratic socialist forms in the region. Accordingly, the political elites of southern Europe were also pushed to converge in social democratic regimes. Yet, this convergence presents different formulations of democratic socialism depending on the different political histories of the GSP countries and their different locations in the semiperipheral zone of the world-economy.

3.5. Çağlar Keyder

Keyder's approach to the role of the US and Europe in GSP political and economic developments in the period between 1945-1974 (Keyder,1985) is also worth mentioning. Like Arrighi, Keyder emphasises US-European relations in the immediate postwar years and their spill-over effects on GSP countries. After the Second World War one of the important problems of the US economy was industrial overproduction resulting from the limits of the market. Hence, the reconstitution of the European market in harmony with the spirit of the newly emerging institutionalisation of the world-economy seemed to Americans to be the only immediately viable solution for the market problems of US goods. However, the European economies were not in a position to generate their own means of payment for US exports in the immediate future. In other words, while the US had the capacity to export and the ability to import, Europeans were not able to import because of their lack of capacity to produce for export. The Americans resolved the problem by transferring dollar funds (which was the international currency) to Europeans on condition that they would purchase US goods in return. This would enable the Americans to solve their market problem, and Europeans would start to reconstruct their economies. In time they would be able to reach a production capacity to export and generate their own foreign exchange for

imports. This plan would also serve to consolidate the new hegemonic world order which envisaged the supremacy of a multilateral world market free of political control. Moreover, through creating internal support in the individual countries, the plan would legitimise American hegemony as well.

Accordingly, the Marshall Plan was put into practice and dollar funds became available to governments. They were redistributed by the local governments to local investors so that capital goods and technology would be purchased from the US. In fact the nature of the imports was determined by the 'absorption capacity' of, and the 'international specialisation' expected from, recipient countries. For instance, while German imports were composed of machine goods and foods, Turkish imports included capital goods for the establishment of an infrastructure. In this way local bourgeoisies first became dependent on the new state managers and legitimised the political authorities and second, gave their support to American policies and the underlying ideology.

In a relatively short period of time the implementation of this plan led to the emancipation of the West European economies from reliance on American funds. In other words, they began to reconstruct their economies and to generate their own foreign exchange. While none of the GSP countries reached this point, they increased the volume of their imports in the 1950s and 1960s. According to Keyder, although American aid (official transfer of funds) significantly contributed to close the gap in the trade (import-export) deficits of these countries in the 1950s, after the early 1960s tourism revenues and workers remittances provided additional foreign exchange (for figures see, pp.142-43). The introduction of tourism revenues and workers' remittances as an additional source of foreign exchange reduced the degree of politicisation of the economies by the state and freed the local bourgeoisies from dependence on the political authority. Here Keyder draws attention to the relationship between the state and the economy, and the positions of the local bourgeoisie in the case of Latin America, where American aid remained the only source of foreign exchange for imports for relatively longer periods of time. In southern Europe, however, additional

foreign exchange, obtained both from emigrant workers remittances living in Western Europe and from the Western European tourists spending their leisure time and money in geographically proximate GSP countries, led to the decreasing role of the state in redistributing foreign exchange. This, in turn, significantly contributed to the autonomous working of the economies. According to Keyder, the advantages of geographical proximity to Western Europe did not stop there. The existence of EFTA and the EC promoted trade between Western and southern Europe and West European capital started to invest in its southern neighbours. As a result, at the end of the 1960s the orientation of the GSP economies began to shift from the US to Europe.

At this point Keyder emphasises the spill-over effects on the GSP economies of the reconstruction of the north European economies by the Americans. In other words, when the West European economies were able to stand on their own feet and hence, when they began to run trade surpluses, new sources of foreign exchange became available to GSP in the form of tourism revenues and workers remittances to fill the gap in their trade deficits (balance-of- payment deficits). Subsequently, Western Europe asserted its primacy over neighbouring GSP and this led to the collapse of the support given to US policies and local political authorities in GSP countries. In fact, these developments coincided with the relative decline of US hegemony and the emergence of Europe as a rival seat of power in the world-economy.

Like Poulantzas, Keyder distinguishes between economic elites as European- and American-oriented bourgeoisies in GSP countries in parallel with the differentiation in the source of foreign exchange funds in the late 1960s. As European-oriented bourgeoisie became strengthened, the conflicts with the US-oriented fraction over political and economic orientation entered the agendas of GSP and it resulted in the collapse of the authoritarian structures (suitable for the US hegemony) and the establishment of democratic structures (similar to the West European model) in the mid-1970s. Accordingly for Keyder the political histories of GSP in the late 1960s and early 1970s can be interpreted as the restructuring of the conflict between these two fractions of the bourgeoisie over the state structures.

3.6. Geoffrey Pridham

G.Pridham is another scholar who studies social change, and more specifically, the transition to democracy in the GSP countries (Pridham,1984). He builds his non-theoretical but comparative framework on the question of 'whether there is a Mediterranean model of liberal democracy'. His area of comparison is not limited to comparisons between the GSP countries but also extends to a comparison between southern European and West European types of democracies. In other words, Pridham establishes Western Europe as the yardstick to evaluate the GSP democracies. In this way, he introduces a distinction between parliamentary states and liberal democracies, emphasising the point that while liberal democracies are characterised by popular participation, the articulation of pluralism and existence of political parties (the latter performing a vital societal role of mobilisation and expression of demands), parliamentary states correspond only to limited and responsible governments. To put it differently, liberal democracies include both political culture and political-institutional structure.

The formulation of political-institutional and political-cultural spheres represents the backbone of Pridham's comparative approach to the study of GSP. In this respect the GSP countries, according to Pridham, have successfully established their political-institutional structures, such as political parties, democratic elections and - albeit with some restrictions- interest groups and other organisations. However, the political cultural sphere, which is the other main component of liberal democracy, is still in its infancy in GSP. This is mainly because political culture cannot easily be revolutionalised in a short time but it transforms itself in an evolutionary way. Thus, transformations in the political cultures of GSP, and accordingly the transformations to a Western type of political democracy becomes, *ceteris paribus*, a matter of time.

Apart from these similarities in the internal aspects of regime transition in GSP, an important external factor, namely Europe, is also emphasised in Pridham's work. The existence of both EC with an integrative framework, and established liberal democracies throughout Europe has contributed positively to the transformation of the

GSP countries - an element which is missing in other parts of the world like Latin America. On the basis of these similarities and some other historical convergences, Pridham concludes that a 'Mediterranean model' of political development can be considered a distinct category to be studied.

In a recent work Pridham has focused on the international context of regime transition from dictatorship to democracy in GSP (Pridham,1991). Pointing to the fact that the role of external influences on regime transition has always remained marginal, he draws attention to the relevance of studying three regional examples of southern Europe, Latin America and eastern Europe in this context. His main concern is to examine the linkage between external factors and internal developments comparatively in five southern European countries. In order to be systematic and to make his framework clear and manageable he confines himself to the 'issue-area' of regime change.

3.7. Conclusion

Although these models emphasise the different aspects of the social and political changes in the GSP they do not explain the specific interactions between the external and internal variables. More importantly, they do not emphasise the specific actions taken by the domestic actors of each country in response to the opportunities provided and constraints imposed by the systemic-structural changes in the world-economy. Furthermore, these studies do not analyse the foreign policy consequences of these developments. Accordingly, taking these various models into consideration, in the context of world-system analysis, the following country chapters will specifically examine the impact of structural change in the postwar world-system on the economic and political structures of semiperipheral Greece and Spain. In doing this, I shall examine the individual actions taken by the Greek and Spanish economic and political elites vis-à-vis the observed changes, and the impact of these actions on the foreign policy developments.

CHAPTER V

GREECE: 1945-1974

1. Introduction

In this chapter, I shall analyse Greece's semiperipheral development and foreign policy in the framework of world-system analysis in the period between the end of WW II and the collapse of the dictatorship in 1974. In the next chapter I shall turn to the post dictatorship period, i.e., from the establishment of democratic rule to the 1990s. These two periods of Greek history overlap with the expansion and contraction periods of the world-economy respectively. Accordingly, I shall try to show various semiperipheral characteristics in relation to these different periods.

In world-system analysis the general foreign policy orientations of semiperipheral states in expansion and contraction periods may take different forms. In expansion periods they tend to become satellites of a hegemonic power. In other words, the foreign policies of semiperipheral states are designed by the hegemonic power and their national interests are mostly subordinated to the global and local interests of the hegemonic/core powers. However, in contraction periods semiperipheral states may change their international alliances, ceasing to be satellites of the hegemonic power. Their margin of independence in pursuing their national interests increases. Upwardly mobile semiperipheral states may also increase their influence on the management of international problems. On the other hand, in both expansion and contraction periods intra-semiperiphery rivalries will probably occur for favours from hegemonic and/or core powers. When rivalries occur the foreign policies of semiperipheral states are either directed toward curbing the inflow of benefits from hegemonic power or core states to rival state(s) or, conversely, toward encouraging similar types of favours for themselves. Another characteristic foreign policy orientation of (upwardly mobile) semiperipheral states is to attempt to play a kind of sub-imperial role in geographically and culturally contiguous areas through emphasising their bridge-like positions between these and core areas.

In world-system analysis there is a close relationship between the world-economy (expansion or contraction phases), the state of the national economy, and the

politics and foreign policy of a semiperipheral state. In other words, world-system analysis provides the global and national economic environments where the main directions of the foreign policies of individual states are to be analysed. The world-system perspective examines system-wide dynamics as well as national processes. Accordingly, developments in these environments are the main source of change in the foreign policy direction of semiperipheral states.

In analysing Greek foreign policy in the general framework of world-system analysis I shall also refer to Poulantzas' arguments about the internalisation of the changing conditions of international economic environment (see chapter 4). Hence, I shall use Poulantzas' formulation of the American and European oriented economic elites and their struggle for power in relation to US-Europe rivalry. This point is important because the US and Europe oriented bourgeoisie can also be identified as peripheral and core-like producers respectively in world-system analysis.

Let us begin by defining the national economic environment in Greece in the 1945-1974 period when the world economic environment was in an expansionary phase. This period will be considered the Atlanticist years of Greek foreign policy. However, in order to show the correlation between changes in the economic environment and changes in foreign policy I shall divide the period into three sub-periods.

2. The Economic Environment

The state has a central place in the semiperipheral zone of the world-economy. In world-system analysis the study of a semiperipheral country essentially means the study of its state because the political processes in relation to the economy, i.e., the relations between state policies and the accumulation of capital, are the key to observing developments in other spheres of activity in semiperipheral countries. The state is more important in the semiperiphery than in the core or periphery since it is the main locus in which the central economic actors can effectively promote their interests. Thus the struggle to control and/or transform state policies is the main activity of semiperipheral

economic actors: owner-producers (both core- and periphery-like), work force, and multinationals, etc.

Nevertheless the process of capital accumulation in the semiperiphery is not a one-way phenomenon. In other words, the direction of capital accumulation is not only determined through the state oriented activities of different economic actors, but also through state policies as well. First of all, the state is not a passive recipient of the policies of different economic interests. It may favour the interests of different groups which is why different groups fight for influence over state policies. Perhaps a more important point is that the state itself may take steps to create opportunities for entrepreneurs, and it sometimes takes on an entrepreneurial role itself (Chase-Dunn, 1989:120). Thus, the state has often become the pioneer of the development process in semiperipheral countries with potential upward mobility (Chase-Dunn, 1989:241). In the semiperiphery, therefore capital accumulation is a process where both “state-oriented” and “state-originated” policies may play important roles.

A cursory glance at the Greek political economy in the 1950s and first half of the 1960s reveals that the Greek state intervened in the domestic market in favour of the interests of financial and industrial monopoly capital which could be considered the periphery-like producers of the country. They were periphery-like in the sense that the capital equipment of even large scale industrial units was old or inferior in quality (Coutsoumaris, 1963:309) which led to high cost and inefficient production, and hence, an unwillingness to compete with foreign and potential new domestic firms (Ellis, 1964:180).

In this period, one of the main characteristics of Greek industry, which was composed of many small and few large firms, was its monopolistic and oligopolistic structure (Ellis, 1964:175-79). Almost all the monopolistic and oligopolistic sectors were protected against newcomers by the state regulation known as the Expediency Licence Law. State intervention was realised primarily through an extensive system of permits which were needed for establishing and locating business, and also for making

changes, such as expanding, merging or moving, etc. (Ellis, 1964:181). The stated aim of this policy was to prevent the entry of new firms into saturated fields, but under pressure from existing monopolistic firms to retain their privileged positions it was misused (Ellis, 1964:180). This is a very good example of how a group of economic actors used state mechanisms to control or transform a specific state policy in favour of their own interests through political pressure. A striking characteristic of the Expediency Licence Law was that it gave related ministers the right to issue the permits which in turn led ministers to exercise subjective judgements and considerations based on political pressures and personal relations rather than economic criteria (1). Another type of state intervention which favoured “peripheral producers” was the tariff system and import policy which provided a powerful shelter to inefficient Greek firms against competitive foreign products. The protectionist devices used by the Greek state were import licensing, import payment controls, preference for domestic producers in government purchases, tariffs, and quotas (Ellis, 1964:333).

Although the Greek state provided both internal and external protection to domestic monopoly and oligopoly capital this did not lead to increasing investment or to the introduction of new industrial technologies which might be considered the logical consequence of such protectionist policies. On the contrary, it led to a decreasing propensity to invest and a further strengthening of the monopolistic structure. More seriously, it discouraged potential investors who could promote core-like production patterns through using advanced technology.

Another striking feature of the Greek economy was the bilateral monopolistic relationship between industrial capital and powerful finance capital. Greek finance capital, which was dominated by two commercial banks (The National and Commercial Banks) controlling more than 90 percent of all assets and the insurance market in the country (Psilos, 1964:186), was the most significant source of private finance for entrepreneurs. The relationship between these large financial groups (especially the two commercial banking groups) and large scale industrial monopolies and oligopolies was turned into a concentration of peripheral interests with the

participation of the commercial banks' capital in the share capital of many industrial firms (Ellis, 1964:197 and Psilos, 1964:189). This intimate relationship between finance and industrial capital was consolidated by the dependence of firms upon the banks' working capital, the direct or indirect participation of high level bank officers in the board of directors of these large firms, and also by the bank's preferential treatment in granting loans to these firms, and refusing them to potential rival industrialists (Ellis, 1964:197).

The relationship between the state and finance capital also revealed interesting features. Throughout this period the state exercised considerable authority over the banking system by controlling the credit market and maintaining the rules for extending credits. Furthermore, the commercial banks for a long time depended on the state's central bank for the funds made available by American aid (Halikas, 1978:3-10). Moreover, the governor of the National Bank, whose views on economic policies had decisive influence, was appointed by the government (Psilos, 1964: 193). It is also worth mentioning the influence of finance capital on state policies. Their continuous pressure on the state not to allow foreign banks to establish branches in the country so that they retained their oligopolistic privileges in the finance market (Halikas, 1978:15 and 30) (2) and similarly, their stubborn resistance to the establishment of long-term semi-state financing institutions via the governor of the National Bank, a state appointed official (Psilos, 1964:192), showed their powerful position in the Greek establishment. Accordingly, the state's long-term financial institutions, for example the Economic Development Financing Organisation (EDFO), were managed in a way that could not harm the interests of Greek financial capital. A significant part of their funds was allocated to inefficient undertakings out of political rather than economic considerations (Psilos, 1964:226). Similarly, although EDFO was established to finance the industrial sector, a significant part of its credits went to the primary production and agricultural sector (Psilos, 1964:226). The negative attitude of finance capital towards the state-owned EDFO became clear when the plan to turn EDFO into a semi-public, efficient investment organisation was cancelled because of pressure (Psilos, 1964:192-193).

It was obvious that the web of relations and interconnections between (periphery-like) industrial capital, finance capital and the Greek state was perpetuating the continuation of stagnant, uncompetitive, labour intensive, old technology and high cost production structure in Greece. In explaining why Greece lacked a dynamic economy, Ellis argues that the small ruling elite in the political and economic spheres had close ties with one other:

The ingrown quality of Greece's small ruling elite, closely interconnecting political, financial and industrial circles, is the major factor here. Thus, at both levels in Greece, no finance is desired from outside the group whether that be the family typically owning a small firm or the elite circle controlling the large firms and the banks. (Ellis, 1964:63).

Consequently, state policies usually promoted the interests of periphery-like industrial producers or the latter blocked the state's developmental economic policies.

A third section of capital which occupied a significant place in the political economy of Greece in this period came from shipping. Although the financing of Greek shipping was dependent on foreign, particularly American, sources (Serafetinidis, 1979:59), the interaction between the Greek state and Greek shipowners has always been close. As Serafetinidis put it:

The Greek state has been the sine qua non factor in the development of the Greek shipping industry. The dependence of Greece's shipping capital on the Greek state's support and protection is one more aspect of the latter's Greek nature... Whether or not some of these shipping firms have acquired a multinational character, in the crucial take off stage, ... involving competition with shipping firms of other maritime nations, and in regard to... finance and taxation, it is to the Greek state that they have turned for help. (Serafetinidis, 1979:61).

With American assistance the Greek state contributed decisively to the revitalisation of the devastated Greek merchant fleet in the immediate postwar years. Moreover, in 1953

Greek shipping, like foreign investment, was granted extensive privileges and concessions through the foreign investment legislative decree of 2687/1953 (3).

The relationship between shipping and finance capital is also worth mentioning. Although Greek finance capital did little to finance the shipping industry directly, it gave indirect support through letters of guarantee, assistance in the establishment of new companies and intervention in times of crisis (Serafetinidis, 1979:61). Moreover, the fact that Andreadis, the owner of the Commercial Bank of Greece was at the same time an important shipowner demonstrates the close relationship between shipping and finance capital. And when it is added that Andreadis was the state's favourite banker (Psilos, 1964:217), the web of Greek political economy becomes evident. Finally, the monopoly privileges given to Niarchos, another important shipowner, in the shipbuilding industry, and the unwillingness of the state to grant licences to competitors in this sector because Niarchos successfully opposed the establishment of a rival firm in 1963, further underlines the close relationship between the Greek state and shipowners (Ellis, 1964:185).

However, the most important actor in the Greek economy at that time was the US. The central global aim of US policy makers was the reestablishment of world-wide liberal economic transactions. Greece, strategically located at the crossroads of the sea and air routes of three continents and the oil-rich Middle East, and with a long commitment to western liberal ideology, was a crucial country to be integrated into the new liberal economic world order as soon as possible for the smooth recovery and the functioning of the system.

Yet the outlook for the Greek economy in the immediate postwar years was very grim: the economy was ruined by the Second World War and the civil war, without a significant agricultural and industrial structure and production (4). As the new hegemonic power of the world economy it became clear to the Americans that massive aid would have to be poured into the Greek economy. Accordingly, US dollars were extended to Greece through the Truman Doctrine and Marshall Plan for the

preservation of a liberal ideology and the reconstruction of the Greek economy. OEEC/OECD reports between 1952 and 1963 show that this American aid continued until the early 1960s.

The terms and the conditions of American aid were set by US officials and submitted to the Greek authorities for approval (Kofas, 1990:54). The implementation of the aid plan was to be supervised and administered by an American team called the American Mission for Aid to Greece (AMAG) which was given limitless authority to control the organs of the Greek state and government. AMAG experts included military officers, economic advisors, agronomists, engineers, industrial technicians, and experts on finance, welfare, transportation and labour relations. They were installed in the ministries and other state and governmental agencies to control the implementation of aid. Their powers were such that without the approval of the Americans, the Greek authorities were unable to take important decisions (Kofas, 1990:55). AMAG gave priority to economic and military affairs. In the economy American officials influenced monetary, fiscal and commercial policies by dominating important committees, such as the Currency Committee, the Foreign Trade Administration, and the Central Loan Committee.

The second American economic initiative in Greece came with the European Recovery Plan (ERP), also known as the Marshall Plan. It was put into practice when the Greek-American Co-operation Agreement was signed in 1948 and the AMAG was replaced by the Economic Co-operation Administration/Greece (ECA/G). The ECA/G, like the AMAG, controlled Greek credit and fiscal policies and hence determined the direction of production, capital development, taxes, wages and salaries (Kofas, 1989:110). Although credit policies were ultimately formulated by the state the Americans controlled them through Legislative Decree 588. The second article of the law stated that "The Currency Committee shall determine from time to time by its decisions the details of the financing of each branch of production, the total amounts of credits to be granted and the terms and preliminary conditions under which they are to be made available by banks, other credit organisations, or any other kind of public law

organisation whatsoever, either out of their own funds or out of funds made available to them by the Bank of Greece” (5). The ECA/G had the power of both advising and directing the Greek government in using aid and in planning, and disposing of domestic resources. Furthermore, the Greek government had to inform both the ECA Commission and the US government about any development and plan that could affect the aid flows.

Nevertheless, the Greek state was given important roles for the distribution and implementation of the American aid program, which in turn contributed to the development of intimate relations with the Americans and the increase of US influence over the political economy of Greece. In this way links were also established between the Americans and different factions of the Greek economic elite. First of all, links with finance capital were established by depositing American funds in the banking system (Halikas, 1978:31). American aid funds which were deposited mostly in the Central Bank of Greece closely tied the Americans, state officials and finance capital to each other in the process of management and the use of these funds. In the absence of domestic savings (6), commercial banks became dependent on the Central Bank whose loans were made up of US aid, and on the Currency Committee which was also monitored by the Americans for their monetary and credit policies. Under these circumstances it was not surprising that the interests of industrial capital were incorporated into the interests of other actors especially through the distribution of credits. And given the intermingled characteristics of Greek industrial and financial capital it became easy to see the established interests between the Americans, the Greek state and the finance and industrial capital.

Long-term credits in industry, mostly from direct American aid, were granted under the auspices of American officials (Ellis, 1964:272). Thus, it was apparent that the Americans were not against the way the Greek authorities distributed American funds among Greek industrial capitalists. However, the important point is that US funds were distributed to privileged large and old industrial interests which constituted inefficient enterprises with antiquated machines and outmoded labour intensive

production, and entrepreneurs investing in real estate and other speculative areas rather than in the modernisation and expansion of their industries - those entrepreneurs which we may categorise as “periphery-like producers”. Hence, it is not unrealistic to consider this a dependent relationship, and to call those interests the American-oriented bourgeoisie.

The relations between the Americans and Greek shipping capital developed in parallel to the general practices (Serafetinidis et al., 1981:292). During WW II almost 75 percent of the Greek merchant fleet had been destroyed. In order to reconstruct the shipping sector the Greek government, in collaboration with the American Mission (AMAG), prepared a programme and initially American funds were used for this task (Serafetinidis, 1979:62). Furthermore, a second decisive step was the purchase of 100 Liberty type ships from the US government under favourable conditions (7) guaranteed by the Greek state (Serafetinidis et al., 1981:294).

US support to Greek shipping capital provided shipowners with the opportunity to realise large profits in the international market which made Greece one of the world's leading maritime powers. Accordingly, during the 1950s Greek shipowners became the major sea carriers of US imports and exports. Furthermore, a significant part of Middle Eastern oil was carried by Greek tankers (8). This 'special relation' between the Americans and Greek shipping capital benefited both sides: while the Americans were anxious to use the centuries-old Greek maritime experience, Greek shipowners made immense profits through US protection and preferential treatment. Hence, Greek shipowners, whose prosperity depended on their American connections and effective American control of the sea routes, were also incorporated into the broad alliance between the interests of the Greek economic elites and American hegemony.

Besides US foreign aid, foreign private investment capital was another major external actor in the Greek political economy. The foreign capital that flowed into Greece was predominantly US private investment capital. American foreign investment policy was based on the general principles of postwar global liberalisation, and

especially on the free flow of capital or foreign direct investment which has been, perhaps the most important and innovative aspect of the US designed new economic world order. However, although attempts were made to create a favourable climate for foreign investment capital in Greece, because of the contradictory protectionist policies of the Greek state, the amount of foreign capital in Greece remained negligible until the early 1960s.

Economic relations between the USA and Greece were primarily within the public sector until the early 1960s. American capital flow into Greece in this period took the form of public grants, loans, intergovernmental agreements, etc. But the Americans also signed the US-Greek Agreement of 1948 which emphasised the global liberal principles of the new economic world order. It included provisions regarding private sector relations (Thomadakis, 1980:76-77) which stressed the international free trade principle, the avoidance of protectionist policies and anti-trust policies.

The most significant step to liberalise the economy and to attract foreign investment capital was taken in April 1953 as a result of American pressure. The Greek government devalued the Drachma by a hundred percent and abolished quantitative restrictions on imports, special import taxes, and export subsidies. A special law, Law Decree 2687 of 1953, was introduced to attract foreign investment capital, and it became the basic Greek law for the protection of foreign capital. It was given constitutional protection in order to make foreign investment in Greece more attractive. It protected foreign investment against expropriation, and made the terms of agreements irrevocable to protect against political change and unilateral alterations by governments. It also ensured capital mobility by allowing the free repatriation of imported capital and remittance earnings. The most important clause covered preferential tax treatment. It meant the reduction or waiver of import duties, fees and dues of various kinds, and freezing and forgiveness of income taxes on profits.

In this way the formerly autarkic Greek economy was forced by US hegemony to reopen to core interests. From this perspective the 1948 US-Greek Economic

Agreement and the liberalisation policies implemented in 1953, together with the accompanying foreign investment law can be seen as deliberate attempts by the US, an external actor, to affect the policies of the Greek state in order to promote its global interests. The foreign investment was a striking indication of the introduction of the American-led new economic world order in the Greek economy.

In the semiperiphery capitalists may have alliances with core powers based on their control of peripheral activities, or they may follow independent policies which would expand core type activities. Furthermore, the state often plays a dominant role in the formation of political coalitions among economic groups (Chase-Dunn, 1989:241). As far as Greece is concerned we have seen that the coalition between finance, industrial, and to some extent, shipping capital and the US served to consolidation of peripheral activities in the economy and the state played an important role in promoting the interests of these groups.

3. The Political Environment

Now let us turn our focus from economics to politics in order to see what kind of political structure existed in Greece in this economic environment and whether it revealed semiperipheral characteristics in the expansion period of the world-economy. In world-system analysis during expansion periods semiperipheral countries are expected to be subject to high degrees of direct intervention in their internal affairs by core states. They tend to become satellites/client states of core powers and/or a political agent of the hegemonic power turning ideologically and politically, into its political appendage. In this context I shall examine US intervention into Greek internal affairs and the reactions of the Greek political establishment.

The politics of the postwar period in Greece was the politics of Greek-American relations. All the major Greek political actors and institutions came under US influence, and policies were largely dictated by the Americans. The major preoccupation of US hegemony was the containment of communism and the Soviet Union since communism was seen as the main threat to the legitimisation and

consolidation of the new economic world order. Hence, anti- communism became the central political and ideological reference point around which almost all the personalities and issues in Greek politics converged. The Greek establishment was turned by its own political actors - the monarchy, the army and the parliament - into a faithful political agent for the implementation of anti-Communist policies.

The American view of Greece at this time was that it was a poor country devastated during the occupation and war and fighting against a strong internal communist insurgency in a geopolitical situation surrounded by three communist neighbours, Albania, Yugoslavia and Bulgaria. If Greece fell into communist hands this would be a severe setback for the Americans and for the new economic world order. It would mean the loss of US control in the Middle East, Near East and North Africa, and it would also encourage other communist groups elsewhere in the world. Hence, the Americans concluded that Greece needed urgent and massive American political, economic and military aid for the salvation of its future and the survival of the new world order under US hegemony. Accordingly, the announcement of the Truman Doctrine in 1947 marked the beginning of heavy American penetration in Greece (9). From this point onwards a relationship was established which can be called "Unconditional Atlanticism".

The monarchy was one of the three elements of the Greek establishment through which the Americans established their control over Greek internal affairs. Government instability made it almost impossible to fight effectively against the Greek communist army. The Americans concluded that apart from military and economic aid, Greece urgently needed a stable political body around which anti-Communist political forces could unite. Accordingly, in spite of their early criticisms and opposition, the Americans turned to the monarchy as a reliable anti-Communist rallying point (10). The monarchy was reestablished and the King began to be seen by the Americans as the 'ultimate guarantor of political stability, military preparedness and loyalty to the western alliance' (Iatrides, 1980:67).

Greece: 1945-1974

The Americans also established control over Greek parliamentary forces. Although the main argument between the conservative and liberal parties before the war had concerned the legitimacy of the monarchy (Tsoukalas, 1969:107 and Rousseas, 1968:84), the new American attitude solved this problem in favour of the King and the liberals accepted the legitimacy of the Palace. The outbreak of the Civil War and the American demand that the conservatives and liberals co-operated if they wish to receive aid removed the differences between these two big political parties and hence united the Greek establishment. In fact, the Greek political elite welcomed American intervention. They believed that it was only through American aid and protection that the devastated economy could be reconstructed and the communist threat prevented. From then on the conservatives and liberals/centrists competed with each other for American favour. Their support to the Americans was so unconditional that the centrist Venizelos told the second secretary of the American embassy that both he and Kanellopoulos (Conservative) would abide by the advice given, twice repeating "We are desirous of following the instructions of the US government" (Roubatis, 1987:35). The Americans frequently intervened in the formation and resignation of coalition governments. It became usual for high level American diplomats to tell the Greek Prime Minister that he would have to resign (11). In other words governments rose and fell through American directives.

In 1952 the Americans, frustrated by the acute instability and talk of "fresh" elections, announced significant reductions in American aid. The US ambassador, Peurifoy, intervened in order to convert the electoral system from a proportional to a majority system. At this time the newly established conservative Greek Rally Party headed by ex-chief of the Greek Military Staff, Marshal Papagos, appeared the most suitable American ally. Indeed, he had shown his willingness to cooperate by stating that 'Greece exists because the Americans exist' (12). Accordingly, the majority electoral system "advised" by the US ambassador was adopted by the Greek parliament and Papagos's conservative Greek Rally came to power with an overwhelming majority. A twelve year period (1952-63) of uninterrupted conservative rule began with strong and stable governments.

Greece: 1945-1974

The army was another important element of the Greek establishment through which the US exercised influence, becoming the main bastion of the Americans. It always maintained a high degree of autonomy in relation to parliament and the palace. The successes of the communists in the civil war and the outbreak of the Cold War had forced the Americans to give the Greek army a prominent role against the suppression of communism and it was turned into a die-hard anti-Communist institution.

Nothing could be changed in the Greek army without prior consultation and approval of the US authorities. Retirements and promotions were decided jointly by the Greek government, the Greek General Staff, the American ambassador to Greece, the chief of AMAG, and the American General in charge of the US Army Group in Greece (USAGG) (Roubatis, 1987:44). Moreover, a Joint United States Military Advisory and Planning Group (JUSMAPG) was established to implement new US military plans in the civil war. The establishment of JUSMAPG envisaged the elimination of the Greek government's say on the question of changes in the Greek General Staff. In this way "...the Greek army was transformed into a military establishment made up of Greek soldiers and staffed by Greek officers but with foreigners having the final word on its make up and operations" (Roubatis, 1987:61). In other words, the army was freed from Greek civilian political control and answerable only to its foreign advisor. The Americans deemed it imperative for the Greek army to be isolated from society and freed from ideological quarrels so that it maintained unity and carried out its duties effectively against the communists (Veremis, 1988:242). The position of the army was further strengthened by the outbreak of the Korean War and the subsequent incorporation of Greece into NATO. The Greek army, with its own secret service and intelligence agency, soon became the central actor fighting against the internal enemy - communism. Furthermore, in order to control left wing activities, the Greek intelligence agency KYP was founded under the direction of the CIA (Stern, 1977:13). The personnel and functions of the CIA and KYP were closely intermingled: the KYP was equipped with American technology and its personnel was trained by the Americans (Iatrides, 1980:67).

Greece: 1945-1974

American intervention into Greek internal affairs was summarised in a document which listed the duties to be carried out by the US ambassador to Athens. According to this document the US ambassador had ultimate authority over:

- (a) Any action by United States representatives in connection with a change in the Greek cabinet.
- (b) Any action by United States representatives to bring about or prevent a change in the high command of the Greek armed forces.
- (c) Any substantial increase or decrease in the size of Greek armed forces.
- (d) Any major question involving the relations of Greece with the United Nations or any foreign nation other than the United States.
- (e) Any major question involving the policies of the Greek government toward Greek political parties, trade unions, subversive elements, rebelled armed forces, etc., including questions of punishment, amnesties and the like.
- (f) Any question involving the holding of elections in Greece (Iatrides, 1980:65).

Thus in the 1950s a stable political environment and a strong coalition between the monarchy, army and the parliamentary right was established by the Americans. This authoritarian conservatism, which has been identified with the Americans and Atlanticism ruled the country (except for a brief period between 1964-65) until the summer of 1974. The establishment of political stability was a success for the global interests of the Americans. For the next eleven years Greek governments would not oppose American interference in Greek internal and external policies even when they were in conflict with Greek national interests.

The main political preoccupation of the US in Greece was the suppression of communism and communism was understood broadly as any kind of leftist or even democratic activity. The loss of Greece to communism or even to neutralism was unacceptable to the American designed new world order since it would mean the loss of trade and oil routes and other strategic areas in the Eastern Mediterranean, Middle East, and North Africa. Moreover if Greece became communist this would set a

precedent for communist insurgents in other parts of the world. Hence, Greece became a politically stable pro-western and anti-Communist state after 1952, and it was integrated into NATO. Once internal order and US control were established Greek internal politics became less important to the Americans. Priority was now given to the country's external relations. Thus it is not surprising that important foreign policy decisions were taken in the eleven uninterrupted right-wing years of Greek political history.

4. Foreign Policy: Atlanticist Years

I have demonstrated that as a semiperipheral country Greece experienced high degrees of intervention in its internal affairs by the US (hegemonic power) and it was turned into its ideological and political appendage. We can now turn to Greece's semiperipheral foreign policy during the postwar expansion period of the world-economy.

In world-system analysis foreign policy does not constitute a separate area of inquiry because it is considered a function of the internal and external economic and political environments. In the expansion periods of the world-economy, the foreign policies of semiperipheral states are thought to be oriented towards the accomplishment of the global objectives of the hegemonic power and most of the policies are dictated by the hegemonic power. In other words, in the sphere of foreign policy semiperipheral states tend to become satellites of hegemonic power in the expansion periods of the world-economy.

In parallel to the heavy American influence and intervention in other spheres, Greece (except for a brief period in the early 1960s) followed an almost unconditional American oriented foreign policy. In other words, Greek foreign policy was designed by the Americans to further the integration, consolidation and preservation of the new world order. Accordingly, Greece left the formulation and implementation of its defence policies to the Americans; sent troops to Korea; joined NATO; signed bilateral base agreements with the US; formed a Balkan Pact with Turkey and Yugoslavia; and

signed an agreement with Turkey and Britain for the creation of an independent Cypriot state which was not in conformity with its “national interests”. Finally, it became an associate member of the EEC. In the formulation and implementation of most of these decisions Greeks were passive and did not raise any significant opposition to the subordination of Greek interests to the global and local interests of the US.

From the American perspective, Greece was vitally important for the new world order because of its strategic geographical location in the Mediterranean and the Balkans. Hence, the territorial integrity and “political independence” of Greece turned into a major concern of US policy makers.

In the late 1940s and early 1950s the relations between the two Cold War blocs deteriorated. NATO was established in 1949 as the major Western defensive institution against possible communist aggression. The first Soviet nuclear explosion, the loss of China to the communists, the Korean war, increasing Soviet pressure over Yugoslavia, and political deterioration in the Middle East caused the Americans to revise their global policies. They became much more suspicious of communism. This was soon reflected in American policy towards Greece. American support for civil rights was abandoned and Greek politicians were encouraged to take tougher measures against communists in the US National Security Council Report 103 (Roubatis, 1987:74).

In the external sphere one of the major reflections of the tougher American attitude was the admission of Greece into NATO in 1952 despite the opposition of some European members. Greek right wing and centrist parliamentary elites attached prime importance to NATO membership. During parliamentary debates their enthusiasm reached such a point that a leading conservative MP, Kanellopoulos, maintained that ‘Greece's membership in the NATO was a very good thing and hence prolonged debates on the subject were not required’ arguing that ‘this would insult the western allies’ (Couloumbis, 1966:47). On the other hand, the responses of the centrist foreign minister, S.Venizelos, to questions during the debate were so uncertain that he gave the impression that the government did not know much about the conditions for

entry into NATO (Couloumbis, 1966:49). The treaty was passed by parliament quickly without any serious discussion.

Hence, in 1952 Greece was integrated into the major military institution of the new world order by American initiative. However, NATO membership meant that defence and security policies and investments would be planned according to the needs of the Atlantic Alliance rather than Greece's specific interests. In other words, NATO membership would be beneficial only if Greek "national interests" coincided with the global interests of the Alliance. This issue came to the surface with the emergence of the Cyprus problem after the mid-1950s.

Another remarkable American initiative in this period was the 1953 Bases Agreement to establish US military bases in Greece. When the conservative Papagos came to power and political stability had been established a bilateral agreement was signed on the use of Greek territory by the US armed forces. The conservative government considered the agreement beneficial in many ways: closer co-operation with the US was ensured and Greek security was enhanced. In fact, however the bases were established not in Northern Greece, where the country faced its major threats, but on the islands and in the capital (Roubatis, 1987:123). This suited the American strategic defence plan for Greece which placed more importance on the islands than on the mainland.

The reactions of leading members of the conservative government to the Bases Agreement demonstrate that they devoted to a policy of Atlanticism. Foreign minister Stephanopoulos argued that "those who were opposed to the agreement should also be opposed to Greece's continued membership in NATO since the two were closely interrelated...and that if Greece refuses to ratify the agreement she would be expelled from NATO" (13). As Couloumbis points out "Greek politicians considered entry into NATO a by-product of Greek-US co-operation which had commenced with the Truman Doctrine" (Couloumbis, 1966:197).

The Balkan Pact in 1954 was another American project which consolidated Greece's satellite position. One reason for establishing this politico-military pact the Soviet hostility towards Greece, Turkey and especially Tito's Yugoslavia. However, there was another important American consideration: through this pact Yugoslavia would be indirectly linked to NATO, and hence could serve as an example for other Balkan and Eastern European countries (Stavrou, 1980:155). In other words, it was seen as the means by which the US could infiltrate the communist bloc. From the Greek point of view, the pact represented Greece's contribution to US global strategies in the Balkans and Eastern Europe, and the Greek political elite was eager to contribute.

Greece also had its own national external objectives. In the immediate postwar years Greece had territorial claims on its neighbours: "Northern Epirus" (Southern Albania) from Albania; an adjustment to the Greek-Bulgarian border; the Dodecanese Islands from Italy; and Cyprus from Britain. However, only the Dodecanese Islands on the Aegean Sea were ceded to Greece by Italy. The Americans were unsympathetic to Greek territorial ambitions in the Balkans and Cyprus, and these demands were frustrated immediately (Coufoudakis, 1987:232).

In this context Cyprus turned into the most striking issue where Greek "national interests" were subordinated to the interests of the Atlanticist world order. After the war Greek claims for the unification of Cyprus with Greece were opposed by Britain, the colonial power. The US had supported the British position. The renewal of Greek claims stemmed from the acceleration of decolonization in the British Commonwealth in the second half of the 1950s. They were again rebuffed by the UK and the US, and attempts to raise the question in the UN were also frustrated by the Americans and Greece's other NATO partners. The conservative Greek government was accommodating, emphasising the primacy and importance of Atlantic relations over the Cyprus issue. The majority of the Greek political elite believed that although unification was desirable it should not jeopardise Greece's relations with the US and NATO (Couloumbis, 1966:201).

Greece: 1945-1974

The strategic location of Cyprus in the Middle East and Eastern Mediterranean made control of the island vitally important for the Atlantic Alliance. The British did not want to lose its military stronghold on the island. Moreover, as long as the island was open to the use of US army and intelligence services, Americans preferred to see British domination rather than unification with weak and vulnerable Greece. Furthermore, the increasing neutralist and leftist tendencies in Cyprus made the Americans cautious about control of the island.

However, a solution to the problem had to be found in order to reduce anti-colonial movements, and decrease the nationalistic feelings of both Greeks and Turks on the island and the respective mainlands for the sake of the smooth functioning of the new world order. The US proposed a partnership between Greece, Turkey and Britain to administer Cyprus. This plan was an “embarrassment” for the Greeks because it made Turkey another legitimate party on the island. However, succumbing to US pressure, all the parties on the island agreed to the establishment of an independent Cypriot republic in 1959. Although the agreement was not in conformity with the Greek objective of unification, it was ratified in the Greek parliament with a substantial majority.

The solution of the Cyprus problem was welcomed by the Americans because US global interests, which were jeopardised by the dispute between the two NATO members, Greece and Turkey, were maintained. President Eisenhower congratulated the premiers of Greece, Turkey and Britain on their agreement which could not ‘fail to strengthen and encourage the whole NATO alliance’ (Roubatis, 1987:41). This agreement satisfied US strategic needs in the Eastern Mediterranean. Moreover:

Britain was able to retain two large sovereign bases on the island that the US could use, and the listening monitoring stations of the Central Intelligence Agency were given permission to continue their operations there. Greece and Turkey did not go to war over Cyprus and the whole matter was kept away from international organizations where other states with interests in the area might have had a chance

to exert influence that could have endangered American and NATO interests in the Eastern Mediterranean (Roubatis, 1987:141-142).

Further evidence of Greece's pro-Atlanticist external policy is provided by Greek support for US Cold War policies in the UN, where it voted against or abstained on the Chinese entry to the UN; the Tunisian complaint over the French presence in Bizerte; US intervention in Cuba; total and complete disarmament; the creation of a zone free from nuclear missiles and bases in the Balkans and Central Europe (14).

5. An Early Challenge to Atlanticism

In the early 1960s there was a challenge to the established order in Greece from almost all directions which led to the collapse of the stability established among the economic elites, the political establishment, and the US in the postwar period. These changes were reflected in Greek foreign policy.

While the close relations between the dominant economic elites were stable in the early 1960s, there was increasing opposition to the monopolistic and oligopolistic structures and the state policies which favoured those big business interests. As we have seen the credit market conditions which favoured only the largest firms had reduced the demand for long-term loans. In fact, it was very difficult for new enterprises to gain access to financial resources. The problem was not the lack of loans, but their allocation to housing and speculative areas, and the excessive controls and formalities on free investment (OECD Report, 1963:35-36).

In 1962 the Federation of Greek Industrialists began to publicise the discouraging factors that made it impossible to borrow money (Ellis, 1964:62). It was obvious that the existing system was hindering industrial expansion and the inflow of new investment capital. This, in turn, resulted in the strengthening of unfair competition and non-competitive industries; a dampening effect upon entrepreneurial activity; the creation of monopolies; and production with antiquated equipment which blocked technical progress.

Greece: 1945-1974

Two important developments in the early 1960s were the association of Greece with the EEC and the enactment of new incentive laws for the inflow of foreign investment capital. The Association Agreement with the EEC was considered a revolutionary step (Coutsoumaris, 1963:326). It was thought that it would make the Greek economy more efficient and competitive through the modernisation of production techniques and equipment. Furthermore, private capital inflow from the EEC countries would be increased. However, these developments challenged the vested interests of the American-oriented periphery-like traditional economic elite.

The Federation of Greek Industrialists immediately and unconditionally supported closer relations with the EEC (Serafetinidis, 1979:230). Most of its members were industrialists involved in light industry, and they were unhappy with the industrial practices established by the American-oriented traditional economic elite. As we have seen in their criticism of the credit system, they made their dislike of the system explicit occasionally. They supported a more open system in which they could promote their interests more independently. They were not necessarily core-like producers, but they acted as if they wanted to become core-like. In 1966, the president of the Federation called for the creation of a healthy capital market in Greece (15), arguing that, "Greek industry could no longer be owned and run on a family basis; consequently Greek industrialists, like industrialists all over the world, would have to integrate their firms into efficient units and finance their enterprises through the capital market"(16). They believed that closer relations with the EEC would remove the barriers set by the periphery-like American-oriented economic elite.

Although substantial economic growth was achieved under the conditions of financial stability during the 1950s (OECD, 1966:31), too little of it had gone to transformative sectors of the industry. The structural weakness of the economy continued, and chronic deficits in the balance of payments was covered by US economic aid until the early 1960s (OEEC/OECD Reports, 1952-1963). Because of tight administrative controls and protectionist policies, foreign capital did not invest as expected (OECD, 1963:29). The economic situation was not promising. Moreover, the

Americans were increasingly unwilling to continue economic aid, and Greece had to adjust its economy to the economic policies of the EEC as result of the Association Agreement. Thus there was no option other than to renew their efforts to attract foreign capital.

In fact, this was partly due to covert pressure on the Greek state by the US government. The 1953 Foreign Investment Law did not work properly because of Greek government intervention in the market. Hence, US aid cuts in 1962 were partly an attempt to force the government to open and internationalise the economy so that official, state-to-state, American capital could be replaced by private US and multinational capital. Accordingly, in addition to Law 2687/1953, parliament passed foreign investment laws of 4171/1961 and 4256/1962, which further increased the favourable climate for foreign investment in Greece. From then on foreign, especially US, capital increasingly began to invest in the Greek economy, and now it went to the transformative sectors where the traditional elite was not willing or able to invest (17). Thus, about \$290 million out of a total of \$347 million approved foreign investment between 1953 and the end of the 1962, was realised between 1960 and 1962 (Ellis, 1964:287). Two of these industrial projects (which amounted to \$166 million of the total \$200 million invested in this period) were the Esso-Pappas oil Refinery Complex (\$110 million) and the Niarchos-Pechiney Aluminium Plant (\$56,8 million).

The conservative government's policy of granting extraordinary privileges to foreign investment capital was opposed by the European-oriented Federation of Greek Industrialists. One of the main concerns of the Federation was the loss of the domestic market, and accordingly they wanted the government to revise the open door policy so as not to discourage domestic initiative (Ellis, 1964:299). The chairman of the Federation argued that “ It is not in the spirit of the Treaty of Athens to attached undue importance to foreign investment capital which is, of course, welcome in Greece, but under equal terms and conditions with Greek capital, as an associate rather than as an intruder, as an equal partner rather than as a privileged master” (18). It was clear that

the Federation was demanding a margin of independence from the Greek state vis-à-vis foreign capital.

The liberal Centre Union Party (CU) of Yorgos Papandreou, which promoted economic policies similar to those of the Federation of Greek Industrialists, came to power in 1964. The CU government, was not against foreign capital providing foreign investors were willing to invest in Greece under similar competitive conditions to Greek investors (Papandreou, 1967:183). The new government opposed granting almost unconditional privileges to foreign capital investment, and wanted to promote import substitution industrialisation. Moreover, Y.Papandreou emphasised the necessity of breaking up the domestic monopolies (periphery-like production units) that had dominated the economy and polity since the end of the WW II.

As soon as it came to power, Papandreou's government demanded a revision of the agreements signed with foreign investors by the conservative government. Disputes arose, first on the granting of a 50-year monopoly over bauxite; the mining, manufacture and distribution of aluminium with Pechiney-Niarchos; and second, with Esso-Pappas on privileges to explore for oil and the control of the distribution of its profits (Georgiou, 1988:52-54).

The reactions of foreign interests to the CU policy clearly exemplified the typical state-oriented policies of a group of (external) economic actors in semiperipheral states. It also illustrated the role of the state as an actor in inter-state relations. Pechiney called on the French government for assistance and France boycotted Greek borrowings from international banks (Georgiou, 1988:53). The US, British, and French governments requested Y.Papandreou to change his policy towards foreign capital. The American and French ambassadors encouraged rebel CU members to put pressure on the government in favour of foreign interests. Niarchos, a shareholder in Pechiney, demanded intervention by the King to settle the dispute. Andreas Papandreou, a Government minister at the time, in an article in 1972, pointed to heavy American pressure on the government in relation to the Esso-Pappas dispute

(Papandreou, 1972:16). Despite these pressures, Y.Papandreou did not change his position. The interesting point, however, was that immediately after his row with the King (seemingly over control of the Ministry of Defence- see below) and the subsequent resignation of his government, new agreements with increased incentives (which would be further enhanced by the military regime after 1967) were made with these foreign interests by the new government supported by the King.

Another striking aspect of the new government was its critical stand towards what we have called “US-oriented periphery-like capital”. According to Andreas Papandreou, in order to increase economic efficiency, the elimination of these peripheral monopolies was imperative. First the credit system which favoured a few entrepreneurs and businessmen who also had influence over politicians had to be changed entirely (Papandreou, 1973:22). Papandreou was also very critical of the poor technological and organisational standards of Greek industry, emphasising the need for modernisation and the establishment of rationality in all aspects of economic life (Papandreou, 1973:121). This indicates that the economic policies of the CU government were directed towards promoting the interests of existing and potential (but weak) “Europe-oriented, core-like producers” who had found themselves a place in the Federation of Greek Industrialists. In 1967, just before the elections which were prevented by the military takeover, A.Papandreou stated that “The long run target of a democratically elected government should be the formulation of a new balance among the existing powers that will allow the government to promote the economic development of the country beyond the realm of vested interests, beyond the values of establishment (Papandreou, 1967a: 171-72)...[in order to] lay the foundation for a free, democratic progressive, modern European nation” (Papandreou, 1968:185).

The policy of the CU government was focused on the steady elimination of the existing US-oriented peripheral capitalists, and of the excessive privileges of US dominated foreign investment capital while supporting and co-operating with the Europe-oriented core-like elements which aimed at modernising and rationalising the

Greek economy. It was clear that the economic policies of the CU government threatened the basic pillars of the established system.

Perhaps the most striking development of the 1960s was the emergence of Europe (especially the EEC) as an important actor in Greek affairs. Once the Association Agreement with the Community was signed it became an important source of financing of the debts and the development programme of Greece (OECD Report, 1963:34). Thus Greece received a loan of \$125 million for a period of five years. The balance-of-payments deficits which had been covered by American aid until the 1960s now began to be offset mainly through the remittances of Greek emigrants working in the major industrial centres of Europe and the increasing inflow of European tourist receipts (OECD Report, 1964:17; 1967:33 and Maddison et al., 1966: 81). With regard to the geographical pattern of trade (import-export), there was a steady shift away from the US towards EEC countries (OECD Report, 1964:25). Moreover, Greece was granted credits amounting to \$90 million by the European Monetary Fund in 1966 (OECD Report, 1967:33). Similarly, foreign capital investment approvals from EEC countries increased significantly after the Association Agreement (Serafetinidis, 1979:231).

All these developments indicated the beginning of a change in the established economic mechanisms in Greece. The increasing involvement of Europe in the Greek economy coincided with the emergence of a new kind of economic actor (European-oriented elements in the Federation of Greek Industrialists) and economic policies (Y.Papandreou Government) who was critical of the actors (US-oriented periphery-like elements) and practices of the previous period (economic policies of the conservative government). In broader terms, while the latter economic actors can be called "US-oriented peripheral interests" which collaborated with conservative governments, the new group can be labelled "European-oriented core-like" interests accompanied by a progressive government.

These developments were echoed in the political sphere. In fact external and internal developments led to the challenge by part of the parliamentary elite (European-oriented parliamentary elements) to the political orientations of the Greek state, which had been practised since the end of the WW II. However, this did not mean a unified challenge of the Greek political establishment, which was composed of the King, the Army and the Parliament, but was limited to a section of the parliamentary elements. Accordingly, the remaining part of the Greek establishment together with the US strongly opposed this challenge. Consequently, it was extinguished in a short period of time. But it was the first signal of a bigger challenge which would occur in the contraction period of the world-economy in the mid-1970s. Let us look more closely at the political developments.

In the early 1960s it became clear that the political stability of the 1950s, and the balance established between the King, Army and Parliament under the supervision of the US was coming to an end. The central problem was a clash between the developmentalist, progressive and European-oriented political elite of both right wing and centre parliamentary groups and the anti- developmentalist, authoritarian, status-quo and US-oriented King, Army and the parliamentary elites of both right wing and centre. This division more or less overlapped with the respective positions of “Europe-oriented core-like capitalists” and “US-oriented periphery-like producers”.

In the conservative camp, Prime Minister Karamanlis, despite his anti-Communist and pro-American credentials, began to resist US influence and manipulation, and to act independently of the King (Couloumbis et al., 1976:134). He was resentful of the army's independence from civilian authority, and the prerogatives of the Monarchy (Clogg, 1986:179 and Serafetinidis, 1979:240). Moreover, he had signed the Association Agreement with the EEC. In 1963, however, his moderate challenge to the establishment forced him to leave for self-exile in Paris until the collapse of the military regime in 1974. The developmentalist progressive right wing parliamentary elite converged around Kanellopoulos who argued the need for modernisation in the Greek right and expressed approval of German social democracy

(Katrīs, 1971:295). It was probably because of the increasingly moderate and progressive attitudes developed within the conservative movement that the military regime, established in 1967, oppressed not only CU politicians but also progressive elements of the conservatives (ERE) as well. However, the main challenge came from the developmentalist progressive and Europe-oriented parliamentary elite of the Centre Union.

Y.Papandreou's Centre Union government remained in power from February 1964 to July 1965. It was a major problem both for the Greek establishment and its authoritarian-repressive political system, and for global American interests in the Eastern Mediterranean because of its anti-military, anti-royalist, anti-American and anti-NATO policies. After the advent of the Centre Union to power it became clear to the establishment and the US that they could not easily maintain the political system established after WW II. They were alarmed by attempts to purge the ultra-rightist IDEA group from the army, to remove rightist officers from key positions to the border points (Mouzēlis, 1978:126), and to bring the KYP under control through replacing its personnel (Roubatis, 1987:197). The replacement of KYP personnel had annoyed the CIA chief in Athens. He began to complain that Russian agents had infiltrated the KYP, and the CIA stopped informing the KYP about its operations in Greece (Roubatis, 1987:197).

However, the most important problem was not Y.Papandreou but his son, Andreas. From his first days as a minister in his father's government, Andreas became the main troublemaker. He began to investigate the relationship between the KYP and the CIA, and when he was convinced that his and his father's telephones were tapped by the KYP/CIA, he established his own intelligence service and put the CIA officials in Athens under surveillance (Stern, 1977:24). Furthermore, his uncompromising stand and unusual statements in handling the fragile Cyprus issue made him the major opponent of US policies in the eyes of the Americans. He was also very outspoken against the King and the army, calling for restrictions of the King's powers and the political neutralisation of the army. Within a short time Andreas had become an

obsession of US policy makers. When high level American officials were assigned to Greece, they were indoctrinated about Andreas beforehand (Stern, 1977:25). In a CIA-prepared file he was described as a serious danger to United States' interests in Greece (Stern, 1977:25).

The tension between the Papandreous and the establishment and the Americans turned into a crisis when Andreas was accused of leading a leftist conspiratorial group in the army known as Aspida. Y.Papandreou attempted to dismiss high ranking officers from the army and demanded the resignation of his defence minister, who had been secretly assigned by the King to investigate the Aspida affair. He hoped to put the defence ministry under his own portfolio in order to establish civilian control over the army. This was unacceptable to the establishment. The defence minister, Garofoulas, refused to resign and the King would not accept Y. Papandreou's assumption of office of defence minister. Subsequently, when Y.Papandreou's bluff to resign was called by the King, and when 49 Centre Union deputies split from their party in favour of an ERE government, the short but eventful period of Centre Union government came to an end.

The Aspida affair and the downfall of the Centre Union government was a Royal manoeuvre in order to return to the orthodox domestic policies of the pre-Papandreou period and to follow a less adventurist, and a more US and NATO oriented, foreign policy (Couloumbis et al., 1976:130). The Americans supported the King against Papandreou and encouraged an atmosphere of political crisis. An American officer who worked in Greece at the time told the **New York Times** in 1974 that J.Maury, the CIA chief of station in Greece in 1962-68, had helped King Konstantine to bribe Centre Union deputies so as to topple the Papandreou government (Roubatis, 1987:185 and 189).

Both father and son Papandreou rejected American proposals for the solution of the Cyprus problem and firmly supported the Non-aligned Greek Cypriot President, Archbishop Makarios. This annoyed American policymakers. Furthermore, Papandreou's and Makarios' flirting with the Soviet Union, and Andreas' call for an

anti-American, anti-NATO, and neutralist foreign policy aggravated American mistrust of the Centre Union government. Consequently, when Papandreou attempted to establish civilian control over the army, the main US stronghold in Greece, thereby challenging the post-war pro-American royalist-conservative-authoritarian coalition the Centre Union government could not be allowed to remain in power. A.Papandreou described the position of the Centre Union as follows:

...The party clashed with the Americans over the settlement of the Cyprus issue. It clashed with the King over his prerogatives, especially over those related to the leadership of the Armed Forces, for he was stubbornly committed...that the civilian government should have no substantive say over the Armed Forces. It clashed with 'parallel government' of Greece including the Americans, over the control of the...[KYP]...It clashed with the economic oligarchy of the country over a reformist and expansionist development policy, and with the large foreign investors who had obtained almost colonial terms (Papandreou, 1973:22).

The downfall of the Centre Union government, however, paved the way for political instability. No strong government could be established while mass support for Papandreou was growing. Demonstrations and strikes occurred which implied that the Centre Union would come to power with an overwhelming majority in the coming elections. At the same time, both Papandreou were attacking the King, the army, conservatives and the Americans, arguing that before the implementation of a reform oriented programme, the distribution of power in the state had to be changed. To this end, according to the Papandreou:

The king would have to learn to restrict himself to the constitutional limits of his authority; the army would have to learn to obey the order of the lawfully elected government; the Americans would have to learn that Greece belong to Greeks, that it was an ally but not a satellite; and the Greek oligarchy would have to adjust to the fact that the interests of the Greek people at large, and not only their own special interests, would be served by the government (Papandreou, 1973:24).

The increasing popular support for the Papandreous alarmed the establishment and the Americans. The King feared that an overwhelming Centre Union victory would bring an end to the Greek Monarchy. The Americans thought that a Centre Union electoral victory would bring an end to the US presence in Greece, and hence would be a major setback to US global interests. Maury, the CIA Station Chief in Greece, enunciated the CIA's conclusion "that a victory by the Papandreous would seriously damage the vital US interests in the Eastern Mediterranean area, weaken the southern flank of NATO and seriously destabilise the delicate Turkish-Greek relations then severely strained by the Cyprus situation" (Stern, 1977:37). The election was set for 28th May 1967. However, it was pre-empted by the Colonels' Coup on 21st April.

The challenges in the economic and political spheres to US oriented policies were immediately reflected in Greece's external relations. From the semiperipheral policy perspective, this period was a brief exception in the broader period of 1945-74 which we defined as the satellite, Atlanticist years of Greek foreign policy. However, despite the challenge to Atlanticism, we should bear in mind that American intervention in Greek affairs did not come to an end. We should also not forget that these abortive challenges to US interests coincided with the increasing role of Europe in the world and in the Greek economy.

The brief challenge to Greece's Atlanticist foreign policy line focused on the Cyprus issue. Although an agreement had been reached in Cyprus, neither mainland nor Greek Cypriots were satisfied with its terms. Greeks believed that the agreement had been made in the interests of the Atlantic Alliance (that is the US) without taking Greek aspirations into consideration. Moreover, the Turks had become a principal party in any decision on the future of the island. The dissatisfaction of Makarios, the Greek Cypriot president, came to the surface as early as 1963 when he declared his unilateral revision of the constitution. However, this turned Cyprus into a major problem again in the Eastern Mediterranean which threatened US global interests: suddenly the status-quo on the island was abolished and Greece and Turkey, two NATO allies, came close to

war. A war between Greece and Turkey would be a serious blow for the Atlantic Alliance and it would provide opportunities for Soviet exploitation.

American policy towards Cyprus was focused on preventing an ethnic conflict and a Greco-Turkish war (Couloufoglou, 1980:108). A second aim was to maintain the unity of NATO's southern flank. Third, the US wanted to avoid Soviet involvement in the conflict, to control Makarios' non-aligned policy, the support he received from the Cypriot communist and leftist parties, and his reliance on the UN to promote the policy of self determination.

In sharp contrast to the foreign policy of conservative governments, Greek foreign policy under Y.Papandreou's CU government conflicted with American interests in the region. Although Papandreou accepted Greece's existing alliances, he declared that Greece was no longer a satellite but a sovereign nation free to develop its own foreign policy in accordance with its long-term interests. He gave full support to Makarios' policies. For him, Cyprus, the primary national issue of Greece, could not be sacrificed to the interests of the Atlantic alliance. He was very outspoken in his dealings with the Americans on the Cyprus issue which angered them (19).

Y.Papandreou argued that Cyprus had to be discussed in the UN rather than in NATO and refused all American efforts to arrange a meeting between Greece, Turkey and the US to resolve the problem. Furthermore, he sent 20000 officers and men to Cyprus, well above the permitted number of 950 Greek soldiers on the island (Papandreou, 1973:134). He remained silent when Makarios contracted with the Soviets for the delivery of substantial war material (Papandreou, 1973:143) and he would not allow the Greek armed forces to participate in NATO exercises. Despite US and NATO pressure, he planned to reduce military expenditure and declared that his government would welcome Soviet assistance in preparation for a possible war against Turkey (Rousseas,1968:29). The Americans were worried that a Papandreou victory in the coming elections would lead to Greece's withdrawal from NATO, and the removal of US bases and US communication centres (Stern, 1977:36).

6. The Restoration of US Influence: The Colonels Come to Power

The establishment of the military regime in 1967 opened a new phase in the political economy of Greece. Despite the emergence of weak “European-oriented core-like” domestic interests before the military takeover, state-economy relations were dominated by “US-oriented periphery-like” capitalists. During, the Y.Papandreou period Europe-oriented interests had controlled both government and a part of the parliament briefly. However, the advent of the Colonels restored the balance in favour of foreign capital and its collaborators. Furthermore, given that interests of those “periphery-like” producers and foreign capital had been challenged by the CU government and that they were allies of the US, it can also be argued that the military takeover in Greece in 1967 was a high level state oriented policy of foreign interests in co-operation with indigenous US-oriented groups.

Although almost all the major economic interests supported the coup, the main winner was foreign capital. The minister of economic co-ordination of the Junta declared this from the outset, stating that “the state attributes particular importance to the influx of foreign capital. What interests us is the application of a development policy and not the conversion of the country into a testing ground for theories” (Shawb and Frangos, 1973:28). It was true that if Greece was to follow a developmentalist policy, capital would have to be invested into key sectors of industry. Thus, if indigenous capital was unable or unwilling to invest in these sectors, foreign capital had to be given the necessary incentives. Accordingly, the Greek state became less selective about foreign capital and more willing to extend concessions (Pemasoglou, 1972:97). Under new legislation (89/1967, 378/1968, 916/1971) foreign capital was given reinforced constitutional guarantees for the servicing and export of profits on investment. The extra privileges granted to the two giants, Esso-Pappas and Pechiney-Niarchos after their interests had been restored by the King showed the eagerness of the military regime to cooperate with foreign capital.

The military regime also gave preferential treatment to shipowners. They were granted incentives not only for their shipping interests but for their participation in

industrial undertakings (Clogg and Yannopoulos, 1972:xiii). Accordingly, these shipping interests, which are sometimes called “comprador bourgeoisie” (Poulantzas, 1976 and Georgiou, 1988) co-operated with foreign capital and became partners in the large industrial undertakings operating in key sectors of industry. Well-known families in this group were the shipowners Onassis, Niarchos, Andreadis, Karas, and Livanos (Georgiou, 1988:75).

While foreign capital invested in key industrial sectors which require high-technology and specialisation, areas of secondary importance were left to Greek enterprises (20). Furthermore, both Greek-controlled enterprises and joint ventures became dependent on foreigners in many respects: they were dependent for foreign technology, imported intermediate and raw materials, spare parts, the introduction of new products, and for the distribution of the company's products abroad through the foreign partners' networks (Thomopoulos, 1975:40).

Thus while Greek entrepreneurs were deprived of the opportunity of becoming core-like producers' and given secondary roles, US local and global economic interests consolidated their position in Greece. 40 percent of the total foreign investment in Greece was American capital (Thomopoulos, 1975:41) and this showed the degree of vested American interests in Greece. From the American perspective, the penetration of US capital in Greece was a requirement of the world order identified with the free flow of capital or direct investment. Hence consolidating and preserving US capital was vitally important to US foreign policy makers. The Greek colonels were more than helpful in this task. Accordingly, the US supported the military regime. A significant indicator of this policy was the visit of US Secretary of Commerce, M.Stans, to Athens. During his visit he said “We in the US government, particularly in American business, greatly appreciate Greece's attitude towards American investment, and we appreciate the welcome that is given here to American companies and the sense of security that the government of Greece is importing to them” (Goldbloom, 1972:251). Moreover, President Nixon wrote to the chief of Junta, Papadopoulos, congratulating him on the economic progress of the military administration (Woodhouse, 1982:195).

Greece: 1945-1974

In world-system analysis it is argued that semiperipheral countries play the role of economic transmission belts in times of expansion. Greece played this role after the inflow of foreign capital from the mid-1960s onwards. Foreign-controlled enterprises in Greece exported large proportions of their products not only to traditional Greek markets but also to their home or European markets: Phillips to Holland and Siemens to Germany; ITT to Germany, Belgium, Switzerland and France; Ethyl Corporation to Europe, Africa and the Middle East; Republican Steel to Britain, the USA, W.Germany, Italy, Yugoslavia and Romenia; Union Carbide to Italy, Belgium, Finland, Sweden and Austria; Westinghouse to the Middle East; and Pechiney to European and Middle Eastern countries (Georgiou, 1988:67-68).

Although America was the leading actor in the Greek economy, Europe's role also increased in this period. The remittances of Greek workers in Europe and tourist receipts continued to offset the chronic balance of payments deficits (OECD Reports, 1967 to 1975). Moreover, the amount of European investment capital also increased. Individual firms from European countries invested in different sectors of the economy (NegriPonti-Delivanis, 1985:289-300 and Georgiou, 1988:67-68). The largest European investors were France (27%) and Switzerland (13%) (Thomopoulos, 1975:41).

However, despite the increasing role of European private capital, the EEC as a whole, in sharp contrast to the US downgraded its relations with the Colonel's Greece. The initial response of the Community to the establishment of the military regime was to limit the Association Treaty to its current administration. Discussions on agricultural harmonisation were stopped and the remaining \$56 million EEC loan out of \$125 million, agreed in the financial protocol of the Association Treaty, was frozen. Moreover, the EC Mediterranean policy negotiated new agreements with other countries in the region with similar export structures, and downgraded the Greece's privileged position Greece in the Community.

In the political sphere the Greek state continued to be a political and ideological appendage of the US. After the Soviet invasion of Czechoslovakia and the increase of

Greece: 1945-1974

Soviet naval power in the Mediterranean, American foreign policy focused on the containment of the Soviet Union in Eastern Europe, the Balkans, and the Mediterranean. Moreover, Middle East events which included wars and continuous tension between the Arabs and Israel, and where Cyprus remained an explosive issue between Greece and Turkey, putting the oil regions and trade routes into danger, made the control of Greece imperative for American interests.

In the period between 1967-74 the Americans intervened in Greek politics and controlled the state through the Army. In the political sphere, the parliamentary forces which had challenged vested interests (particularly the father and son Papandreous) were eliminated. In the economic sphere the obstacles to US capital were removed. In the foreign policy sphere, tensions over the Cyprus problem were reduced and Greece became more servile to American interests in the Mediterranean and the Middle East. The Army was the stronghold of the Americans within the Greek establishment. Between 1950 and 1969, 1,1229 Greek military personnel were trained in the US, and another 1,965 Greek students were trained in overseas US installations under the Military Assistance Programme (Coulombis, 1976:126). Furthermore, the coup leaders were top KYP men (Stern, 1977:45), an institution established, administered and financed by the CIA (Papandreou, 1972:16).

The Colonels had some small effective internal support from the economically powerful group of shipowners and internationally oriented financiers, as well as from some highly conservative sections among the peasants (Ioakimidis, 1984:36). The first two groups were mostly Greek-Americans, and they were very influential in US policy towards Greece. Onassis, Niarchos and Pappas were the leading members and they invested heavily in the Greek economy. Among them, Pappas was a close friend and the main financial backer of Spiro Agnew, President Nixon's vice-president. He had also been President Eisenhower's finance manager in 1956. Thus Pappas played a very useful liaison role between the Colonels and the Nixon administration (Woodhouse, 1985:31). He had very good contacts with various organs of the US establishment (21).

However Colonels could not consolidate themselves in the Greek society as a whole and hence they functioned in a political vacuum.

Although the Colonels did not succeed in establishing their domestic legitimacy, the Americans provided crucial external support for their survival (Clogg and Yannopoulos, 1972:xvi). They remained loyal to the US and NATO interests and co-operated closely with the Americans. The American administration, in turn, tolerated and defended the continuation of the military regime despite strong opposition from the US Congress and Europe (22). The Colonels proved so accommodating that the American administration was indifferent even to the King's failed counter coup against the Colonels only eight months after the advent of the dictatorship. Furthermore, despite his close relations with the Americans in the past, Nixon refused to see the King during Eisenhower's funeral in 1966 but he did meet with Pattakos, one of the principal members of the Junta (Woodhouse, 1982:191). The Americans no longer needed the King to ensure stability. On the contrary, they feared that the King might be the source of further instability, and they did not want to risk this in a period of increasing Soviet influence in the Mediterranean and Eastern Europe and the escalating Arab-Israeli conflict in the Middle East.

However, as in the economic sphere, there was a steady increase of European influence in Greek politics, and especially among progressive elements of both right and centre. A significant development was the establishment of a common platform between progressive conservative and centre groups against the military regime. They converged around Kannelopoulos of the conservative RU (Radical Union) and Mavros and Zighidis of the CU (Yannopoulos, 1972:168). This rapprochement was encouraged by pressure from European conservative and social democratic circles who wanted the creation of an alternative centre of power (Yannopoulos, 1972:168). Furthermore Karamanlis, the conservative former prime minister in exile in Paris since 1963, called for the overthrow of the Junta in a letter in which he accused the Junta of causing Greece's exclusion from the emerging European grouping - a situation which would be detrimental to the economy and Greek national security. He was supported

wholeheartedly by leading pre-coup progressive conservative and centrist parliamentary elites (Schwab and Frangos, 1973:116 and 119). Given these developments it is not surprising that why the Colonels' oppression extended to liberal conservative elements. On the other hand, the Junta's rage against Europe had come to a head after Greece was forced to withdraw from the Council of Europe. The Junta controlled press, while praising the US as Greece's only trustworthy friend, strongly attacked the European nations (Katris, 1971:309). It was apparent that a clash between Atlanticism and Europeanism was imminent.

The military regime further reconsolidated American interests in Greek foreign policy at a time of increasing tension in the Mediterranean, Central Europe and the Middle East. In other words, Greek foreign policy continued to play the semiperipheral satellite role which had been interrupted briefly during the Papandreou period. Indeed, the Junta proved that they were the best option for US interests in Greece. Only two months after the Colonels' Coup, the Six-Day War between Egypt and Israel broke out, demonstrating the importance of US facilities in Greece for the defence of Israel. Furthermore, during the crisis the Junta fully co-operated in evacuation of 3000 American citizens from the troubled area. With the closure of the Suez Canal by the Arabs after the 1967 war and the rapprochement between the Egyptian president, Nasser, and Moscow, Soviet influence began to increase in the region at the expense of the US. Hence, Greece was an even more important military base and logistical asset for the Americans (23).

Immediately after the Junta took power the US Administration imposed an arms embargo on Greece in order to force the Colonels to return to the status-quo ante as soon as possible. However, although the delivery of heavy arms was halted, the supply of weapons suitable for internal security continued and in 1968 the ban on heavy weapons began to be lifted progressively. In September 1969 the US National Security Council came to the conclusion that the Nixon Administration should restart full scale military assistance to Greece so that it could fulfil its NATO obligations (Stern, 1977:58 and 67). This decision was not made public until September 1970.

The overthrow of the Libyan monarchy by Colonel Gaddafi in 1969 further increased the importance of Greece because Gaddafi wanted the Americans to evacuate the US air force base in Libya. Another crisis occurred in 1970 with the expulsion of Palestinian commandos from Jordan into Syria. The US 6th Fleet intervened in order to prevent another war using the US bases in Greece and Greek territorial and air space (Couloumbis et al., 1976:138). Furthermore, tension and uncertainty increased with the death of president Nasser of Egypt and his successor Sadat's initial inclinations for an alliance with the Soviet Union. And when the Labour Party of Malta came to power in 1971 under the leadership of Dom Mintoff, who declared that he would not allow NATO ships to use the harbour of Valetta, the need to improve American military facilities in Greece became more urgent (Woodhouse, 1985:96). Consequently, the Americans demanded home port facilities in Athens for the US 6th Fleet in order to retain a full US presence in the region. US Assistant Secretary of State R.Davies maintained that this would promote stability in the Eastern Mediterranean and enable a peaceful settlement in the Arab-Israeli dispute (Woodhouse, 1985:106). The agreement was signed in 1972 and the American military presence in Athens was more than doubled by 10,000 naval personnel and dependants (Stern, 1977:72).

When the 1973 Yom-Kippur War broke out between Egypt and Israel Greece declared its neutrality in the conflict. However, Greece continued co-operating with the US, allowing them to use communication facilities in Greece, and also airports in Athens and Souda Bay in Crete. No restrictions were placed on the movements or the resupply of the 6th Fleet. It is thus clear that US enjoyed close co-operation with the Greek Colonels in the Mediterranean throughout the dictatorship between 1967-74.

These developments in the Eastern Mediterranean in the second half of the 1960s made Cyprus much more important for the security of the region and for US global interests. This necessitated an urgent solution to the island's problems. On this issue the Colonels also proved accommodating and they clashed directly with Makarios. Whereas the Colonels were willing to give up a small part of the island to the Turks in return for the unification of the rest with Greece, Makarios was strongly

opposed to any solution which would divide the island into two and bring it under US and NATO control. He firmly defended the “independence” of the island. In the eyes of the Colonels, Makarios was “a traitor to **enosis** (unification), a red priest who flirted with the local communist party, championed nonalignment, and consorted with such dubious Third World figures as Tito of Yugoslavia, and Nasser of Egypt, not to mention friendliness with Moscow” (Stern, 1977:86).

Despite Makarios' objections the Colonels agreed with the Turks to negotiate over Cyprus and engaged in secret talks during NATO conferences to find a formula for mutual action to resolve the problem (Stern, 1977:90-91). They withdrew the Greek troops which had been illegally infiltrated on to the island since 1963. Meanwhile Makarios' firm stand against a US-NATO sponsored solution, and his pro-Soviet and pro-Arab policies, annoyed the Americans. President Nixon called him a “Mediterranean Castro” and Kissinger said that he was an enemy of Israel (Woodhouse, 1985:155).

The Americans supported the military regime in Greece because the Colonels were extremely co-operative in promoting US global interests. For the Colonels, on the other hand, American support was their only source of survival and the legitimacy which they desperately needed both in the internal and external spheres.

At the same time, however the European role in Greece's external relations was increasing. In contrast to the Americans, the Europeans limited their relations with the Colonels. The European Community, the Council of Europe, and individual European states focused their reaction on the repressive nature of the military regime and the immediate return to democratic rule. The EC, for example, suspended the Association Agreement with Greece. The EC's negative stance to the Colonels' regime led to the isolation of Greece in Europe. The Council of Europe, on the other hand, focused on the serious and systematic breaches of human rights under the Junta. The reports submitted to the Council concluded that the Colonels' regime was undemocratic, illiberal, authoritarian and oppressive (Woodhouse, 1986:289). Hence the

Parliamentary Assembly of the Council of Europe, as early as 1968, voted for the expulsion of Greece from membership unless democracy was restored before spring 1969. Accordingly, after the negative report prepared under Dutch chairmanship in 1969, the Assembly called for Greece's resignation from the Council. US embassies in the European capitals began to lobby against Greece's expulsion, but without success (Woodhouse, 1985:71). Since expulsion would be a humiliation, the Colonels withdrew Greece from the Council in 1969.

As for individual European countries, the Danish government was the first to condemn officially the establishment of the military regime and its repressive policies. Later, the Norwegian and German governments joined the Danish, and together they tried to raise the Greek question in NATO's Ministerial Council. However, their efforts were frustrated by US pressure with the help of the General Secretary of NATO (Treholt, 1972:216-218 and Woodhouse, 1985:52). The Dutch government also attacked the Colonels at a NATO meeting, stressing the democratic and liberal foundations of the Alliance, but US pressure prevented any official action against Greece (Woodhouse, 1985:118). Furthermore, the Scandinavian, Italian, German and Dutch state authorities declared their support for the opposition in Greece (Woodhouse, 1985:40). In general most European governments allowed the organisation and activities of anti-Junta movements in their countries (Rousseas, 1968:130).

In the period of expansion of the world-economy that started after the Second World War under the US hegemony, Greece exhibited the general characteristics of a semiperipheral state. This lasted for 30 years until the period of contraction in the world-economy set in. As discussed in this chapter, parallel to its semiperipheral economic development, it experienced direct intervention in its domestic affairs, and became a satellite and a political agent of a hegemonic power in its external relations. Now, let us turn to the post dictatorship period and see whether Greece followed a semiperipheral foreign policy between 1974 and the early 1990s which overlapped with the contraction period of the world-economy.

Notes to Chapter Five

1. Ellis gives two typical examples on how the monopolistic and oligopolistic interests protected their privileged position in the market through political pressure, see Ellis, 1964, pp.185.
2. Although foreign commercial banks were allowed to establish branches in Greece in the 1960s, they could do business only with a small number of foreign enterprises, see Halikas, 1978, p.15.
3. For a detailed account of these developments, see Serafetinidis et al., 1981, p.249.
4. For more information on the economic situation in the immediate war years, see Kofas, 1989, pp.8-13.
5. State Department National Archives, 868.516/11-1848, No.1.121, quoted in Kofas, 1990, p.66.
6. Ellis points out that in 1950 80% of the total savings came from abroad mostly in the form of US economic aid. This dropped to 12% in 1960.
7. In December 1946, the American and Greek governments agreed to the purchase of 100 Liberty type carrier ships, for \$545,000 each, by Greek shipowners. Only a quarter of the total amount was paid and the Greek state was the guarantor of the remaining amount which was to be paid over 15 years, see Serafetinidis et al., 1981, pp.294-95.
8. For further information on the special relationship between the US and Greek shipping capital, see Serafetinidis, 1979 pp.119-121 and Serafetinidis et al., 1981 pp.295-296.
9. Between May 1947 and June 1956, the American aid had amounted to \$2,565 million. This was the highest per capita aid received by any US aid recipient country in the early postwar years, see Coulombis, 1966, p.28. As for the Truman doctrine, the half of the aid went to the army and the other half was for reconstruction. The American experts administered the relief programme and participated in working out policies connected with finance, trade, exchange control, civil service, and price and wage regulation. Moreover, they were assigned to the ministries with an advisory or supervisory capacity, see Rousseas, 1968 p.81.
10. At the beginning, the Americans were against the reactionary-conservative and far-right groups in Greece. The US State Department had opposed the British idea of restoring the monarchy. They were highly critical of the Greek monarchy both as an institution and as personified by the King George II, see Iatrides, 1980, p.57 and Roubatis, 1987, p.15. The King was seen a man of limited vision and an arm of the Metaxas dictatorship. Yet official US policy remained neutral on the issue, implying

that the King should not seek American support for the restoration of monarchy, see Woodhouse, 1986, p.254.

11. For example, L.Henderson, a senior State Department official on Near Eastern Affairs, simply told Prime Minister Tsaldaris that he would have to resign. Similarly, US ambassador Grady had sent S. Venizelos a letter saying that they did not want to work with his government. For more information, see Roubatis, 1987, pp.40-42 and 83.

12. Interview with Field Marshall Pappagos, **Vema** 27 April, 1952, quoted in Coulombis, 1966, pp.58-59.

13. **Journal of Parliamentary Debates**, Athens, 25 November 1953, p.62, quoted in Coulombis, 1966, p.85. Coulombis also points out that there was no provision in the NATO agreement that envisaged Greece's expulsion in case of non-ratification.

14. **Augue**, 11 October 1966, p.3, quoted in Coulombis, 1966, p.136.

15. Indeed the development of a healthy capital market was deliberately obstructed by the financial economic elite. For a detailed information, see Psilos, 1964, p.194.

16. **The Greek Industry**, 1966, quoted in Serafetinidis, 1979, p.230.

17. For a detailed information on the foreign capital investment in Greece between 1953-63, see Ellis, 1964, Chapter XI and OECD Economic Survey on Greece, 1963, p.29.

18. Statement of G.Dracos, Chairman of the Federation of Greek Industrialist. **Neftembroki**, May 6, 1963, quoted in Ellis, 1964, p.300.

19. For Papandreou's bold conversations with the Americans, see Papandreou, 1973, pp.137-38 and also Roubatis, 1987, pp 176-77 and 180.

20. For instance, in plastics sector the extraction of raw materials, which was a process of primary importance in this sector, was controlled by two giant foreign enterprises of Esso-Pappas Chemical and Dow Chemical Hellas, while finishing the product, which was a process of secondary importance, was left for the Greek firms. Similarly, the Pechiney Company mined bauxite and produced aluminium and alumina, which was a process of secondary importance, but the phase of finishing the product, which was a process of primary importance, was completed outside Greece, see, Georgiou, 1988 p.68.

21. For a detailed information on the relations between Pappas, the US and Colonels, see US Congressional Hearings, 1971, pp 459-62.

22. For a discussions on the American tolerance to and European reactions against the Colonels, see US Congressional Hearings, 1971 various sections and A.Treholt, 1972, pp.210-227.

23. For the official American assessment on Greece's importance for the global interests of the US and NATO in this period, see US Congressional Hearings, 1971, Statement of R.Davies, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs, pp.25-56; Statement of J.H.Noyes, Deputy Assistant Secretary of Defence for Near Eastern, African and South Asian Affairs, pp.110-115; Statement of H.J.Tasca, US Ambassador to Greece, pp.303-324; and Statement of M.J.Hillenbrand, Assistant Secretary of State for European Affairs, pp.324-337.

CHAPTER VI

GREECE: 1974 - EARLY 1990s

1. Introduction

In this chapter I shall analyse Greece's semiperipheral foreign policy in the contraction period of the world-economy that began in the early 1970s. In world-system analysis this period corresponds to the relative decline of American hegemony and the emergence of Europe (mainly the EC) as a new economic and political centre of power. This chapter will investigate whether, in this changing world context, Greece's internal economic and political dynamics and processes responded in the semiperipheral way defined by world- system analysis and, accordingly, whether Greek foreign policy followed a semiperipheral line.

In world-system analysis it is argued that during periods of contraction some of the strongest semiperipheral countries might be able to improve their position in the hierarchy of states by upgrading their production and trade patterns in the world-economy. In such cases core-like producers begin to become dominant in the production processes of the semiperipheral economy. Parallel developments are expected in the internal and external politics of upwardly mobile semiperipheral states: political intervention by the hegemonic/core power(s) comes to an end; the old political structures collapse; they change their international alliances, no longer acting as satellites of hegemonic powers and increasing their margin of independence to pursue their own national interests. They may also increase their influence in the management of international problems. However, a more characteristic foreign policy role of upwardly mobile semiperipheral countries is to assert their intermediary or bridge role (or, in the terminology of world system analysis, sub-imperial role) between geographically, historically or culturally contingent areas and the core regions. One of the main motives behind this orientation is both to create privileged and stable markets for their export goods while reaping the (secondary) economic and commercial benefits of being a springboard for the core for those areas and, at the same time to create their own political sphere of influence.

An overall examination of the Greek economy and politics in the post-junta period reveals that Greece has not really moved upwards in the hierarchy of states of the world-economy despite the seemingly positive changes registered especially in the second half of the 1970s.

2. The Economic Environment: 1974 - Early 1980s

The previous chapter revealed that the main features of Greek economic development in the 1945-74 period constituted, first, vitally important American aid and later, mostly American foreign investment capital; and, second the dominance of periphery-like Greek producers. In that economic environment intimate relations were established between the Greek state, almost all sectors of the Greek economic elite, the Americans and foreign capital. Although this situation was briefly challenged by the modernising government in the mid-1960s, the military takeover of 1967 reestablished the traditional mechanisms. Developments in the Greek economy after the collapse of the military regime and the establishment of democracy in 1974 created the impression that a significant shift from the old mechanisms was underway. The state, the most crucial actor in the semiperiphery, was at the centre of these developments.

During the post-junta period the intervention of the Greek state in the economy acquired new dimensions (OECD, 1992:57). In the 1945-74 period state intervention had occurred through subsidies, licences, protectionist policies, etc. In other words, the state had restricted its role to providing incentives (mostly financial) to the private sector rather than directly contributing to the industrial development of the country (Giannitsis, 1991:214). It supported low-technology, labour-intensive, uncompetitive traditional industries, and invited foreign capital to invest in non-traditional (mainly intermediate and capital goods industries) sectors. Accordingly, the state's overall participation in total industrial investment was 0.7 percent between 1965-74 (Giannitsis, 1991:228). It maintained the dominance of periphery-like production and encouraged the accumulation of capital either in the hands of periphery-like domestic producers, or foreign investors who invested in relatively high-tech, non-traditional sectors of the economy. In the post-junta period, however state intervention

concentrated mainly around two activities: nationalisations and assuming the role of entrepreneurship. These policies indicated that the Greek state attempted to become the engine of development.

Although the new government had announced economic freedom as its principal policy (Karamanlis, 1974:224 and 1979:227) it undertook a number of nationalisations which enormously increased the economic sphere it controlled. According to the Minister of Industry the degree of state control in the economy had reached well over 60 percent in 1979 (Clogg, 1987:157). Unlike the postwar interventions, this new policy was aimed at two main objectives. First, to balance economic and social inequalities and hence to replace private initiative whenever economic and social reasons dictated such a policy (Karamanlis, 1979:226). Second, it aimed to reduce the power over the economy of that part of the economic elite which had collaborated with the military regime between 1967-74. Accordingly, the state established a great number of industries in the fields of sugar, fertilisers, petrochemicals, armaments and some others, and nationalised Olympic Airways of Onassis; the Aspropyrgos refinery of Niarchos; the Commercial Bank Group and urban transport company of Andreadis (Karamanlis, 1979:228). The new government maintained that development could be achieved through state control of the economy. In 1979 a cabinet minister stated that the state controlled 95 percent of the banks; 100 percent of the energy companies; 100 percent of the communications, 100 percent of the companies related to national defence; 100 percent of the public utility companies; 100 percent of transport; 100 percent of railways and air travel; 60 percent of the insurance companies; 50 percent of the refineries; 50 percent of shipyards; and 70 percent of the fertilisers (Loulis, 1981b:23) (1). Furthermore, on government initiative a consortium of four main domestic banks (ELEVME) was established to fill gaps in the industrial structure by creating new enterprises or financing investments by already existing private companies especially to exploit the country's natural resources, such as mining and the chemical industry (OECD, 1976:47). Hence in this period the Greek state gave the impression that it had taken on the entrepreneurial role itself and hence became the pioneer of the development process. Before discussing whether these

“developmentalist” state policies were successful in upgrading the production structure of the country, let us look first at the relationship between the state and the economic elite in the immediate post-junta period.

The political elite in power in the immediate post-junta years were developmentalist and progressive elements of both the right-wing and the centre of the 1960s and early 1970s. Their economic outlook was based upon the disintegration of the mechanisms and habits of the (periphery-like) postwar economic system. One of the most prominent technocrats of the new government, the governor of the Central Bank of Greece, X.Zolotas, expressed the principal expectations from Greek industrialists emphasising the crucial necessity of a change in their habits:

In industry the strongest effort must be made by the industrialists themselves...Greek businessmen must recognize, with boldness, realism and resourcefulness, that the strong financial incentives, excessive protectionism and low labour cost, which ensured the fast and comfortable growth of their firms, belongs to the past...[They] must also understand as early as possible that it is both a duty and an advantage for them to cooperate among themselves and with the state for the purpose of restructuring the economy, changing the attitudes shaped within the confines of a closely protected market, and at the same time strengthening the economy's export orientation and competitiveness...It is also necessary to change organizational, administrative, and marketing methods procedures at the level of business firm, with the ultimate objective of attaining optimum size. This is the only way in which Greek industry can cope with foreign and domestic competition, which will grow keener with the passage of time. Furthermore, business firms... should stop relying mainly on bank credit for financing their investments (Zolotas, 1976:37-38).

One of the objectives of Karamanlis's interventionist economic policy was to reduce the economic bases of two groups: the monopolies, a point which was included in the article 106 of the 1975 Constitution (The Constitution of Greece, 1975:45-46) (2); and the economic elite which had worked with the Junta by taking advantage of the enormous concessions it offered. Thus the nationalisations were politically motivated. This economic elite primarily constituted “American-oriented comprador bourgeoisie”

of Greece because of their intimate relations with the Americans during the Junta.

On the other hand, despite state interventionism, the Federation of Greek Industrialists (which can be called the “core-like European-oriented domestic bourgeoisie”) was, in general terms, close to the Karamanlis government (Kohler, 1982:119) and, it supported his primary aim of accession to the EC (Kohler, 1982:120). Accordingly, it established a research centre in 1975 to provide additional support to Greek industry in preparation for full membership of the EC (Kohler, 1982:143). And in 1976, as the governor of the Central Bank of Greece, Mr. Zolotas pointed out, the chairman of the Federation did not ask the government for any privileges but demanded the same treatment as that given by EC members to their own industrial sectors (Zolotas, 1976:37-38). Indeed, although the Federation represented all industrial interests, it was the modern (core-like) big business faction that generally set the tone in the decisions, and particularly in relations with the EC (Kohler, 1982:143). The Karamanlis government, through the Ministry of Economic Co-ordination, the National Bank and the Development Bank, supported the pro-European (core-like) economic elites in their preparations to join the EEC (Kohler, 1982:119-120).

From the point of view of “semiperiphery Greece”, the new interventionist policies of the state and the co-operation between pro-European (core-like) economic elites and the government, gave the impression that in the absence of strong, developmentalist core-like producers/entrepreneurs, the state took the economic initiative and co-operated with “core-like” economic actors in order to increase their strength in the economy, and hence to upgrade Greece in the hierarchy of states. This policy was identified with catching-up with the EC economies, and with full membership in the Organisation.

The relations between the state and foreign capital in the post-junta period was, however, not different from the traditional Greek approach. In keeping with the policy of attracting foreign capital as specified under law 2687 of 1953, the government

underlined the significance of enhancing the incentives and guarantees provided under that law by promoting them once more to the constitutional level (Democracy in Greece, n.d.:91). Accordingly, article 107 of the 1975 constitution guaranteed the protection of foreign investment in Greece (p.46). The relatively advanced, "core-like" sector of the Greek economy has been under the control of foreign capital since the early 1960s. Private foreign direct investment has played a significant role in developing certain important industries, including some major export industries (OECD, 1976:23). In the intermediate and capital goods industries (chemicals, metallurgy, electrical material, transport means, plastics, etc.) foreign direct investment has constituted the technologically advanced non-traditional base of the Greek economy since the 1960s (Giannitsis, 1991:215 and 218). As a result, the economy depended significantly on the export of the industrial products of transnational corporations. Six of the top twelve exporting corporations were subsidiaries of these transnationals (Georgiou, 1988:67). Under the circumstances in which domestic capital (both private and public) had shown little interest in the non-traditional advanced (core-like) industrial sectors the Karamanlis government had no immediate alternative to protecting and supporting the inflow of foreign investment capital in order to encourage the process of catching-up with the EC economies.

The policy of attracting foreign capital can be considered a semiperipheral means of upgrading the production structures as long as it leads to structural transformations in the economy. However this did not occur in Greece in the post-1974 period. Foreign investment capital remained reluctant to invest in Greece and its inflow into new fields declined (OECD, 1979:20 and 1986:41; Georgiou, 1988:65; Kleinman, 1988:212).

Full EC membership was considered by the Karamanlis government as the most strategic economic target in order to restructure the Greek economy. From the semiperipheral development perspective, accession to the Community constituted perhaps the most important goal for adjusting the economy to core-like production structures which could upgrade Greece in the hierarchy of states towards the core zone.

Zolotas, governor of the Central Bank of Greece, explained these (developmentalist) expectations of EC membership in this way (Zolotas, 1976:22-24): First, the entry of a small country like Greece into a wider economic group would have the direct effect of expanding its market. Second, accession to the Community would give Greece the possibility of benefiting from the advanced and constantly improving technology of the member countries. Third, Greece would become familiar with new organisational and managerial techniques, and attract increased flows of venture capital. Fourth, it would relieve Greece's balance of payments problems. Fifth, membership would enable Greece to benefit from various EC funds which could help Greece to restructure, reorient and modernise its economy (3). Furthermore, he argued that accession would greatly assist the growth of heavy industry in Greece (Zolotas, 1978:49). In June 1979, during the parliamentary debates on the Accession Treaty, Prime Minister Karamanlis echoed these expectations: 'social and industrial progress, attraction of foreign capital and expertise, and stimulus of competition' (Woodhouse, 1982:276-77). According to Karamanlis, Europe should promote economic justice and help developing countries (Woodhouse, 1982:275).

There was a further reason for the impression that the Greek economy had shifted towards the core-zone in the post-junta period: some indicators of the economy improved in a period of increasing oil prices and world wide recession. For instance, Greece's average annual growth rate of GDP between 1975-80 was around 4.5 percent (OECD, 1982), and the GNP per capita increased from \$2205 in 1974 to \$4348 in 1980 (OECD, 1976 to 1981). According to OECD reports this relatively strong economic growth up to the 1980s was due to a rapid expansion in foreign transactions with the result that the share of total exports of goods and services in GDP rose from 12.5 percent in 1970 to 25.5 percent in 1980, and that of imports from 19 percent to 27 percent (OECD, 1983:41). Perhaps the most striking development was the rise of exports and, accordingly, a remarkable exploitation of new markets. In this period, Greek exports to the Middle East, North Africa and other oil producing countries rose particularly sharply (by 55 percent in drachma values) so that this group's share in total Greek exports rose to roughly 16 percent (OECD, 1976:17). Greek exports to the

Greece: 1974-Early 1990s

Middle East continued to increase until the early 1980s: exports to the Middle East accounted for 23 percent of total Greek exports in 1980 (OECD, 1982: 26). Furthermore, another important export market for Greece in this period was the EC. Indeed, although foreign transactions between Greece and the EC had been increasing since the 1960s (4), Greece's access to EC markets increased more than a hundred percent in value terms between 1974/75 and 1979/80 (however, this corresponded to an increase from 47.7 to 48.2 percent respectively in total Greek exports) (OECD, 1982:27) (5). Similarly, imports from the EC, increased almost a hundred percent in value between 1974 and 1980 and constituted a large proportion of total Greek imports (more than 40 percent), but without a significant change in total percentage (6). Another important development was the increasing share of semi-processed and manufactured goods in exports, mainly in value terms. They increased from 1.5 percent in 1977 to 11 percent in 1978, and to 19 percent growth in 1979 (OECD, 1978:18 and OECD, 1980:21). The relatively fast rise in industrial exports until the early 1980s was due to increasing access to the EC market and, especially, to the rapid increase of exports to the Middle East (OECD, 1982:26). When it is recalled that another indicator of positional shift in contraction periods is an improvement in the sphere of trade, these developments further strengthen the impression that Greece shifted towards the core zone.

A final point which is significant from the perspective of world-system analysis is Greece's economic relations with the US. The 1982 OECD report on Greece shows that trade between Greece and the US decreased significantly between 1974 and 1980: while exports to the US decreased from 8.9 percent in 1974/75 to 5.6 percent of total exports in 1979/80, imports from the US fell from 7.7 percent to 4 percent of total imports in the same period (OECD, 1982:27). Furthermore, in the field of foreign investment there was a shift from American to European investment. In the post-junta period the EC investment share became higher than that of the US: 6 and 7 percent of total assets respectively (Tsoukalis, 1981:46 and Mitsos, 1980:140). This pattern of growing Euro-centricity in the post junta period was also apparent in the number of tourists visiting Greece. The number of European tourists reached 74 percent of the

total in 1978, while those from North America remained around 14 percent (Couloumbis, 1983b:98).

In fact, invisible items, mainly emigrant remittances, tourism and shipping have played a significant role in offsetting Greece's balance-of-payments deficits since the 1960s. The OECD reports on Greece between 1975-1982 show that the role of invisibles increased in the post-junta period. For instance, in 1977, the substantial increase in the trade deficit (from \$3.3 billion to \$3.9 billion) was covered significantly by a sharp rise in invisible receipts so that the current external deficit widened by only \$0.2 billion (OECD, 1978:16). In 1978 the rise in net invisibles exceeded the rise in trade deficit by almost 18 percent (OECD, 1979:17 and 19). In other words, the invisible surplus offset about 4/5 and 2/3 of the trade deficits in 1978 and 1979 respectively (OECD, 1980:19) and the growth of net invisible receipts rose from an annual increase of about 17.5 percent in the few years to 1978 to 27 percent in 1979 (OECD, 1980:24). Tourist receipts were the fastest increasing item: the annual growth rate of tourism between 1975 and 1979 was 27 percent, while emigrant remittances grew by 5 percent and shipping receipts grew by 18 percent in the same period (OECD, 1982:28). The important point is that both tourism and emigrant remittances receipts were heavily dependent on European tourists and Greek workers in Europe. This demonstrates that (together with the Euro-centric trade and investment patterns) the Greek economy was dominated by Europe in the period between 1974 and 1981.

From the world-system analysis point of view, these developments up to the early 1980s created the impression that Greece had entered a process of upward mobilisation from its semiperipheral position in the world-economy towards the core region. In world-system analysis semiperipheral states are expected to improve their trade patterns in the contraction periods of the world-economy, and upwardly mobile states are expected to have high growth rates. In the case of Greece, therefore the (relative) improvement of trade patterns with the EC and especially with the Middle East (both qualitatively and quantitatively) and high growth rates indicated semiperipheral development in the second half of the 1970s. Furthermore the

Greece: 1974-Early 1990s

elimination of old financial, monopolistic and some of the shipping interests of the previous periods (mostly “periphery-like” producers) through state intervention, the increasing role of the state in the economy, the willingness to become a full member of the EEC, and the state's support to the pro-European economic elite implied that the state, as an agent of semiperipheral development, had taken a developmentalist-entrepreneurial role and supported the strengthening of “core-like” producers.

3.The Political Environment: 1974 - Early 1980s

Let us turn now to the political sphere. Two main developments are expected in the domestic political spheres of semiperipheral states in the contraction periods of the world economy. First, the old political structures collapse; and second, the intervention of hegemonic/core powers in the domestic affairs of the state ceases. With regard to changes in the political structures, Greece experienced radical developments in the post-junta period. The Greek political establishment had been dominated by three principal actors: the Monarchy, Army and Parliament, all of which collaborated closely with the Americans. In the immediate post-junta years these institutions were either abolished or had to abandon their old roles and habits as democratisation occurred.

First, the monarchy was abolished by referendum. Established as the agent of foreign powers it had always been a powerful force against progressive change and a destabilising force in Greek politics through establishing and changing alliances with other conservative forces. In the 1974 referendum on the future of the monarchy nearly 70 percent of the electorate voted against it and it was abolished in December 1974. The Greek conservatives were forced to dissociate themselves from royalism.

The second issue was the question of the military. According to Karamanlis, the military would have to disengage from politics and confine their activities to the defence of the country. Although the military had already been discredited by the junta experience and the mismanagement of the Cyprus issue and the subsequent defeat on the island, liberal-conservatives thought that it should be transformed into a respectable organisation which would satisfy both its members and Greek civilians. Accordingly,

the junta elements were purged from the army and the so-called Turkish threat (7) was used towards this end. In this way the military was not excluded from the emerging national consensus, instead it was legitimised and integrated into the new political system as the country's protector against "external threat". The position and duties of the army were clearly prescribed by law without giving any pretext for intervention in domestic affairs. Thus, after years of active intervention in Greek politics, the military was subordinated to civilian rule. This was the end of authoritarianism in Greece.

Perhaps the most critical transformation in the political system in the post-junta period was the change in the outlook of the parliamentary (especially the right wing) political elite. The main consensus among the Greek political elite in this period was the need to establish democracy with political freedoms and civil rights. The new conservative right which widened its appeal towards the centre and even towards the left (Macridis, 1981:11) took a liberal attitude and abandoned its old die-hard and simplistic anti-Communist stand. In this respect, an important event, which consolidated national reconciliation and the process of democratisation, was the legalisation of the Greek Communist Party. Under the impact of the Pax-Americana and in the context of the Cold War, a die-hard and passionate anti-communism had been the most important credential of the parliamentary (especially the conservative) elite between 1949-1974. Thus, the new liberal-democratic outlook of the parliamentary elite was indeed a revolution in Greek political life. Another striking change was the rejuvenation of the conservative right parliamentary group: the vast majority of its MPs were now young, liberal (some had social democratic inclinations), and new to politics (Kohler, 1982:117 and Loulis, 1981a:59). Couloumbis summarises the revolutionary change in the Greek right:

The old traditional right known for its dynamic methods such as electoral manipulation, repressive techniques, royal and military intervention in politics, and monopoly control over the army and security services, is being pushed into a far and uncomfortable corner. The new right, mainly Karamanlis's creation.....is a center right coalition, committed to genuine parliamentary politics with a Western European orientation (Couloumbis, 1981b:188).

Karamanlis's aim, however was to ensure bourgeois modernisation and rationalisation which would be crowned by Greek accession to the EC. From the very beginning he directed his main efforts to this endeavour (8) (Mavragordatos, 1983:75 and 76). When he formed his New Democracy party, he stated that:

ND believes that Greece is not only entitled, but can assure the distinguished place and happiness of its people within the Europe to which she belongs, if it mobilises all its abilities and if it make use of all the virtues of its people...A fundamental precondition, however for all this is the implanting in our country of a genuine and up-to-date democracy. Towards this end the great camp of ND is totally and unanimously dedicated (Karamanlis, 1974:225).

In the 1945-74 period there had been constant American intervention into Greek politics. In the post-junta period, however, this came to an end. In the summer of 1974 the Junta collapsed as a result of the Turkish intervention in Cyprus following a Greek coup which aimed at unifying of the island with Greece. When the Junta collapsed anti-Americanism was at the top of the Greek political agenda. There was a consensus among the political elite and the ordinary people that the US had helped the Colonels to seize power in 1967 and had supported them afterwards. The resentment against the US reached its peak during the Cyprus crisis, and Greeks began to accuse the Americans of being insensitive to the Turkish intervention and of siding with the Turkish arguments. In an environment in which their strongholds were either discredited and put under civilian control (the military), abolished (the monarchy), or had abandoned their unconditional Atlanticist orientation (parliamentary elite), it was almost impossible for the Americans, who had been experiencing a relative decline of their hegemony, to intervene and impose their policies on Greek domestic affairs. The centre of the decision making gravity moved to a pro-European cabinet and Prime Minister (Couloumbis, 1983b:113). The Americans realised that 'a return to the old bilateral relation of dependence was virtually impossible, and for many people also undesirable' (9).

4. Foreign Policy: 1974 - Early 1980s, “Europeanization”

In world-system analysis, in parallel to economic and political changes, the following main developments are expected to occur in the external relations of an upwardly mobile semiperipheral state in the contraction period of the world economy: they change their international alliances, abandon satellite-type foreign policies, and their ability to pursue a relatively more independent foreign policy from the hegemonic/core powers increases; they compete with other semiperipheral states for economic and political gains; and they tend to assert their intermediary and bridge (or sub-imperial) role between geographically, historically and culturally contiguous areas and the core regions. Furthermore, they attempt to become involved in the management of international problems. In the case of Greece, most of these characteristic semiperipheral foreign policy orientations can easily be observed. The foreign policy of Greece in the post-junta period was erected upon the following principles:

1. Greece still belonged to the West, but not simply as a loyal and unconditional ally. The western alliance would have to accept that Greece had its own national interests which would no longer be sacrificed to the interests of Atlanticism. Greece therefore, had to act in accordance with the requirements of its national interests.

2. To promote its economic and political interests and further diversify its foreign policy, and also to get rid of the “disillusionment” caused by the Atlantic Alliance (that is US and NATO), Greece had to integrate into the European Community.

3. Greek foreign policy would not be unidimensional but would pursue a multidimensional orientation. To this end Greece would promote its relations with the USSR, Eastern Europe, China, the Middle East and Non-aligned countries.

The most striking foreign policy change in the post-junta period was extent to which Greece abandoned its postwar unconditional Atlanticism and followed a strong pro-European (EC) line. This is what world-system scholars would call “a change in international alliances”. The indicators of this shift were, first, Greece's withdrawal from the military wing of NATO in August 1974, ostensibly because of “NATO's inaction” against the Turkish intervention in Cyprus. This demonstrated that Greek

national interests would now come first, and would no longer be sacrificed to the interests of NATO or the US. Later, when Greek perceptions of NATO had changed somewhat, Karamanlis offered a "special agreement": Greek forces would be integrated in NATO only in the event of East-West warfare. A second indication of breaking with Atlanticism and the US was the reduction in the number of US military bases in Greece from seven to four. They were brought under Greek control with the insistence that the operation of the bases would be permitted only when it was considered necessary for Greek national interests (Coulombis, 1981a:176). The status of the bases remained a problem between Greece and the US until 1983. Moreover, the home-porting agreement of the US 6th Fleet was also terminated, and the US President appointed an experienced diplomat to Athens with a reputation of non-involvement in domestic affairs (Coulombis, 1983a:138). The changing nature of Greek-American relations was noted in the US Congressional Study Mission Report in 1975 mentioned above, which stated that "...in January 1975, when the study mission arrived in Athens, the level of Greek-American co-operation had reached its lowest point in the entire postwar period. Even more important it seems likely that these relations will soon be redefined in a significantly different way" (10).

While Atlantic relations were put on a new track, Karamanlis proceeded with his policy of making Greece a full member of the EC as soon as possible. From his first election campaign, he had emphasised that he would pursue a policy of accelerated entry of Greece into the Community (Clogg, 1987:63). This new notion of "Europeanism" was considered as a kind of political ideology by the New Democracy Party (Katsoudas, 1991:5). Karamanlis believed that Greece was a part of Europe and that it should take its place in the realisation of the idea of a united Europe (Karamanlis, 1974:225). His determined efforts to convince the nine EC leaders played a decisive role in the decision of the Community to accept Greece as the Tenth member in May 1979 (11).

The signing of the Treaty of Accession in May 1979 marked Greece's formal shift from unconditional Atlanticism to Europeanism. EC membership was seen as an

invaluable step in escaping from American influence and client status and upgrading the position of Greece in the international sphere. A few months before signing the Accession Treaty Karamanlis stated that "on joining the mighty European family as an equal member Greece will no longer be obliged to seek protection from one or another superpower" (12). The increasing economic and political rivalry between the EC and the US - a rivalry which included the Mediterranean region - in the 1960s and 1970s also an important role in the strong Europeanist orientation of Greece. "Europeanism" was not considered a new kind of Atlanticism (dependence) because Greece would be an equal member in this new alignment as opposed to the asymmetrical relationship patterns of postwar Atlanticism. Karamanlis noted the "upgraded" position of his country in an address to the party congress: "... within the Community...[Greece] will have a say not only in its own fortunes but in the future course of Europe, since it will influence Community resolutions through its vote" (Karamanlis, 1979:226).

Another semiperipheral tendency of Greek foreign policy was to abandon its satellite-like policy and to emphasise its independent stance. Not surprisingly, this policy (of independence) was explained as "independence-from-the-US". The Community was seen as an alternative alliance of Western states whose interests were not identical with those of the US. Furthermore, since the Community decisions are taken by unanimous vote, a decision contrary to Greek national interests could not be imposed on the country, and this would strengthen Greece's independent foreign policy stance (13).

The withdrawal from NATO's military wing, the renegotiation of the status of the US bases, and the termination of the home-porting agreements of the US 6th Fleet, were also part of this new "non-satellite independent foreign policy line". Greece also established independent relations with the Balkans, Eastern Europe, the Middle East, the USSR and China. Previously in the relations with the Soviet Bloc, Balkans, and China had been based on American established norms and policies. Even when West Europeans revised their policies vis-à-vis Eastern Europe, Greece had refrained from

taking an independent stance (Stavrou, 1980:157-158). Thus Karamanlis's opening to the Soviet Bloc, Balkans and China (on both political and economic grounds) and setting up bilateral and multilateral relations were clear examples of Greece's new "non-satellite and independent" policy (14).

Fighting against other semiperipheral countries, for example, Turkey, Spain and Portugal, for economic and political gains on the way to full membership in the EC was another semiperipheral characteristic of Greece's external policy. The negative response of the EC Commission in 1976 to the Greek application for full membership partly on the basis of the conflict between Turkey and Greece and its possible ramifications on the Community's future relations with Turkey seemed an important obstacle to Greece's future membership of the organisation (15). Turkey had enjoyed an associate status comparable to that of Greece until then. With the prospect of Greece's accession, Turkey could suffer discrimination both economically and politically in its relations with the Community (de la Serre, 1979:41) and this would undermine the balance between the two vis-à-vis the Community. The reports linking Greek accession with the settlement of disputes with Turkey and the emphasis on the identical status of the two countries were unacceptable to the Greek government. Karamanlis protested the Commission's decision on moral and political grounds (Verney, 1987:261). He argued that Greece had no economic disputes with Turkey and its accession would not affect the development of the Community's relations with Turkey (Siotis, 1981:102). He launched an intensive diplomatic campaign directed at the nine-EC member states. The problem was solved in favour of Greece thanks to his persistent and determined policy. A second problem emerged with the Spanish and Portuguese applications for full membership in 1977. Indeed, this changed the context of the Greek application in the minds of Community policy makers: concessions to Greece, once given, could be used as precedents by Spain and Portugal (Wallace, 1979:23). They proposed the globalisation of the Community's Mediterranean policy. However, from the Greek perspective this would decrease the economic gains Greece expected. As a result of Karamanlis's swift and intensive diplomacy (16) which was based on the uniqueness of each application, Greece's special position in the Community because of the

Association Agreement of 1959 (17), and the policy of further acceleration of negotiations for accession (Verney, 1987:263), the problem of globalization was also overcome.

A more striking example of Greece's semiperipheral foreign policy was the intermediary role it was willing to play between the EC and the Middle East and North Africa. In world-system analysis, this represented sub-imperialist disposition taken by an upwardly mobile semiperipheral state. Karamanlis pursued a very active diplomacy in both of these regions between 1975 and 1980 (Woodhouse, 1982:269) (18). Middle East markets had become a major outlet for Greek exports, and on this basis Greece was willing to play a sub-imperial or a bridge role in this region for the Community. This policy was justified through Greece's geographical proximity to the region and the "historical ties" maintained over centuries (Zolotas, 1976:20 and 1978:50). According to the Governor of the Central Bank, X.Zolotas, one of the advantages the EC would gain from the accession of Greece was:

...the geographic position of Greece which lends itself to the establishment of industrial and other firms - involving the collaboration of Greek with foreign venture capital - that will be aimed at penetrating the markets of the Middle East and Africa (Zolotas, 1976:20).

A further reason given for the Community to use Greece as a bridge to these regions was the extensive activities undertaken by Greek architectural, planning and engineering firms (19) in Iraq, Libya, Saudi Arabia, Iran, Syria, United Arab Emirates and Africa (Zolotas, 1976:12-13 and 1978:50-51). The strong presence of Greek technical firms in the Arab countries and the dynamic growth of Greek exports (20) would help to promote the EC's interests in the Arab market:

This could be achieved by setting up joint Greek-EEC ventures capable of developing their activities either in the construction sector or in the commercial penetration of the Arab countries... Greek technical experts and businessmen, who are fully aware of the special economic, political and cultural condition prevailing in the Arab

countries, would considerably facilitate the access of joint Greek-EEC companies to the area of the Middle East (Zolotas,1978:52).

Moreover, Greece was also seen as a springboard to African markets for joint Greek-EC ventures: Such joint enterprises could supply the developing countries of Africa with a wide variety of products, including building materials, chemicals, electrical and telecommunications equipment, clothing, foodstuff, etc. (Zolotas, 1978:52). The intermediary and/or sub-imperialist tendencies which could turn Greece into a regional power were also evident in Greek efforts to make the country the financial, and transit centre in the region (Woodhouse, 1982:270-271 and Zolotas, 1978:52-53).

With regard to the Balkans, Karamanlis's pledge to contribute to peace and order (that is to European efforts at preserving détente and arms control) through its economic and cultural relations with the Balkans (Woodhouse, 1982:274 and Veremis, 1983:176) was an indication of Greece's aspiration to play a wider role in the area. The Balkan States Conferences convened by Greece in 1976, 1979, 1981,1984 and 1986 (Kofos, 1991:115) which aimed at economic and technical co-operation were a step taken in this direction.

In sum, it was apparent that Greece tried to present itself as an intermediary or a bridge between the geographically and historically contiguous areas of the Middle East, North Africa and the Balkans and the EC core zone, and hence attempted to play a subimperial role in the Eastern Mediterranean. Woodhouse summarises Karamanlis's policy: "He recognised that... he could enhance Greece's standing with her associates by providing them, through Athens, with a window to the East, looking out in particular on the Arab world and the Communist bloc. This was his achievement abroad" (Woodhouse, 1982:287).

5. The Economic Environment: Early 1980s - Early 1990s

All the indications thus gave the impression that Greece was experiencing an upgrade in its international status or, in the terminology of the world-system analysis, a shift

towards the core zone in the world system hierarchy of states. There was indeed an improvement in the position of Greece. Yet the decisive point is that Greece's shift upwards in the hierarchy of states was not based on structural transformations in the production structures of the country. In world-system analysis, a shift from the semiperipheral position towards the core zone corresponds to a substantial shift in production patterns towards high profit, high technology and high wage (that is core-like) sectors of the world- economy. However, OECD reports on Greece indicate that in the period between the mid-1970s and early 1980s, Greek industry expanded in the traditional branches such as textiles, food, beverages and construction materials (cement, steel and aluminium), and lacked investment in more sophisticated, technologically advanced new lines of production (that is core-like) and activities (OECD Reports, 1977 to 1983). However, almost all the traditional Greek industries are classified as regressive industries (that is periphery-like), and their relative importance in world demand has stagnated or declined (Giannitsis, 1991:218-19 and OECD, 1990:74) (21).

Thus Greece continued to specialise in resource (raw material) intensive and labour intensive products, and it retained a comparative disadvantage in technologically advanced goods (OECD, 1990:74). The sectors that typically use more advanced technology in both labour and capital intensive industries have remained small (OECD, 1990:75) (22). The attempts made by the Greek business community (Federation of the Greek Industrialists) and the state in the immediate post-junta period to transform the structure of the economy thus proved unsuccessful. However, wages during this period increased considerably (OECD, 1977 to 1983) (23). In world-system analysis, substantial and successive increases in wages may indicate an upgrade in the position of a state because it is hypothesised that the wage increases may correspond to an improvement in production structures. However, as OECD reports show, this is not the case in Greece. On the contrary, the substantial increases in wages in this period contributed to the deterioration of the Greek economy in subsequent years rather than indicating an upgrade in the status of the country.

On the other hand despite the new developmentalist intentions of the government in the post-junta period state ownership was limited to public utilities and was almost nil in the manufacturing sector (Tsoukalis, 1981:36). The state's participation in total industrial investment accounted for 4.3 percent in the period between 1975-80 (Giannitsis, 1991:229).

In sum, although some economic indicators suggested an improvement in the Greek economy in the period between the mid-1970s and early 1980s, it was not because of a structural transformation based on genuinely competitive, technologically advanced new lines of (core-like) production. It was the result of the increasing share of invisibles and total exports (especially to the Middle East) in the GDP and also due to the competitive advantage of Greek products despite the constant increase in labour costs (OECD, 1983:41). To put it differently, periphery-like production patterns and producers continued to dominate the Greek economy in this period.

This situation in the Greek economy did not change throughout the 1980s and in the early 1990s. All the OECD reports of this period indicate that the Greek economy could not adjust to changing production and world wide trade patterns, or to technological progress (OECD, 1983 to 1992). Greek producers have failed to adopt new productive structures in response to the new requirements of world demand (OECD, 1991:27). The economy has remained dependent on resource and labour intensive industries (periphery-like) for which demand in the world market has been declining. Between 1980-87 the share of ascending, technologically advanced (core-like) industries in total Greek exports remained around 2 to 13 percent, while the share of resource and labour intensive (periphery-like) industries was around 35 to 45 percent (OECD, 1990:76) (24). Greek exports were concentrated in a few products: textiles, clothing, footwear, cement, aluminium, iron and steel together presented about three-quarters of manufacturing exports and there had been no apparent tendency to change since the mid-1970s (OECD, 1990:75). Furthermore, the failure to develop new technologically advanced (core-like) lines of production coupled with increasing labour costs (25) and falling profits (26) caused further deterioration in the cost

competitiveness of traditional (periphery-like) Greek products (OECD, 1982 to 1992). Unlike Greece, most of the OECD countries adopted their production structures to the new world demand structure, especially after the second oil shock in 1979. Moreover, new more cost efficient suppliers (in South East Asia) emerged for labour and resource intensive products in which Greek exports specialised (OECD, 1990:78) (27). Thus throughout the 1980s and early 1990s periphery-like production and producers remained dominant in the Greek economy.

State policies and the relations between the state and capital also indicated that 'periphery-like' interests controlled the Greek state throughout the 1980s. In this sense, the post-junta developmentalist image of the Greek state diminished in this period. The financial system (especially the two largest commercial banks, special credit institutions, and the biggest insurance companies) was under excessive (direct and indirect) state control (28). Hence 4/5 of the total credits extended to private business was controlled by state agencies (OECD, 1986:55 and 1992:72). The important point is that credits were often given irrespective of banking and financial criteria. Hence they were extended especially to (periphery-like) large enterprises at the expense of better performing ones (OECD, 1986:55). Furthermore, commercial banks sometimes refused to extend credit to efficient firms in order to protect enterprises with similar activities with which they have privileged relations (OECD, 1986:footnote 56). Moreover, when the privileged but inefficient (periphery-like) firms faced financial difficulties in paying back their credits, state controlled commercial banks began to participate in their management in order to protect their own interests. In this way, the banks either continued to supply credit to these firms or acquired many of the loss making (periphery-like) enterprises (OECD, 1986:56 and 1987:34). Hence, far from becoming an engine of semiperipheral development the state itself turned into a periphery-like producer in the 1980s.

The state also provided subsidies and grants to non-viable traditional (periphery-like) industries with problems of overmanning and heavy indebtedness (29). This diverted real and financial resources from the competitive economy and from

more profitable uses (OECD, 1990:61) (30). The financing of the large deficits of inefficient, loss-making public enterprises by state grants and special bank loans further indicated that resources were allocated to the “periphery-like” production patterns (OECD, 1990:61). In sum, it had become clear in the 1980s that the Greek state was unable to turn into a developmentalist state - both in itself and for the private sector - in order to accomplish a shift towards the core zone of the world-economy.

Greece's determined orientation towards full EC membership, coupled with its impressive macro-economic indicators in a period of world wide recession had created an impression that it was moving from its semiperipheral position towards the core zone of the world-economy. This “upward mobilisation”, on the other hand, was identified with Europeanization. The Financial Protocol signed between the EC and Greece in 1977 provided for the Community's participation in measures to promote the rapid development of the Greek economy (Opinion,1979: 65). Indeed, with the revitalisation of the Association Agreement in 1974, the Community accepted the necessity of reducing the disparity between the Greek economy and the economies of the member states (Opinion,1979: 66). Furthermore, it was apparent that with full membership, Greece would be able to benefit from the financial resources of the Community (transfers and various funds) for restructuring and modernising its economy. Given the Community's formal approval of Greek accession in 1979, it was not unrealistic to think that Community membership was an important opportunity to upgrade Greece's status in the hierarchy of states towards the core zone. Hence, it was expected that Greece (as an “upwardly mobile” semiperipheral state) would adjust its economy to the economies of the member countries by using the financial and technical opportunities of the Community. It was thought that the balance would shift in the Greek economy towards core-like production patterns.

After 1974, the Community focused on financial transfers to the Greek economy. In the pre-accession period (1974-81) the Community's contribution was limited to the release of the \$56 million of the First Financial Protocol which had been blocked since 1967, and to the Second Financial Protocol which provided \$336 million

to Greece. There were also transfers from the European Investment Bank in 1975 and 1980 which amounted to \$30 and \$77 million respectively.

A massive influx of EC transfers to the Greek economy materialised after Greece's accession in 1981. First, the Community extended 2,542 million ECU to Greece in response to a memorandum from the socialist government demanding recognition of Greece's special problems, and asking for special treatment and assistance to bring the Greek economy closer to those of its partners (Verney, 1987:265). Net EC transfers increased substantially (77 percent) between 1981-83 (OECD, 1983:38), stabilising at around \$700 million annually in 1985, which covered 15 percent of the Public Sector Borrowing Requirements (OECD, 1986:15 and 35). The inflow of capital from the EC also played an important role in offsetting Greece's balance-of-payment deficits. In 1983-84 EC capital financed an average of 35 percent of total Gross External Financing Requirements (Kefalas and Mantzaris, 1986:70). Similarly, in 1985, in the face of a financial crisis when the current deficit stood at almost 10 percent of GDP, the EC provided 1.7 billion ECU loan to support an austerity programme (OECD, 1991:24). EC transfers to Greece continued to increase in the second half of the 1980s. Between 1980-1985 net transfers from the EC were equal to 1.5 percent of GDP, they reached 4.9 percent of GDP in 1989 (OECD, 1990:68). Moreover, receipts from the EC amounted to \$3 billion in 1990 (OECD, 1991:24) and total EC loans outstanding represented 8 percent of GDP, or a quarter of Greece's foreign debt, in 1991 (OECD, 1991:24). Furthermore in 1991, in the face of a large balance of payments deficit and a sizeable external borrowing requirement, the Community extended a loan of 2.2 billion ECU (\$3 billion) to provide relief to the Greek balance-of-payments (OECD, 1991:24).

Although net EC inflows reached more than \$20 billion (including special and EIB loans) between 1981-91, the Greek economy was unable to catch up with the growth and structural changes in other EC countries (Kapetanyannis, 1993:80). EC transfers and loans either played a role in averting a balance-of-payment crisis, limited the resort to foreign private credit throughout the 1980s and early 1990s (OECD,

1991:22; Kleinman, 1988:208 and Kefalas and Mantzaris, 1986:78), went into consumption rather than in investment, or were wasted (Tsoukalis, 1992:155). In short, they did not contribute to the structural transformation of the Greek economy. As Verney puts it "... success in channelling more Community resources to Greece often seemed to become an end in itself. All too frequently, the Greek government appeared unable to absorb the financial support it was offered or to co-ordinate its use in a way that would help the country to adjust to the challenge of Community competition" (Verney, 1993:150). Hence, despite the inflow of massive amounts of EC funds and contrary to expectations, the Greek economy could not overcome its structural weaknesses, nor its low level of technology, poor infrastructure and its specialisation in regressive industries.

Furthermore, direct foreign investment in Greece was hardly influenced by full EC membership and Greece was little affected by the transnational mergers and acquisitions that restructured European industry (Tsoukalis, 1992:155). Moreover, in the second half of the 1980s it became apparent that foreign companies (especially European) were unwilling to use Greece as an intermediary in the Middle Eastern and North African markets (Tsoukalis, 1981:45 and 47). While the share of the Middle Eastern and North African markets in total Greek exports amounted to 23.2 percent in 1981, this figure declined dramatically to 11.7 percent in 1987 (OECD, 1990:104). However, trade relations between Greece and the Community increased significantly after accession. While the share of Greek exports to and imports from the EC were 46.3 and 47.7 percent respectively in 1981, they reached 60.3 and 54.3 percent in 1987 (OECD, 1990:104). The increasing share of invisibles (especially European tourist receipts) in the Greek economy (OECD, 1987:22) and their positive role in offsetting balance-of- payment constraints were other significant developments in Greek-EC economic relations in the 1980s. Accordingly the EC share in invisibles reached 38.9 percent in 1983 (Manasakis, 1986:149).

The developments in the 1980s show that the "Europeanization" of Greece, which can be identified with the concept of "Semiperipheral Development" or

“mobilisation towards the core zone”, can be explained in terms of the transfer of huge amounts of money from the EC, increasing Greek-EC trade relations, and the inflow of EC tourists etc., but not in terms of structural transformations in the production patterns. In world-system analysis, an upgrade in the hierarchy of state refers first, to an upgrade in the sphere of production. This did not occur in Greece. What happened was not a shift from peripheral to core-like production patterns. On the contrary, the Greek economic elite invested in regressive industries (mostly with low levels of technology) rather than in technologically advanced sectors capable of inducing significant modernising and restructuring effects in industry (Giannitsis, 1991:218 and Petras et al., 1993:181). Greek industrialists were seeking for easy profits (a periphery-like characteristic) rather than investing in productive spheres. An OECD report shows that Greek industrial firms, which had privileged access to credit, borrowed for more than they required in order to re-lend the money to domestic and import traders with which they had business relations (OECD, 1986:57-59) (31).

The state's continuous financial support of ailing and problematic firms, and the loss of competitiveness and foreign market shares clearly indicated the dominance of “periphery-like” production patterns in the economy. An OECD report on Greece points to the state oriented policies of these 'periphery-like' producers, and the way they articulated their interests at the state level. Moreover, it emphasises the central position of the state in the semiperiphery:

[state intervention]...has had strong bearings on mentalities and behavioral attitudes as economic agents become accustomed to state interference and to petitioning the government for permanent assistance and protection whenever relative income positions are felt or perceived to be threatened by competitive forces and structural change. This has impaired the market flexibility and the growth potential of the Greek economy (OECD, 1990:58).

Thus, this report clearly shows that the Greek economy and state remained under the control of 'periphery-like' producers and did not experience a 'core-like' challenge in the post-junta period.

Another point which seems to deviate from one of the semiperipheral hypotheses is related to the increases in the per capita GNP in this period. As we saw, per capita GNP can be accepted as an indicator of the world-system position of a state, and continuous and remarkable increases or decreases in GNP are a sign of upward or downward movement in the world-system hierarchy of states. The Greek GNP per capita income, which was \$4348 in 1980, decreased to \$3380 in 1984 and increased moderately to \$3966 in 1986 (OECD Reports from 1980 to 1986). However this trend came to an end when the GNP figures rose up to \$5058 in 1988; to \$5359 in 1989; and to \$6629 in 1990. From the world-system perspective, it is strange for GNP per capita to increase in an economy which is dominated by 'periphery-like' structures and which has been performing badly for a decade (OECD Reports from 1989 to 1992).

In sum, the developments in the 1980s and early 1990s show that Greece has not experienced an upgrade in its status in the world-economy. On the contrary, it fell to the bottom place in the OECD area at the beginning of the 1980s, and has remained there since (OECD, 1992:76). Greece's actual and potential output growth rate was 1.5 percent during the 1980s, one of the lowest in Europe (OECD, 1991:18), and the growth of GDP fell to 0.1 percent in 1990 compared with 2.6 percent in the OECD area (OECD, 1991:9).

The bad performance of the Greek economy in the 1980s opened a development gap between Greece and the rest of the OECD area (OECD, 1991:84) and the EC (Verney, 1993:151). Subsequently, Greece fell behind Portugal in the Community, to the twelfth and the worst economy (Kapetanyannis, 1993:80 and Verney, 1993:151). This in turn created a controversy about the economic and political status of Greece in the EC. On the one hand, Greece has retained full membership of the prestigious Community of advanced (core-like) economies as an equal member. On the other hand, it has created a "Greek problem", as a discordant member and a constant drain on the EC budget (Verney, 1993:151). From the perspective of semiperipheral development, all these facts once again indicate that although Greece

has been a member of the Community since 1981, membership has not led to an upgrade in its status towards the core zone of the world-economy.

6. The Political Environment and Foreign Policy: Early 1980s - Early 1990s

6.1. Political Environment

In the political sphere, Greece entered the 1980s with a socialist government, which indicated an important step forward for the consolidation of democracy. In the context of semiperipheral politics, this can be considered a continuation of the transformation process of the old political structures begun in the post-junta period. Accordingly, despite the socialist government's unsuccessful performance in improving the structure of the Greek economy, democratic political structures remained intact during the 1980s. However, it should be borne in mind that the Community's massive transfer of resources into the Greek economy in this period must have played a decisive role in protecting Greek democratic structures.

6.2. Foreign Policy: Europeanization ?

In parallel with its poor economic performance, Greece did not exhibit the characteristic behaviour of an upwardly mobile semiperipheral state in the foreign policy sphere. What was expected from "upwardly mobile semiperipheral Greece" was a gradual increase in influence and weight in the EC and in world politics, harmonious relations with its partners in Western Alliance - especially in the EC; and the emergence of a Greek sphere of influence (though in a secondary sense) in the geographically and historically contiguous areas. Greece did not attain these objectives in the 1980s and early 1990s.

In fact, in the 1980s Greek foreign policy was based upon the rhetoric of "independence" (32), a characteristic foreign policy orientation of "upwardly mobile" semiperipheral states. The main objective was to show that Greece was no longer a satellite state. It was clear that the unconditional Atlanticist years were over, and Greece was now an equal member of the highly prestigious EC. Furthermore,

the re-entry of Greece into NATO in 1980 and the agreement reached with the Americans on the operation of US bases in 1983 were other indicators of Greece's non-satellite status, in that the agreements (especially the bases agreement) observed the Greek interests and established a balance in the relations between Greece and the US (Pranger, 1988:256). Hence, the socialist governments' rhetoric of "independence" did not constitute a new phenomenon.

However, contrary to the expectations from an "upwardly mobile semiperipheral country", Papandreou's "independent" Greek foreign policy disharmonized political co-operation both in NATO and in the EC. Moreover, Greece itself became a problem in the Western alliances. In relation to the US and NATO (39), Papandreou declined to participate in NATO military exercises in the Aegean Sea because of Greece's disputes with Turkey. During the boycott of a NATO exercise in 1983, he permitted a Soviet fleet to visit the Greek port of Pireus which also coincided with an EC meeting on political co-operation in Athens. At a NATO Defence Ministers' meeting, he demanded a NATO guarantee of Greece's borders with Turkey. Furthermore, he responded negatively to the deployment of American Cruise and Pershing II missiles as part of NATO's Intermediate Nuclear Force Modernisation Program while making no reference to the USSR's SS20s. He also defined the USSR as a factor which restricted the expansion of capitalism and its imperialistic aims (Loulis, 1985:7), and he similarly described NATO as the first politico-military bloc which caused the inevitable emergence of Warsaw Pact (McCaskill, 1988:318). Papandreou promoted the Romanian idea of establishing a Balkan nuclear-free zone, which in turn led to significant rapprochement with the Soviet Union. He refused to condemn the Soviet shooting down of a South Korean Airliner on the grounds that it had been on a spying mission, and he established good relations with radical Arab states with which the US had problems.

In relations with the EC, Greece's disharmonizing "independence" line demonstrated in a number of ways (40). In 1981 the Papandreou government rejected the Community's plan to send peace-keeping troops to Sinai and would not be

associated with Camp David. Papandreou also complained about an EC resolution which supported the withdrawal of Libyan forces from Chad. In 1982, he resisted Western sanctions following the introduction of martial law in Poland, and dismissed his deputy foreign minister for signing an EC communiqué condemning Soviet involvement in Polish affairs. He also vetoed an EC attempt to condemn the USSR for shooting down Korean Airlines Flight 007. Moreover, after the American bombing of Libya, Greece demanded milder sanctions against Libya than its EC partners and refused to apply measures against the Libyan regime unless there was tangible proof that Libya fostered terrorism. Finally, Greece refused to align itself with its EC partners in the condemnation of Syria for its role in blowing-up an Israeli airliner (33). The problem was that, contrary to the expectations from an “upwardly mobile state”, Greece itself became a problem both in NATO and in the EC.

However, the main indication that Greece had failed to achieve an upgrade towards the core zone was its inability to create a sphere of influence, and/or to participate in the management of international problems. In this context, Greece's relations with the Middle East represent the best example. As we have seen, during the second half of the 1970s, Greece asserted its intermediary role between the Middle East, North Africa and the EC, hoping to become an economic and financial centre and crossroads in the region. Although this policy proved unsuccessful in the early 1980s, the Papandreou government continued the policy. Papandreou had already established close relations with “progressive” and radical regimes of the Middle East such as Syria, Libya, PLO etc., (Elephantis, 1981: 113 and Clogg, 1984:22). Once in power, he initiated a new opening to the Arab World. In contrast to Karamanlis, he based his Middle East policy on pro-PLO and pro-Arab policies: the PLO was granted recognition at the end of 1981, closer relations were cultivated with Libya and Algeria, Papandreou visited Arab countries (Ioannides, 1991:147-48), a direct line of communication was established between Greece and Syria (Kourvetaris and Dobratz, 1987:115), and an agreement was signed with Syria against world imperialism and racist Zionism (Loulis, 1985:28). Papandreou emphasised Greece's support for the Palestinian cause and denounced the Israeli occupation of Arab lands (Ioannides,

1991:147). This new opening to the progressive and radical Arab states was based on an economic rationale: it was expected that this policy would bring an influx of Arab capital and investment into the Greek economy (Ioannides, 1991:147 and McCaskill, 1988:310). Various economic agreements (especially on oil and improved trade) were signed with Arab states during the 1980s (McCaskill, 1988:316). However, the Arab contribution to the Greek economy (capital flows, investment, commercial and trade benefits, etc.) remained negligible: the Arabs were reluctant to embrace Greece (McCaskill, 1988:312 and 316; Ioannides, 1991:147; Kourvetaris and Dobratz, 1987:115; Macridis, 1984:58). Accordingly, although Greece attempted to contribute to the solution of the Middle East conflict as a member of the EC, pledged to work as a go-between (Kourvetaris and Dobratz, 1987:115), and declared the need for an effective Greece-EC initiative to resolve the crisis (Constas, 1991:52), these attempts proved unsuccessful and did not bring any benefit to Greece. Furthermore, the pro-PLO and pro-Arab policies did not make the Arabs take a pro-Greek stands vis-à-vis Turkey on the Cyprus and Aegean problems. Finally, Greece did not participate in the international management of the Iran-Iraq War, or later in the Gulf War, other than by sending a few warships for surveillance.

Greece was no more successful in playing an active role in the Balkans (Kofos, 1991:116). The Balkan conferences convened on Greek initiative in the 1970s and 1980s and the proposal to create a nuclear-free zone in the Balkans were important developments because for the first time in the postwar period security problems began to be discussed in Balkan forums (Kofos, 1991:116). However, the interests of the Balkan states soon waned and the Balkan Conferences did not lead to a privileged status for Greece in the Balkans (Kofos, 1991:115). In fact, Greece's failure to upgrade its position in the hierarchy of states was demonstrated in its policy vis-à-vis the Yugoslav crisis in the early 1990s. Greece implicitly supported Serbia in the Yugoslavian wars and split with its partners in the European Union (EU) over the name and recognition of Macedonia. Greece was taken to the European Court of Justice by the EU during its presidency because of the Greek trade embargo on Macedonia. Thus, contrary to Greek expectations, the country became a part of the problem in the Balkans rather than an

intermediary between the region and the EU or a participant in the management of international crises.

6.3. Conclusion

In sum, these examples show how little Greek foreign policy had become Europeanized by the early 1990s. And if Europeanization can be identified with development and modernisation, or alternatively, in the terminology of the world-system analysis, as an upgrade in the hierarchy of states it seems clear that Greece has not accomplished a shift towards the core zone in the post-junta period. The Greek example also shows, as the world-system model predicts, that upward mobility of semiperipheral states is exceptional. In other words, although all semiperipheral states can benefit from a contraction period in the world-economy only a few of them [the most strong one(s)] can succeed in shifting their positions in the world-system.

Notes to Chapter Six

1. For detailed information on the range of activities of the Greek state in the fields of public utilities, manufacturing, enterprises, trading concerns and special credit institutions in this period, see Kolmer, 1981, pp.300-303.

2. This point was also included in Karamanlis's government declaration in 1975 as one of the major objectives of the economic policy, see, Kohler, 1982, p.161 (footnote 69).

3. See, also, Zolatas, 1976, pp.34-35.

4. For instance while Greece's exports to the EC increased from 32.8% in 1960 to 47.7% in 1977, its imports from the Community increased from 33.6% to 42.5% in the same period, see, Tsoukalis, 1981, p.37 and Mitsos, 1980, p.129.

5. The OECD report on Greece in 1982 shows that the Greek exports to the Community increased in the following amounts between 1969/70, 1974/75 and 1979/80:

Greek Exports to the EEC (\$ million)

1969/70	1974/75	1975/80
272.21 (45.5%)	1.031.55 (47.7%)	2.189.7 (48.2%)

6. The value of Greek imports from the EC increased from \$2,079,14 million in 1974/75 to \$4,258,62 million in 1979/80. However, the percentage of EC imports in total Greek imports decreased from 42.9 % to 41.9% for the same periods respectively (OECD, 1982).

7. Greek political leadership "believes" that Turkey has expansionist designs on Greece.

8. The reorganisation of church-state relations, armed forces, and law and order in general, can be considered in the process of bourgeoisie modernisation.

9. Quoted in Tsoukalis, 1981, p.157

10. Quoted in Symeonides-Tsatsos, 1991 p.19.

11. For an account of Karamanlis's endless efforts to make Greece a member of the EEC, and the problems emerged in this period (1974-79) see, Siotis, 1981, pp.99-110.

12. Quoted in Woodhouse, 1982 p.274.

Greece: 1974-Early 1990s

13. This point has recently been proved on the issue of the recognition of Macedonia under this name.
14. For an account of Greece's opening to Soviet Bloc, Balkans, and China see, Woodhouse, 1982, pp.260-269.
15. For information on the EC's considerations in the relations between Turkey, Greece and the Community see, Siotis, 1981, pp.100-102; de la Serre, 1979, p.41; and Opinion, 1979, pp.50-51.
16. For Karamanlis's diplomacy on this issue see, Verney, 1987, p.262
17. For an account of Greek arguments see, Zolotas, 1978, pp.9-14 and Verney, 1987, p.262.
18. For information on Karamanlis's active diplomacy in the Middle East and North Africa see, Woodhouse, 1982, pp.269-71.
19. In 1978 there were about 30 Greek firms with a combined staff of over 8 thousand Greek engineers and skilled workers, which undertook construction projects worth \$5 billion in these countries, see Zolotas, 1978, p.51.
20. The activities of Greek construction companies contributed heavily to the expansion of Greece's exports to the Middle East -from \$66 million in 1973 to \$533 million in 1977. These export items mainly consisted of cement, building materials, metal structures, transport equipment, see Zolotas, 1978, p.51.
21. See OECD, 1990, Table 25
22. Between 1975 and 1979 while the shares of resource and labour intensive industries in total Greek exports were 42.2% and 32.2% respectively, in technologically advanced sectors it was, 18.2% for scale-intensive industries; 4.7% for differentiated goods; and, 2.3% for science based industries, see OECD, 1990, Table 24.
23. The annual growth of unit labour cost in the private and non-agricultural sector was around 19% between 1974-79, and it increased to 26% in 1980, see OECD, 1982, p.23.
24. The shares of these industries in Greek exports and the shares of OECD demands (imports) for these goods in the 1975-87 periods were as follows:

Greece: 1974-Early 1990s

	1975-79	1980-84	1985-87
Resource-intensive industries			
Greek exports	42.2	39.2	35.4
OECD imports	32.1	20.8	17.6
Labour-intensive industries			
Greek exports	32.6	37.6	44.7
OECD imports	17.1	16.9	16.7
Scale-intensive industries			
Greek exports	18.2	15.6	13.9
OECD imports	32.5	37.2	33.0
Differentiated goods			
Greek exports	4.7	4.8	3.9
OECD imports	19.0	19.5	20.8
Science-based industries			
Greek exports	2.3	2.8	2.0
OECD imports	8.3	10.7	12.0

Source: OECD Country Reports, Greece, 1990 .

25. Annual percentage change of unit labour cost in manufacturing were as follows, 1980, 27%; 1981, 26.5%; 1982, 36 1/4%; 1983, 19 1/4%; 1984, 23 1/4%; 1985, 20%; 1986, 12%; 1987, 12%; 1988, 17 1/2%; 1989, 19 1/4%; 1990, 21 1/4%. Source: OECD Reports, Greece, 1987 and 1992. The 1990 OECD Report on Greece states that the level of wages of production workers was three times as high as that of production workers in the Greece's Asian competitors, see OECD, 1990, footnote 32.

26. 1987 OECD Country Report states that essentially low average net profit rates turned negative since 1982, p.78.

27. In these fields S.Korea and Hong Kong have emerged as the most challenging competitors after the mid-1970s, see OECD, 1990, p.78.

28. For detailed analysis of the Greek financial system see OECD, 1986, pp.52-64.

29. For detailed information on the ailing and problematic firms, see OECD, 1987, pp.34-36; OECD, 1992, pp.65-68, and various other OECD Country Reports on Greece from 1986 onwards.

30. These problematic firms absorbed about half of total state grants and subsidies, and a fifth of total bank credits. Even so the financial situation of these enterprises improved little, see OECD, 1990, p.61. Furthermore, these problematic firms comprised some 40 of the country's biggest companies, see OECD, 1991, p.14.

31. For the rentier, anti-developmental character of Greek industrialists in the 1980s, see also Petras, 1987 and Petras et al., 1993.

32. For Papandreou's tough foreign policy see Loulis, 1985; Pranger, 1988; and Christodoulides, 1988.

33. However, the socialist government's position towards the EC began to change in the second half of the 1980s due to the difficulties experienced by Greek economy, see Christodoulides, 1988, pp.289-292 and Verney, 1993, pp.145-150. As the Greek economy became more dependent on EC transfers, Greek foreign policy was modified. One indication was the signing of the Single European Act in December, 1985 and acceptance of the institutionalisation of the European Political Co-operation which meant the abandonment of Greece's "independent" stance in foreign policy, and represented a U turn, see Verney, 1993, pp.146-147. Relations with the US also began to improve because Papandreou realised that strained ties with Washington would be bad for Greece's defence policy. He was also warned by American friends that if he did not refrain from anti-American policies, Greece would lose the support of US Congress which had been considerably influenced by the Greek-American lobby since 1974, see Haas, 1988, p.63.

CHAPTER VII

SPAIN: 1945 - 1976

1. Introduction

In this chapter and the following I shall analyse Spain's "semiperipheral foreign policy" in two main periods in the framework of world-system analysis: first, in the period between the end of the Second World War and the end of the Franco period in 1976; and second, in the post-Franco period, from 1976 to the early 1990s. These two periods roughly overlap with the expansion and contraction periods of the world-economy respectively. I shall begin by showing various semiperipheral characteristics of Spain in the political and economic spheres.

In world-system analysis the study of a semiperipheral country means essentially the study of a semiperipheral state. This is because the relations between state policies and the accumulation of capital are the key to observing developments in other spheres in semiperipheral countries. Thus the struggle to control and/or transform state policies is the main activity of semiperipheral economic actors, such as owner-producers, work force, multinationals, etc.

However, the direction of capital accumulation in the semiperiphery is not only determined by the state-oriented activities of various economic actors but also through state policies. First, the semiperipheral state may favour the interests of some groups over those of others. That is why various groups fight to influence state policies. And at this point, the state of the world-economy and the relative positions of its principal actors (hegemonic power, challenger, core states) become important determinants for the policies of the state and various interest groups in the semiperiphery. Moreover, the state itself may take steps to create opportunities for entrepreneurs, and it sometimes takes on an entrepreneurial role itself (Chase-Dunn, 1989:20). In this way, the state may become the pioneer of the development process in upwardly mobile semiperipheral countries (Chase-Dunn, 1989:241).

2. The Economic Environment

A cursory glance at Spain's political economy in the period between the end of the WW II and the late 1950s shows that the state intervened extensively in the economy. This intervention was realised in two ways: first, the state favoured the interests of the financial elite and indirectly, because of the intimate relationship between the two, the interest of the industrial elite. Second, while creating opportunities for entrepreneurs, the state also took on an entrepreneurial role itself.

In this period the Spanish state (or the Franco regime) relied on five main instruments of intervention in the economy (1) all of which were adopted after the end of the Spanish Civil War in 1939. These policy instruments were, a system of Syndical Organisation; the licensing of industrial investment; the establishment of a large public holding company called **Instituto Nacional de Industria** (INI); exchange controls and other means of direct supervision of external economic transactions; limiting foreign investment opportunity.

The Syndical Organisation, a vertical organisation in which the employers and employees were obliged to co-operate, served mainly to regulate wages (Anderson, 1970:48). It aimed to eliminate class conflict and anarchic competition. In practice it operated as an effective means of controlling labour.

The practice of licensing industrial investment required all investment decisions to be approved by the government. It meant that the establishment of any industrial unit, or the expansion, modification, or relocation of an established firm required an official permit (IBRD, 1963:338) In this way established firms were protected against internal and external competitors. Furthermore, more efficient enterprises were prevented from improving their market shares at the expense of less efficient firms (IBRD, 1963:339 and Baklanoff, 1978:16). Moreover, the practice of industrial permits led to favouritism and arbitrary procedures applied to some privileged entrepreneurs by the officials in the Ministry of Industry (Baklanoff, 1978:16). Thus good connections with state officials rather than efficiency, cost or markets were important in obtaining

industrial permits (Donges, 1971:44). Furthermore, a preferential category of industries of national interest was established by the state (IBRD, 1963:338), and incentives were provided in the form of economic privileges to domestic 'firms of national interest' by bureaucrats according to political rather than economic considerations (Lieberman, 1982:169-170).

On the other hand, INI meant state investment and entrepreneurship, especially in industry. It was assigned the goal of industrialising the country. One of its declared aims was to establish industries where the private sector was incapable of investing, and its enterprises were considered in the category of 'national interest'. INI's activities were widespread and included almost all industrial sectors (IBRD, 1963:346). It could create new industries through state funding. Its primary investments were directed into the strategic sectors of steel, hydroelectric power, chemicals, metal works, autos, shipbuilding, transportation and communication, etc. (Anderson, 1970:40). However, it was also active in areas where private industry was already well-established, and it acquired interests in private firms (IBRD, 1963:349).

The state also exercised direct control over Spain's external economic transactions, providing strong protection for domestic producers. Control was implemented through high tariff barriers, import quotas, import licensing, exchange controls, bilateral trade agreements, etc. (Baklanoff, 1978:16). Moreover, discouraging laws and regulations limited the amount of foreign investment and this in turn effectively prevented foreign competition and protected domestic producers.

Nevertheless, in spite of extensive state intervention in the economy the financial elite had the political and economic power to influence state policies (Baklanoff, 1978:18-19). It was primarily because of this that Franco relied heavily on the financial elite (i.e., the bankers) during and after the Civil War, allowing it to play a strong role in the reconstruction and development of the private sector (Anderson, 1970:76). Monetary and credit policies were supervised by a Council consisting of representatives of the government, the commercial banks, and the Banco de Espana

(Central Bank). Furthermore, the shares of the Banco de Espana were owned by commercial banks and private investors, as well as by the government (Whitaker, 1961:230) (2).

Another striking feature of the Spanish economy was the intimate relationship between financial and industrial elites. In fact, economic power was concentrated in the hands of the five largest banks which in 1957 held 64% of the nation's private deposits and 49% of total deposits (Baklanoff, 1978:19) (3). As a result of the low level of financing and the lack of a developed capital market almost all private firms were dependent on one of these banks (Baklanoff, 1978:19 and Harrison, 1993:69). On the other hand, the banks themselves invested heavily in industry, either by acquiring shares in enterprises or through lending operations (Wright, 1977:102). In this way the seven largest Spanish banks controlled almost 600 of the major firms (Anderson, 1970:76) and increased their reserves and profits enormously throughout the 1950s (Harrison, 1993:69). The dependence of large private firms on the banks was further consolidated through the membership of bank officials on the boards of directors of the largest firms. Hence they influenced management and investment decisions of a great part of the Spanish private sector (Baklanoff, 1978:19 and Anderson, 1970:77). One study of the Spanish business and financial community reported that the larger Spanish entrepreneurs saw the banks as important components of their own decision process (4). In this monopolistic environment it was very difficult for newer firms to find long term capital for their investment requirements without established banking connections (IBRD, 1963:354).

The structural features of the Spanish economy revealed the dominance of periphery-like production patterns in this period. In 1963 a World Bank Mission described these characteristics (IBRD, 1963:330-34) as follows (5): first, Spanish firms were too small to operate efficiently, only a few relatively new industries were able to meet the necessary conditions for large scale production. Second, the equipment used in most enterprises was obsolete, old or inefficient. For instance, while the textile industry had about 15 to 20 % of modern equipment, only 1/4 of the equipment in the heavy

machine industry was modern. Thus large segments of Spanish industry were characterised by low productivity, high cost and uncompetitiveness (6). These characteristics underline the dominant position of periphery-like producers in Spain in this period. However, according to the report, there were exceptions to this general pattern, which indicated the semiperipheral position of Spain. These exceptions reflected the in-between status of Spanish industry: within a single branch of industry a mixture of old and new, large and small, efficient and inefficient could be found, and impressive modern plants existed side by side with the very outmoded ones (IBRD, 1963:332). Not surprisingly, the dominance of high cost, old technology, highly protected, uncompetitive production in the 1950s resulted in production for the domestic market rather than a competitive export-oriented economy.

State policies (intervention in the market through laws, regulations, licences, etc.) aimed to control the direction of industrial investment and sectoral allocation. Private enterprise was both regulated and controlled and, at the same time, provided with incentives and protection beyond liberal norms (Anderson, 1970: 42). These incentives included public investment in infrastructure, fiscal incentives, investment subsidies, wage and price controls, and strong protection against foreign competitors (Donges, 1971:38). However, the result was the continuation of inefficient, high cost, low-technology production, and the dominance of periphery-like producers in the economy (Donges, 1971:44-45).

Another principal actor in the Spanish economy in this period was the US. In the postwar period, when a new economic world order was being established under the leadership of the US, Spain was excluded from American-led international economic recovery programmes, for example, the Truman Doctrine or the Marshall Plan (European Recovery Plan) which to reconstruct the economies of Europe. The primary reason was Franco's collaboration with Nazi Germany and Fascist Italy during the Second World War.

Spain: 1945-1976

In fact, however, Spain's exclusion was due to strong European opposition rather than to an American decision. In 1946 the US administration concluded that only Franco could guarantee US interests in the Iberian peninsula (Dura, 1985:136 and 160). Talks on including Spain in the ERP were started by the Americans as early as 1948, and the US House of Representatives voted in favour of inclusion by a huge majority (149 against 52) (Gallo, 1973:183-84). However, the amendment was rejected by a Joint Committee of the US Senate and House of Representatives because of European reactions (7). Despite European opposition, US policy makers were determined to include Spain in the US-led economic aid programme.

America's policy of including Spain in the new world economic order was carried out in two main ways. First, until 1953 credits and loans to the Spanish economy were extended through private American banks, US Export-Import Bank, and credits from the US Congress. In this way the Spanish government received loans from Chase Manhattan Bank and National City Bank of NY (\$25 million and \$30 million respectively); a \$62.5 million Ex-Im Bank credit authorised by the US senate, and a further \$100 million credit authorised by the US Congress (Rubottom and Murphy, 1984:19). In order to obtain Ex-Im Bank loans, the Americans demanded that the Spaniards should prepare a recovery plan similar to those prepared by Marshall Aid recipient countries. Subsequently, the Spanish Plan was approved by Washington and an American team outside the Marshall Plan was appointed to administer the loans.

A second US initiative was realised through the Pact of Madrid (known also as Bases Agreement) of 1953. Under this agreement the US administration extended \$930 million economic aid and \$374,236 million military assistance by the end of 1959 (Whitaker, 1961:240-41). In addition, \$392 million worth of surplus agricultural products, repayable in Spanish Pesetas, was supplied by the US. Furthermore, more than \$500 million was poured into the Spanish economy for the construction of US military bases (Dura, 1985:347). American Catholic charity organisations collected a large amount of aid for Spain (Whitaker, 1961:241). Under the agreement the Spanish government accepted a US-authorised special economic mission called US Operation

Spain: 1945-1976

Mission (USOM) to administer American aid (Rubottom and Murphy, 1984:37). Another important characteristic of Spanish-American economic co-operation was the number of US agencies involved. Under a technical exchange programme several specialists from a variety of fields visited Spain, and more than 300 Spaniards were trained in the US each year after the Agreement (Rubottom and Murphy, 1984:38; Whitaker, 1961:244).

However, this crucial and massive (by Spanish standards) US aid was extended on condition that Spain liberalised and opened its economy. The Americans demanded that the Franco administration devalue the Spanish currency, lift restrictive barriers to foreign investment, and reduce the power of government-controlled industries (Dura, 1985:235 and 263). The Americans attached particular importance to the liberalisation of the Foreign Investment Laws, and hence the flow of US private capital into the Spanish economy. Just before the 1953 agreement American pressure was intensified. S.Griffs, the US ambassador to Madrid at the time, made a revealing declaration to the American Chamber of Commerce in Spain:

...we are hopeful that many of the restrictions now applied to American business operations can be ameliorated or removed [..and] that American corporations may be encouraged to make investments in Spain through permission to obtain larger interests in Spanish companies than is now allowed (8).

Similar official pressure was continued throughout the 1950s (Rubottom and Murphy, 1984:66) (9).

On the other hand, from 1948 onwards there were pressures on the US Administration from American businessmen for economic aid to Franco's Spain (Dura, 1985:219). The idea was that US dollars would enable foreign exchange hungry Spain to purchase long desired and necessary American industrial and agricultural products. The economic potential of Spain attracted American businessmen. By travelling to

Madrid in increasing numbers they showed their willingness to do business in Spain (Dura, 1985:220).

Simultaneously, the relations between the Americans and Spanish bankers/businessmen became closer. The Franco administration had given an important role to the Spanish banking/ financial community in improving relations with and obtaining aid from the US. First, in 1948 J.F.Lequerica, a board member of one of the top industrial banks in Spain (Banco de Urquijo), was given the responsibility of creating a heterogeneous Spanish lobby in the US (Dura, 1985:206-7), a mission which he successfully completed. Second, Franco appointed M.Arruba, the Minister of Commerce and at the same time an experienced banker who had been president of Banco Exterior of Spain before his appointment to the cabinet, to head the Spanish team in negotiating the Pact of Madrid in 1953 (Rubottom and Murphy, 1984:22). These appointments indicated the intermingling of the Spanish state, Spanish financial circles and the Americans. For Spanish bankers/industrialists and American businessmen the US-Spanish Agreement of 1953 (Pact of Madrid) signified a decisive and determined US involvement in the Spanish economy, and the stabilisation of the Franco administration. This reassured both domestic and foreign businessmen to invest capital in Spain (Ellwood, 1994:163 and Gallo, 1973:224).

From the point of view of the Spanish economic elite the 1950s witnessed the consolidation of the power of bankers throughout the various sectors of the Spanish economy; by 1960 banking interests controlled more than 60% of the manufacturing, mining and utilities sector (Dura, 1985:334). Furthermore, although the American administration did not oppose government projects they were determined that Spanish private capital should also get its fair share from the 1953 agreement. Accordingly, American officials usually supported Spanish bankers, and thus large Spanish private enterprises, in their demands for funds for expansion and modernisation (10) (Whitaker, 1961:246; Rubottom and Murphy, 1984: 39). Thus the Spanish economic elite (bankers/industrialists) obtained direct support from the US government.

US interests replaced British and French firms through the acquisition of German holdings and British and French interests in several Spanish firms (Dura, 1985:340). In this way, the Americans consolidated their participation in the electrical, chemical, pharmaceutical and rubber sectors, and also penetrated into the mining, steel, food processing and insurance sectors in the 1950s. On the other hand, the increasing preponderance of US capital in Spain led to the collaboration of the Spanish economic elite with American interests. In one such case, two firms, which represented 32% of the total production in the rubber sector, were bought by J.Luis de Anzar Zabala, an influential Spanish financier. However, the real buyer was an American firm (General Tyre and Rubber Co.) for which Anzar played the role of American agent in the deal (Dura, 1985:340-41). Another important dimension of US involvement in the Spanish economy was realised through the participation of American private capital in major industrial concerns organised by INI. In the 1950s, for example, American firms participated with INI in the establishment of REPSA in the petroleum products sector and ENDIDESSA in steel production (Liberman, 1982:174).

In this way, although Spain was excluded from the ERP the Americans provided aid in the late 1940s and throughout the 1950s for the reconstruction of the Spanish economy. However, while US aid played the key role in importing desperately needed capital goods and also in offsetting the deficit in the current account balance (OEEC, 1958:36-37) Spain was opened to US penetration at the same time and incorporated into the US-led new world economic order. Spain became the member of OEEC/OECD, IMF, and the World Bank in 1958, and a member of GATT in 1963. As far as the Franco administration was concerned, the US connection meant accepting American prescriptions in the organisation of the Spanish economy. First, the US administration had some control on how American funds were to be spent. Second, American private capital decided where to invest its capital and this did not necessarily coincide with Spanish priorities (Ellwood, 1994:164).

More decisive American intervention came with the Spanish Stabilisation Plan of 1959. The objective was to eliminate the body of controls, regulations and state

Spain: 1945-1976

interventions affecting innumerable aspects of Spanish economic activity (OECD, 1960:5). The main American concern was the liberalisation of external trade and the abolition of restrictions on foreign investment. Accordingly, the Spaniards devalued the Peseta and launched a programme of reviewing tariff laws, dismantling existing quantitative controls, globalizing country specific quotas, and abolishing the public trading corporations responsible for importing and distributing raw materials.

As for foreign investment, legislation (which would be strengthened in 1963) was introduced to encourage foreign investment which offered substantial incentives and guarantees to foreign investors (11). A decree defining the parity of Peseta within the gold-exchange monetary system brought Spain into the Bretton Woods Agreement (Lieberman, 1982:203). Although the plan was submitted to both the IMF and the OECD by the Spanish government in the hope that the Spanish economy would be able to receive the financial help of the international agencies and foreign governments, the pressures for these reforms came from the US (Whitaker, 1961:79). Further initiatives in drawing up the plan had been taken by the IMF and the OECD (Whitaker, 1961:79) under strong US influence (Tsoukalis, 1981:76). The plan was supported by \$420 million foreign aid of which almost half was to come from US public and private sources and the other half from the IMF and OECD. With this plan, the American economic commitment to further liberalise the Spanish economy was consolidated. Furthermore, American economic aid to Spain continued in the form of US Counterpart Funds for Public Finance and US Economic Assistance during the 1960s (OEEC/OECD Reports, 1960 to 1966). Total US economic aid reached \$694,3 million during the 1960s and it was roughly \$130 million per annum in the 1970s (Cordata, 1980:245).

Although the basic global objective of the US was the establishment of liberal capitalism and free market economic policies, in the American system the state was no longer to replace markets but it was given a regulatory role in the functioning of the economy for efficient resource allocation. Accordingly, in the early 1960s the Spanish government invited the assistance of the World Bank in the preparation of a long term

development plan designed to expand and modernise the Spanish economy (IBRD, 1963:vii). Three such development plans were implemented between 1964 and 1975. Their main objectives were economic development, the promotion of a market economy, greater integration into the international system and improvements in social welfare (Harrison, 1993:25) (12). While the public sector was urged to meet the targets of the plans, state officials tried to direct private sector activities through a set of indirect policies, such as credit, fiscal measures, special agreements and incentives. Broadly speaking, this was another American initiative to fit the Spanish economy into the new world capitalist economic order by assigning a new role for the “semiperipheral Spanish state” in the economy.

Since the state is the central economic actor in the semiperiphery, various groups try to affect state policies in order to promote their interests. From this perspective it is not unrealistic to say that the Americans (a foreign actor) directed both stabilisation and development plans to change the economic policies of the Spanish state. With the stabilisation plan the Spanish state committed itself to liberalise its trade policies. However the abolition of restrictions on foreign investment capital was more important to the Americans than tariffs and quotas on goods and services. After all, the principle of the free flow of investment capital across borders was one of the innovations and main pillars of the new world capitalist economic order.

The laws promulgated in 1959 and 1962-63 gradually lifted almost all restrictions on the amount of capital that foreigners could invest for the purpose of establishing new firms and expanding the capacity of existing firms (OEEC, 1960:30; 1962:24; and 1963:8). From 1960 to 1974 all forms of net private long-term foreign capital investment in Spain reached \$7.6 million (Baklanoff, 1978:43); 41% of the accumulated foreign direct investment (\$2.016 million) came from the US, and a large proportion of the 17% Swiss share of the total probably originated in the US (Baklanoff, 1978:44-45). Of the 200 largest American industrial firms 92 had subsidiaries in Spain of which 61 had majority participation (Baklanoff, 1978:49) (13). Most of them were established in relatively advanced technology or high growth

sectors of industry (Liberman, 1982:231). In fact, between 1960 and 1975 the American role in the Spanish economy changed from supplier of official grants, loans, credits etc., to the major source of private investment capital.

There were many reasons for the massive inflow of US private capital into Spain. According to a study of US affiliated firms in Spain the reasons for investing there included a rapidly expanding market, a favourable investment climate with political, economic and financial stability; low labour costs; generally lower tax rates; a favourable location for exports to Europe, Latin America and the Middle East; and closer association with the EEC (due to Spain's 1970 Preferential Trade Agreement) which provided better access to the EEC market (Baklanoff, 1978:49) (14). In the period between 1953 and the late 1960s the American presence was enormous in numerous sectors of the Spanish economy (Pollack, 1987:30) (15).

Despite liberalisation and further integration into the world- economy, the Spanish state remained a central actor in the economy during the 1960s and 1970s. In other words, in accordance with its semiperipheral position, the state controlled the economy by creating opportunities for entrepreneurs and taking an entrepreneurial role itself. Three main forms of state intervention were put into practice (Wright, 1977:38-45). First, the state intervened to bring about specific changes in a sector or a region, using joint action programs in which private firms in a particular sector undertook to increase production, productivity, quality targets, in return for state credits and tax benefits. Other schemes encouraged firms to merge to increase production efficiency in return for tax rebates; and, offered state investments in preferential industries. The second form of state intervention included low interest rates for private and official credits, and export incentives for stimulating industrial investment and exports. The Banking Law in 1962 extended both private and official credits. The Institute for Official Credit (ICO) played an important role in the extension of long term credits for investments (OECD, 1966:41 and Baklanoff, 1978:37) which vigorously increased the trend towards private productive investment (OECD, 1966:6). Furthermore, the state supported the private sector and encouraged domestic capital formation by keeping

Spain: 1945-1976

wages low. In labour relations the state worked through the Ministry of Labour, through Syndicates, which were subservient to economic ministries and, when necessary, through direct and violent intervention (Wright, 1977:80-81 and Anderson, 1970:169). In this way the Spanish state, on the one hand, reallocated resources from public to private sector in the 1960s and 1970s and hence contributed decisively to its dynamism (OECD, 1972:40; 1974:34). On the other hand, it exerted control through indirect instruments, like credits, tax, etc. (16).

The third way in which the state intervened in the economy was through ownership of industrial companies. In spite of Spain's commitment to the market economy after 1959, INI continued to play an important role in the economy. In 1976 its domestic activities represented 37% of the petroleum refined in Spain, 23% of the electric power generated in the country, 45% of the national steel production, 50% of coal, 67% of aluminium production, 97% of national shipbuilding, and 46% of the domestic manufacturing of automobiles (Liberman, 1982:171) (17). Furthermore, it owned all Spain's major airlines, operated its national railways, postal and communications system and the distribution of tobacco products (Baklanoff, 1978:35). INI also had effective control of 60 different firms which, in turn, participated in almost 190 domestic and foreign subsidiaries and affiliates (Baklanoff, 1978:35 and Wright, 1977:45). Another important state activity was the allocation of funds for building and improving the transport, electric power systems telecommunication infrastructure of the country (OECD, 1966:40; 1974:32).

As for relations between the state and other economic actors, after the 1959 Stabilisation plan the state continued to favour the accumulation of capital in the hands of financial capital and its control over the industry. First, although the Banking Law of 1962 *de jure* opened the way for newcomers in the banking sector, its conditions made the establishment of new banks very difficult. This reinforced the dominant position of the Big Seven Banks. In fact, the banking community helped to formulate the new economic policy in the early 1960s (Anderson, 1970:202). Not surprisingly, during the

first development plan the number of firms controlled by the six major banks increased considerably (Amodia, 1977:215).

The relations between the state controlled saving banks and private banks was a good example of the intimate relations between the state and the big financial community: the deposits of the Saving Bank (which came mainly from less well off rural areas) were lent at rates well below the market rate to certain privileged industrial companies which were often owned by the big commercial banks (Wright, 1977:110). Furthermore, throughout the 1960s and 1970s the Big Seven Banks controlled some 70% of the total assets of the commercial banking sector, granted 60% of all loans, held 90% of all private assets and exercised direct control over a quarter of the country's 200 largest concerns (Wright, 1977:106; Maravall and Santamaria, 1986:75). In 1967 these Seven Banks figured among the 20 most profitable and important Spanish enterprises (Carr and Fusi, 1981:163). Furthermore, in the 1970s the banking community made large profits from its linkages with the energy industry (Lopez, 1990:27).

The close links between the banks and industry continued in the 1960s and 1970s: through majority and minority shares, the banks owned between 40 to 50 % of the industrial concerns (Wright, 1977:117), supplied boards of directors to large enterprises and guided their investment decisions (Anderson, 1970:76). Another important dimension of the relations between the state and financial capital was the participation of private capital in state monopolies such as petroleum distribution (Campsa), telephones (Telefonica) and tobacco (Tabacaera) (Graham, 1984:81). Similarly, half of the important board positions of INI were filled by members of the financial elite (Lopez, 1990:27). Furthermore, INI was used by private sector firms as a partner in order to have access to cheap long-term credits (Graham, 1984:81).

The connections between foreign capital and the Spanish state and banking-business community also reveal striking features. In the early 1960s both the state and the banking community welcomed American capital. For example, the state gave concessions to American firms to explore for petroleum in Spain's African colonies.

The Spanish Ambassador to Washington had connections with American banks. Spanish bankers, on the other hand, welcomed US private capital investments as well as government sponsored loans (Whitaker, 1961:211 and 249). In the 1960s foreign (especially US) investment capital was involved in joint ventures with the Spanish state and the Spanish banking/industrial sectors. INI also became involved in joint ventures with US multinational companies, particularly in motorcars, heavy trucks, petroleum refining and iron and steel sectors (Baklanoff, 1978:35 and 51). In 1972, foreign capital was present in 61 of the 300 largest industrial companies through sharing its interests with the Spanish banks and with INI (Munoz, 1979:171). Of the largest 159 multinationals, 85 were American, 60 of which had interests in 351 Spanish companies (Munoz, 1979:169) (18).

As a consequence of the 1959 Stabilisation Plan and successive Development Plans in the 1960s and early 1970s a relative change occurred in Spain's industrial structure. Previously it had been dominated by inefficient, high cost, low technology production. In the mid-1960s as a result of deliberate policies of liberalisation and rationalisation, Spanish industrialists obtained both the incentive and the practical possibility of importing modern equipment and advanced technology for the first time since 1930 (OECD, 1965:15). These policies made possible the normal flow of raw materials and capital goods into industry and opened the way for the rapid expansion of the Spanish economy during the 1960s and the first half of the 1970s. Chemicals, petroleum products, rubber products, basic metals, automotive industry, electrical machinery sectors grew rapidly, while the traditional sectors of textile, clothing, food and beverages lagged behind the total industrial growth (Donges, 1971:58-59). However, industry relied heavily on the transfer of foreign technology and foreign capital rather than on endogenous development. Thus Spanish industry either remained dependent on foreign patents or on foreign capital which was firmly established especially in those rapidly growing technologically advanced sectors (Wright, 1977:47 and Munoz, 1979:167). However, despite structural change and rapid economic growth (7.3% annual average) between 1960-1974, extensive parts of Spanish industry (especially the traditional branches) remained inefficient and technologically backward

(Donges, 1971:58; Wright, 1977:47 and Salmon, 1991:6). Furthermore, in most sectors a number of large firms continued to exist side by side with a multitude of small units (Wright, 1977:46).

In the context of the semiperiphery argument, it is clear that core-like production patterns began to ascend in the Spanish economy at the expense of peripheral ones in the mid-1960s. Two economic actors played an important role in the process of modernisation: the Spanish state (through the policies we have described) and, the Spanish financial/industrial elite which supported the liberalisation and development plans of the OECD and World Bank for Spain in the late 1950s and early 1960s (Whitaker, 1961:200 and Anderson, 1970:195). Spanish businessmen who had been unwilling to invest in new technology before the 1960s changed their attitudes when they realised that further industrialisation was impossible in the existing economic environment (Donges, 1971:61). Hence, many entrepreneurs met the challenge of improving efficiency and adopting advanced technology in their respective branches.

The strong investment boom and the employment of relatively advanced technology in industrial production in the early 1960s led to the satisfactory growth of industrial exports and also to the diversification of Spanish exports. From approximately the middle of the 1960s, the growth of industrial exports accelerated markedly to 25% per year between 1963 and 1972 (OECD, 1973:20). Moreover, Spanish exports underwent a fundamental structural change with regard to their commodity composition. Until then, Spanish exports had mainly consisted of food products which accounted for 60% of the total. However, industrial exports (which had accounted for 1/3 in 1963) reached nearly three quarters of the total exports in 1972 (OECD, 1972:31-32; 1973:20). Furthermore, this spectacular growth was accompanied by important changes in composition: while the share of cotton fabric, petroleum products, pig iron decreased in total exports, commodities such as household electrical goods, electrical equipment, and machine tools and ships (capital goods) etc. began to be exported in appreciable quantities from the middle of the 1960s (OECD, 1972:32

and Baklanoff, 1978:68) (19). Another important result from a semiperipheral perspective is that Spanish industrial products penetrated world markets. Between the mid-1960s and early 1970s the Spanish share in world markets more than trebled (OECD, 1973:20), rising by an average of 9% (OECD, 1975:15).

Another significant development in the period between 1960 and mid-1970s was the emergence of Europe as an important factor in the Spanish economic development. American economic aid lasted until the mid-1960s, providing the necessary foreign exchange for imports, and offsetting the balance-of-payments deficits (OECD, 1958:36-37). However, while American involvement in the Spanish economy took the form of private direct investment in the mid-1960s the role of official grants and loans decreased substantially (OECD, 1961:30; 1962:22; 1963:25). Indeed, the tremendous expansion of capital goods imports which led to the breakthrough in industrial exports and structural changes in export commodity composition, and the subsequent trade deficits between the early-1960s and the mid-1970s were not financed by official American economic aid but by new sources of foreign exchange: tourism receipts, emigrant workers remittances and foreign private capital inflow.

Tourist receipts and workers remittances came from Europe. OECD country reports between 1961 to 1977 show the increasing importance of tourism receipts, emigrant workers remittances and capital inflows in offsetting the current trade balance deficit. The fact that 90% of tourism earnings came from European tourists (OECD, 1973:11) and that almost all the workers remittances were sent by Spanish workers employed in major European industrial capitals revealed Europe's increasing role in the Spanish economy in this period. Between 1962-1973 the annual receipts from tourism went up from \$500 million to \$3,300 million, while emigrant remittances increased from \$150 million to \$900 million in the same period (OECD, 1977:33) (20). The reconstruction of European economies and the rising economic activity and prosperity in Europe began to contribute to Spanish economic development indirectly in this way.

Spain: 1945-1976

Europe's increasing role in the Spanish economy between 1960 and the mid-1970s was not confined to providing foreign exchange through tourist receipts and workers remittances. Trade between Spain and the EEC increased remarkably between 1961 and 1977 (Tsoukalis, 1981:85). In 1961, 26% of Spanish imports came from the EEC. The proportion had grown to 43.2% in 1973 and 33.8% in 1977. Similarly, while 37.6% of Spanish exports went to the EEC in 1961 the proportion had increased to 46.3% in 1977. On the other hand, US-Spanish trade either diminished or remained stagnant in the same period (Tsoukalis, 1981:85). Spanish imports of American goods fell from 25.2% in 1961 to 16.3% in 1973 and 12.1% in 1977. On the export side, the level rose from 9.9% in 1961 to 13.9% in 1973 and fell to 9.8% in 1977.

In the sphere of foreign investment the EEC share also increased significantly in the 1960 to mid-1970s period. EEC capital had represented only 20% of foreign investment in 1961-62 (US 45%). It reached 31% (US 32%) in 1969 (Rubottom and Murphy, 1984 :99) and 35% in 1975 (US 41%) (Baklanoff, 1978:43). The signing of a Preferential Trade Agreement between Spain and the EEC in 1970 (eight years after Spain applied for an Association Agreement) marked the institutionalisation of increasing European influence in the Spanish economy.

Another important point is that the majority of the Spanish business community had favoured some kind of association with the EEC since the early 1960s (Anderson, 1970:191 and Gallo, 1973:336). In fact, their enthusiasm for such an agreement was a clear indication of their orientation towards modernisation and reorganisation (Europeanization) of the Spanish economy. This is a characteristic behaviour of the economic elite of an upwardly-mobile semiperipheral state. However, the support of the Spanish state to, and its collaboration with, this modernising economic elite in this process was another important point which should be kept in mind (Baklanoff, 1978:25 and Gallo, 1973:336).

3. The Political Environment

Now let us focus on the domestic political sphere to see whether Spanish politics displayed semiperipheral characteristics in this period. As we have seen, semiperipheral states are subjected to high degrees of intervention in their domestic affairs by hegemonic and/or core states during the expansion periods of the world-economy. In this way, they become satellite/client states and ideological and political agents of hegemonic power/core states.

The politics of the postwar period was dominated by Spanish-US relations. The main preoccupations of the Americans were to dismantle the power of autarkic state policy-makers who opposed the new liberal world economic order, and to integrate Spain into the US policy of containing communism politically, militarily and ideologically. Spain's geo-strategic assets were critical in the American decision to control the developments in the country. Its geographical location between the Mediterranean and the Atlantic, and between Europe and Africa made Spain a crossroads for shipping, sea lanes and communication channels. Thus, its control was crucially important for the smooth functioning of the US designed world-economy and for the containment of communism.

In the immediate postwar years, the US administration concluded that only Franco could provide the kind of order which would protect US global interests in Spain (Dura,1985:152). Accordingly, US policies were directed towards preventing any destabilisation of the Franco regime. Hence, in the political sphere, American support (intervention) assisted the continuation of Franco's authoritarian regime for the next three decades. While publicly condemning the fascist nature of the Franco regime Americans extended economic and military aid to, and signed economic and military agreements with, Franco's Spain. Furthermore, in the late 1950s the American administration even stopped condemning Spain and increased its aid. In the diplomatic sphere the Americans tried to neutralise diplomatic attacks on Spain which might endanger its political stability. In one case, for example, the Americans urged France

not to bring a proposal to the UN Security Council for the imposition of economic sanctions on Spain.

US policy was a severe blow to the hopes of the anti-Franco groups in and outside Spain and it enabled the Spanish dictator to survive. American support for Franco continued until his death in the mid-1970s. For example, during a visit to Madrid in 1959, the President Eisenhower emphasised his support for stronger friendship and more active co-operation between the US and Spain (Whitaker, 1961:81). Visits of top level US statesmen continued until Franco's death in 1976 (21). An American admiral participated in Franco's Civil War celebrations in June 1967 (US Hearings, 1971:229-30) and US troops participated in joint manoeuvres to down a hypothetical rebellion against the Spanish government in 1969 (US Hearings, 1971:296). In the same vein, US Secretary of State Rogers refused to meet a prestigious group of opposition leaders during his visit to Madrid in 1970 (US Congress Hearings, 1971:297).

There were three main reasons for American involvement in Spanish affairs. First, Spain's economic and market potential had to be integrated into the new open-door world economic system. Second, Spain's strategic location was important for the world-economy and for the containment of communism. Third, the continuation of Spain's anti-Communist orientation had to be guaranteed.

As early as 1946 the State Department decided that since Spain did not threaten international peace, and since US interests were served satisfactorily by Franco, there was no justification for American intervention to topple Franco's administration (Dura, 1985: 160). American businessmen were also putting pressure on the Truman administration for an economic aid programme to Spain to provide the necessary foreign exchange for the purchase of American industrial and agricultural goods (Dura, 1985:219). Despite administrative and financial difficulties, Spain's economic potential attracted American businessmen and major US oil companies such as Standard Oil,

Texaco, Caltex and Aramco, had already invested in Spain (Dura, 1985:220). The potential of the Spanish market could not easily be ignored easily.

However, the condition for American aid was the elimination of autarkic policies, and hence the dismantlement of the power of the political cadres and institutions of the autarkic period in the policy making process. In order to bring about such changes the Americans had to convince Franco, since the functions of Chief of State, Prime Minister, Commander-in-Chief of the armed forces, and Chief of the National Movement and its corporate representative Falange (the official party) were combined in the person of Franco. Furthermore, there was no separation of powers: Franco totally controlled the Spanish executive, legislature and judiciary (Gilmour, 1985:23). In this system the factions in the establishment (Falange, Church, Army) were neither given monopoly power nor totally excluded from office (Carr and Fusi, 1981:35). Franco was the supreme political manipulator.

In accordance with the State Department's advice, the US administration used covert mechanisms to bring about changes in the Spanish politics. Economic aid was the important instrument in this process. First, the approval of loans to Spain from private US banks in the late 1940s was preceded by Franco's announcement that Spain was a monarchy. Second, the Pact of Madrid was signed after the Spanish cabinet was reshuffled in 1951 at the expense of pro-autarky ministers. However, the decisive blow to the Falangist, pro-autarky ministers came before the 1959 Stabilisation Plan.

After 1957 Franco sharply decreased the number of Falangists who supported import substitution, protection, exchange rate manipulation, etc., in the economics ministries. Instead, a new group of technocrats with a strong commitment to the liberal economic philosophy, and who were closely associated with the Catholic secular lay organisation Opus Dei, were appointed to the key economic ministries of Industry, Finance, Commerce, Public Works, and Agriculture. In sharp contrast to the Falangist technocrats, the Opus group opposed import substitution, protection, exchange rate manipulation, and supported a free market economy - that is the free flow of goods,

capital and labour. In fact the Americans had pressed for such changes to the Spanish economy through diplomatic means for years. After 1953, the American ambassador had urged the Spanish government to remove excessive regulations, discourage monopoly, encourage competition, and abolish prohibitions on foreign investment. American pressure had increased in intensity after 1955 (Anderson, 1970:91). However, no such pressures was put on Franco with regard to the nature of the political regime (Whitaker, 1961:126).

By 1962 when Spain agreed to adopt development plans after World Bank advice the new ruling elite (Opus Dei) which represented big business and financial interests, became the most powerful group in the formulation of economic policy (Harrison, 1993:24). Opus technocrats aimed to transform Spain into an efficient, dynamic and productive economy through rationalisation, planning, and eliminating inefficient and archaic structures (Gallo, 1973: 266). There is evidence to suggest that Opus ministers were in contact with economic leaders and authorities in America and Europe (Anderson, 1970:104). By 1959 the balance of power and the composition of the Spanish administration had changed in favour of the modern capitalist, pro-market Opus group of the Catholic Church, and the power of the statist, autarkic Falangist faction had been dismantled. However, despite their liberal economic outlook, Opus ministers were authoritarian in the political sphere. Hence, the repressive nature of the Franco administration did not change. Spaniards were denied the basic freedoms of expression, association and assembly until the end of Franco regime in the mid-1970s.

The army was another element of the Spanish establishment on which the Americans exercised influence. The Americans saw the primary task of the Spanish army as the maintenance of domestic stability. The Bases Agreement of 1953 (part of the Pact of Madrid) gave the Spanish armed forces a key role in the relationship between Spain and the US (Whitaker, 1961:70). They were given the task of defending US bases against military attacks, but their fundamental duty was to maintain domestic stability (Whitaker, 1961:71). This was crucially important to the global economic and strategic interests of the Americans. For this purpose the US extended money, military

Spain: 1945-1976

equipment, technical and professional training to the Spanish armed forces. Total US military assistance to Spain amounted to \$849,3 million between 1951-59, \$679,3 million in the 1960s, and roughly \$150 million during each year of the 1970s (Cordata, 1980:245) (22).

After the Bases Agreement Spanish pilots were trained on American planes, and many soldiers received American training in other spheres of military operations both in Spain and the US. Joint military exercises with the US resulted in the integration of NATO concepts into Spanish military thinking and operational doctrines (US Hearings, 1971:242). As a result of the close relations between the US and the Spanish armed forces, military personnel in Spanish cabinets increased in the 1957 and 1969 cabinet reshuffles (Payne, 1968:42 and Mackenzie, 1973:73).

US influence probably strengthened Spain's die-hard anti-Communist stand. In fact, Franco had always been anti-Communist but he was also strongly anti-liberal. As American influence increased, he gradually abandoned his anti-liberal stand and dismantled the power of corresponding political groups in the establishment. He also strengthened the anti-Communist nature of his regime. Yet the striking point is that there was no immediate internal or external communist threat to Spain. In the domestic sphere, the Spanish communists were crushed during and after the Civil War. In the external sphere, the country's geographic location rendered communist aggression very unlikely. Nevertheless, anti-communism became a central policy of Franco's Spain. Throughout the 1950s not a day passed without a declaration of Spain's determination to fight against communism (Gallo, 1973:212).

The Opus Dei technocrats, who joined the cabinet between the late 1950s and early 1970s were in favour of closer co-operation with the EEC. Indeed, they were identified with a 'Spain is part of Europe' position (Mackenzie, 1973:92) because they applied for an Association Agreement with the EEC in 1962 and were involved in the negotiations which resulted in a Preferential Trade Agreement in 1970. Although their basic aim was economic integration with the EC, they emphasised the political aspect

of their Europe-oriented position after signing the Preferential Trade Agreement. Foreign Minister L.Bravo (of Opus Dei), for example, stated that

Spain ever attentive to three continents has now taken the decision to plant its roots in Europe: our destiny is worked out. This agreement indeed only represent a first step, but the practical irreversibility of the process is present in everybody's mind, as well as the certainty of the final objective (23).

However, the main obstacle to the Association Agreement was the nature of the Spanish political regime which was incompatible with the democratic principles that governed the Community's member states.

In the late 1960s and early 1970s it became apparent that the dynamism of the rapidly changing Spanish economy and society could no longer cope with the antiquated political structures of the Franco regime (24). The increase in the number and intensity of strikes, demonstrations and Basque - terrorist attacks demonstrated the ineffectiveness of the control mechanisms (the various forms of repression, and the official syndicates which controlled labour force) of Franco's regime.

The repercussions were striking. On the one hand, with the establishment of a new form of capitalism in Spain in 1959, the form of working class threat had changed. The owners of many of the large and more competitive enterprises who wanted to expand their operations in the EEC emphasised the need to integrate labour into this new capitalism through reward-based productivity arrangements: in other words, the system of syndicates had become a major obstacle to the future growth their businesses (Preston, 1986:17 and 1984:33). In fact, from the outset Europeans had demanded the dismantlement of the Syndicate system in Spain. Accordingly, the big, competitive businesses entered into direct dialogue with both the Workers Commissions and moderate opposition leaders. They had to risk liberalisation in order to avoid cataclysmic confrontation (Preston, 1986:17 and 57). The dissatisfaction of the economic elite with the old institutional arrangements led to similar changes in the

Francoist political structures (Preston, 1986:17). First, the church began to withdraw the regime's moral legitimacy. Second, a group in the Francoist political elite (known as *Aparturistas*) began to defend the adjustment of political structures to the new form of capitalism (Preston, 1986:16). Accordingly, in 1974 they launched a programme which envisaged an opening and wider participation in the system. The EEC's refusal to accept Spanish membership as long as its undemocratic political regime persisted played a decisive role in changing the outlook of the business elite to the Francoist political structures. They were the Europe- oriented core-like producers who owned high-tech, efficient and competitive enterprises.

4. Foreign Policy: Atlanticist Years

We can now turn to Spain's semiperipheral foreign policy during the postwar expansion period of the world-economy. The foreign policies of semiperipheral states in periods of expansion are directed towards the accomplishment of the global objectives of hegemonic/ core powers. Accordingly, they tend to become satellites of hegemonic power and subordinate their national interests and national sovereignty to the global and/or regional (local) interests of the hegemonic power.

In the postwar period the Spain usually followed a pro-American foreign policy. In other words, it assisted the consolidation of the US-led world order. Hence, Spain signed agreements with the US allowed them to shape Spanish foreign and defence policies. Not surprisingly, Spain turned into a satellite state of the US and Spanish national interests were subordinated to those of the US.

Located at the crossroads of the Mediterranean and the Atlantic, and of Africa and Europe Spain was important to the Americans. Its control of the oil routes and the shipping lanes, and its geographical proximity to the oil regions made Spain important for the new world economic order. It also had an important role to play in the containment of communism in the Western Mediterranean and North Africa. Moreover, its land mass down to the Pyrenees was a fall back area in case of a Soviet attack on Western Europe. Thus Spain was also important for the security of the new

world order. This last point was emphasised in the US National Security Council (NSC) Report # 68 in 1950, and the NSC Report #72/4 recommended a bilateral agreement for military co-operation with Spain (Dura, 1985:269-70 and 291).

On the strategic front the central aim of the US was to maintain the security of the new world capitalist system against the Soviet Union and world communism. In 1949, NATO was established as an important component of this global policy. The US administration wanted to bring Spain into NATO because of its geo-strategic location and to secure political stability in the country (which was also crucial for US economic interests). However, there was an important obstacle to Spanish entry into the Organisation: the Europeans strongly opposed Spain both because of Franco's war time alliance with the Nazis and Fascists, and because of the undemocratic nature of the Franco regime. Under these circumstances, the Americans had to find another formula to incorporate Spain into the Western defence system. The formula came with the 1953 Bases Agreement (Pact of Madrid) between US and Spain. Under this agreement, the US was authorised to establish, maintain and use naval and air bases, military and transit facilities and oil pipelines on Spanish soil. In this way the Americans indirectly linked Spain to NATO. The Spanish bases became part of the US overseas bases, and hence a part of the US global defence system. The Agreement clearly signified Spanish participation in the US policy of containment. H.Baldwin, a leading American expert on defence issues, described the Bases Agreement as follows:

...the geographic and strategic importance of Spain, her mobilization potential of 2,000,000 men, her relative social, political and geographic security as a base, and her strategic raw materials of potash, iron core, zinc, lead and mercury are a major geopolitical asset... [on the other hand]... Spain's bases help to seal the Western gateway to the Mediterranean; her Atlantic islands aid in controlling and protecting trans-Atlantic shipping lanes and the Iberian peninsula provides additional disperse sites for light, medium and heavy bomber strips. And Spain behind the rampart of the Pyrenees, provides a last line of defence if the rest of Western Europe should fall, and offers a springboard for offensive land, sea and air operations. Her bases are particularly important as an alternative to the great bomber strips in Morrocco, surrounded by political and social unrest, and the great

Spain: 1945-1976

supply and air installations in France, which might be threatened by a Soviet advance across the Rhine or by a change in present French policies perhaps incident to German rearmament (25).

The 1953 Agreement was renewed in 1963, 1969, 1970 and 1976, and each time its content was further enriched and Spain was further integrated into US global designs. In the 1963 agreement, for example, US nuclear submarines were permitted to base in the US naval base Rota in southern Spain. Indeed, in 1963 Spain, with its naval and air bases, and its radar post and nuclear stock-piles, turned into an important country in the American overseas defence network (Gallo, 1973:311). Joint military exercises served to introduce NATO military concepts into Spanish military thinking and operational doctrines (US Hearings, 1971:242). In the early 1970s the Americans claimed that the bases provided the infrastructure to support American forces deployed in Europe and the Mediterranean, contributed to world-wide strategic and tactical mobility, and also to America's deterrent capacity, particularly by providing coverage for Polaris nuclear submarines (US Hearings, 1971:218 and 248-49).

The increasing Soviet presence in the Mediterranean in the second half of the 1960s and the loss of US base in Libya had increased Spain's strategic importance. According to J.M.Morse, US Deputy Assistant Secretary of State for European and NATO Affairs, Spain could provide a springboard for the introduction of air and ground forces in to the Eastern Mediterranean in times of tension. And since Spain was out of the range of the majority of Soviet high density short and medium range ballistic missiles, it would provide a rear area to the central Europe defence system (US Hearings, 1971:258-59). Since Spain was also contiguous to North Africa, it would become even more significant if Soviet influence and penetration were to continue in the Western Mediterranean area. Moreover, Spain was also important for the defence of Israel and American oil interests in the Middle East (US Hearings, 1971:294).

In the absence of the formal defence relations between Spain and NATO, the Americans maintained informal contacts through briefings and consultations with Spanish officials on current developments in the early 1970s and informed them of the

Spain: 1945-1976

main points of the discussions after each session of the NATO Council and Defence Planning Committee (US Hearings, 1971:272 and 293). To increase co-ordination between NATO and Spain, the 1970 Bases Agreement established a Joint US-Spanish Committee on defence matters and the Commander-in-Chief of the US NATO forces in Europe was appointed its principal advisor. In sum, through these mechanisms Spain was informally incorporated in the US-led Western defence system in the 1945-mid-1970s period.

Another semiperipheral characteristic of Spain's external policy was its client status vis-à-vis the US. In the early postwar period Spain was subjected to international political ostracism. It was not accepted in the UN and UN member countries withdrew their ambassadors from Madrid. Furthermore, it was excluded from Marshall Plan and NATO. However, American diplomatic patronage played a decisive role in gaining Spain's admittance to a number of international organisations - chiefly the UN. First, the US played the leading role in revoking the 1946 UN ambassadorial ban on Spain, by defeating a proposal in 1947 which demanded the reaffirmation of the resolution on the recall of ambassadors from Madrid (Whitaker, 1961:30). In 1948, the US Secretary of State officially requested the annulment of the UN condemnation of Spain; and in 1950 the Americans invited UN member states to appoint ambassadors to Spain and demanded the admission of Spain into the UN specialised organisations (Gallo, 1973:188-89). As a result Spain joined the WHO in 1951, UNESCO in 1952, ILO in 1953, and the UN in 1955.

The Americans also wanted to include Spain in the Marshall Plan but the Europeans strongly opposed the idea. However, as we have seen the Americans used other means to assist Spain. Similarly, the Americans were anxious to bring Spain into NATO and, attempting to influence to modify their attitudes, they took every opportunity to remind other NATO members that Spain was really important (US Hearings, 1971:274; Rubottom and Murphy, 1984:113). In this endeavour, however, the Americans were unsuccessful. Once again they resorted to bilateral links through the Bases Agreement in 1953.

American patronage and protection saved Spain from total international isolation but it turned the country into a client and a satellite state, and a political and ideological appendage of the US. Franco's emphasis all this time was on anti-communism, and stability and order in the country (Gallo, 1973:184). Stability and order secured US official and private capital in Spain, while anti-communism indicated Spain's political and military commitment to US global objectives. Spanish foreign policy was mainly based upon anti-communism in this period. In 1948 Franco emphasised 'the necessity for building up an alliance against Soviet menace and the Spanish willingness to participate in this organisation' (Whitaker, 1961:36). Similarly, in 1949 he declared that 'as long as arms and economic aid come from the US there would be no need to spill American blood for the defence of Europe' (Dura, 1985:254). A further Spanish commitment to the anti-Communist crusade came in 1950 when the Spanish embassy in Washington declared that 'Spain was willing to help the US to check communism by sending forces to Korea' (Gallo, 1973:183). Franco's message to the Spanish parliament (Cortes) when the Bases Agreement was signed in 1953 defined the Agreement 'as the honour of fulfilment of Spanish foreign policy' (Gallo, 1973:223).

Indeed the nature of the Agreement was proof of Spain's client and satellite status. The Mutual Defence Assistance section stated that Spain agreed 'to cooperate with the US in controlling trade with nations that threaten world peace' (Whitaker, 1961:47). Not surprisingly, Franco issued a call for an international boycott of "communist goods" in 1954 (Shneidman, 1980:162). The renewal of the Bases Agreement in 1963 and 1970 indicated the continuation of Spanish commitment to US global interests. After the 1970 renewal President Nixon and the Spanish foreign minister declared their determination to check Soviet expansionism, particularly in the Western Mediterranean and North Africa (Cordata, 1980:249). Spain's satellite characteristics were apparent in the way the Americans utilised the bases, especially during the Middle East conflicts. The Spanish bases enabled the Americans to respond to the Lebanon in 1958, the Congo crisis in 1954, and to Middle Eastern crises in 1967 and 1973 (US Hearings, 1971:218 and 220).

Spain: 1945-1976

Spain's satellite status was evidenced on other fronts too. Spanish foreign policy towards Eastern Europe echoed Washington, for example, in 1951 Franco proposed 'a Western crusade of liberation to free the "captive people" of Eastern Europe from Russian communism'. Similarly, in 1952, the Spanish foreign minister announced 'the Spanish support for a Western strategy of roll-back against the Soviet menace' and stated that 'such a policy was demanding all the military plans of the "free world" to be designed primarily for the rescue and liberation of East European sister nations who were subjected to the "most appalling of oppressions"' (26).

Anti-communism was also an important aspect of Spanish foreign policy towards Latin America and the Arab World. In 1958, the Spanish foreign minister emphasised the danger of communist penetration of Latin America and implied Spain's intention to assist the US in combating communism in the Southern Cone (Whitaker, 1961:343). In fact, Franco abandoned Spain's "Hispanidad" policy in Latin America which aimed at the restoration of Spanish hegemony in the Southern Cone (Rubottom and Murphy, 1984:12) (27). Instead the "Hispanidad Programme" was converted into a cultural unity of Hispanic states (Whitaker, 1961:30). Similarly, Spain no longer argued that the US had turned Latin America into a new kind of colony through investments and bases (Whitaker, 1961:375).

Spanish foreign policy also followed a pro-American line towards the Arab World. During the 1956 Suez crisis, Franco altered his initial support for Nasser under American pressure and with the increasing Soviet penetration in Egypt (Whitaker, 1961:330 and Flemming, 1980:134). Franco sounded the tocsin against communist penetration of the Arab World (Whitaker, 1961:343) and by the early 1960s he had identified the radical and neutralist Arab states such as Egypt, Syria, Iraq and Algeria as potential dangers to the status quo and the agents of the Soviet Union (Flemming, 1980:141). On the other hand, although Spain refused to recognise Israel, Franco provided bases to the US, Israel's principal supporter, and he allowed the Americans to use these bases to assist Israel in 1967 and 1973.

Another characteristic semiperipheral foreign policy behaviour in periods of expansion is the subordination of sovereignty and national interests to the global interests of hegemonic power. Many of the Spanish policies exhibited this characteristic. First, the secret clauses of the 1953 Bases Agreement and other confidential agreements between Spain and the US in this period subordinated of Spanish foreign and security policies to American interests. A secret clause of the 1953 Spanish-American Defence Agreement (which remained in force between 1953 and 1970 and was secret until 1981) gave the US a blank cheque to use the Bases in times of emergency and actual war (Vinas, 1984:41-42; 1988:147). This clause allowed the Americans to take the initiative in acts of reprisal with no obligation to the Spanish administration other than passing on information about their intentions (Pollack, 1987:151-52).

Similarly, a secret US NSC document in 1956 declared the American intention to use bases in Spain to attack the Soviet Union if it was deemed necessary (Pollack, 1987:26). Other secret technical agreements, 22 confidential procedural agreements, and a non-public status-of-forces agreement for US personnel and dependants which further limited the Spanish sovereignty, were signed with the US between 1953 and 1960 (Vinas, 1988:147).

In fact, the American bases were the only reason why there might be a communist attack on Spain. Thus, the deployment of the latest US B-47 aircrafts capable of carrying nuclear bombs, and the construction of a sea-base for the US Polaris nuclear submarines turned Spain into a principal target in case of an East-West conflict. Indeed, Spain was alarmed during the Cuban Missile Crisis since it was a host country to US bases (Story and Pollack, 1991:154). Another example of how Spanish interests were subordinated was the authorisation to build a nuclear submarine base in southern Spain. Permission was given without negotiations, and even without the knowledge of the Spanish foreign ministry, just before the commencement of negotiations for the renewal of the Bases Agreement in 1963. (Vinas, 1984:42-43).

Spain: 1945-1976

During the 1950s and 1960s Spanish defence policy was concerned not about a possible communist attack, but about the Moroccan threat to the North African possessions of Ceuta, Mellila, Ifni, the Spanish Sahara and Spanish Guinea (Whitaker, 1961:322). Spanish threat perceptions did not change in the early 1970s. A strategic study prepared by the Spanish armed forces in 1971 defined North Africa as the most important security risk for Spain and referred to the territorial claims of Morocco, emphasising the potential sources of conflict with this country (Vinas, 1988:148). A retired American army officer who served in the American Embassy in Madrid pointed this out to the US House of Representatives Sub-Committee on Europe:

The Spanish military see the principal external security threat to Spain posed for North Africa on the south rather than from over the Pyrenees in the north... They are concerned with the defence of Ceuta and Mellila which are considered parts of metropolitan Spain... (and) to a lesser degree, the protection of the Spanish Sahara (US Hearings, 1971:243).

Despite their sensitivity over the North African possessions, the Spaniards lost almost all of them during the Franco period. In North Africa, the most striking example of the subordination of Spanish national interests to the US occurred in 1957, when Ifni was invaded by Moroccan irregulars. In this case the Americans did not allow the Spanish army to use American weapons to put down the attack (Rubottom and Murphy, 1984:61). Nowhere in the defence agreement was there a US obligation to assist Spain in case of an attack on Spanish colonies or protectorates (Pollack, 1987:152). In fact, none of the military agreements signed between the US and Spain in the period between 1953 and mid-1970s included a commitment by the US to the defence of Spain (Payne, 1968:38 and US Hearings, 1971:226). Thus, while Spain might become a victim or part of an East-West conflict, there was no US guarantee of support against threats or attacks on Spanish territory.

The erosion of Spanish sovereignty and the subordination of its national interests were also apparent in the way the US used its bases in Spain in the Middle East Crisis of 1967 and 1973. First, despite the traditional Spanish-Arab friendship and

Spain: 1945-1976

Spain's refusal to recognise Israel, the Americans provided logistical support to Israel from their Spanish bases in the 1967 Arab-Israeli war. The Spanish government was either kept in ignorance or unable to stop them (Pollack, 1987:97). Second, after this incident although the Americans were told by the Spaniards that they would not be allowed to use the bases in any future conflict between the Arabs and Israel, USAF tanker planes in Spain refuelled American jets being flown non-stop from the US to Israel. This was done without prior notice to the Spanish government (Rubottom and Murphy, 1984:107). The Spanish government protested but they did so after the event rather than to interfering at the time of refuelling (Rubottom and Murphy, 1984:107). An important consequence of these developments was that Spain's reliability diminished in the eyes of the Arabs and its claim to be a bridge between Islam and Christianity was undermined.

Nevertheless, occasionally in the 1960s Spain followed policies that took its national interests into account. Hence, it broadened its demands in return for US bases, opposed Israeli policies in the Middle East, established friendly relations with Cuba, claimed its sovereignty over Gibraltar, took steps to normalise relations with the Soviet Union, etc. However, none of these foreign policy actions challenged US global interests. They seemed to be aimed at extracting more aid from the Americans.

Another semiperipheral characteristics of Spanish foreign policy in this period was to playing a bridge role between the West and Latin America and the Middle East (28). There was a constant interplay between Spain's "bridge policy" and its relations with the US (Whitaker, 1961:320). The "bridge policy" in the Arab World was announced during the Spanish foreign minister's long tour of six Middle Eastern countries in 1952 (Flemming, 1980:134). Accordingly, Spain offered its good offices between Britain and Egypt and the inclusion of Arab league into Western defensive system (Whitaker, 1961:327). A similar attempt was made during the Suez crisis in 1956 but the "bridge" collapsed under the weight of the US bases in Spain (Whitaker, 1961:330).

In Latin America the “bridge policy” was put into practice mainly through the new Hispanidad programme which was redefined as “a system of norms destined to better defence of Christian civilisation and to the ordering of international life in the service of peace” (Whitaker, 1961:343). In 1958 the Spanish Foreign Minister hinted that one of the aims of the Hispanidad was to assist the US in combating communism in Latin America (Whitaker, 1961:343). Thus the “bridge” policy indicated Spain's willingness to become a springboard for US interests in both the underdeveloped Arab World and Latin America in return for economic and political benefits. However, the Spanish initiative was unsuccessful. The existence of US bases in Spain and the strong neutralist tendencies among the Arabs were the main causes of Spain's failure in the Arab World. On the other hand, Latin Americans were not willing to support Spain's “bridge” policy because the Hispanidad programme reminded them of the close association between the US and dictatorships (Whitaker, 1961:349-50).

European-Spanish relations were mostly negative during the Franco period. The West Europeans resented Franco's war time alliance with Hitler and Mussolini, and Franco's dictatorship was incompatible with the democratic regimes of Europe. The Europeans strongly opposed including Spain into ERP and excluded it from NATO and Council of Europe throughout the Franco period. The 1953 bilateral military agreement between the US and Spain aroused negative reactions among the Europeans (Whitaker, 1961:40). Not surprisingly, Franco's address to the Cortes after the 1953 Bases Agreement carried a strong anti-European tone (Whitaker, 1961:53).

However, the increasing power of Opus Dei ministers in the Spanish governments during the 1960s gave the first sign of a Europeanist orientation in Spanish foreign policy. The establishment of the EC in the late 1950s played an important role in this development. Accordingly, the Opus Dei ministers applied for an Association Agreement with the EEC in 1962. Nevertheless, despite their liberal economic philosophy, the new “Europeanist” team in the Spanish government did not aim to change the undemocratic, authoritarian nature of the Franco regime. As a result, the Community first shelved the Spanish application and then, after two years, started

exploratory talks at the commercial level. Despite the Spanish desire for full integration (Gallo, 1973:336-37), the EEC only granted Spain a Preferential Trade Agreement in 1970, which provided a limited access in the economic sphere. Although the Spanish Foreign Minister made a highly Europeanist speech after the Preferential Trade Agreement which emphasised 'the Spanish decision to plant its roots in Europe' (Baklanoff, 1978:74), in the 1970s there was increasing opposition of in the EC to the political developments in Spain (Harrison, 1985:163). Member states attacked the attitude of the Franco regime to political dissidents, and in 1975 they put strong pressure on him to convert the death sentences on five Basque terrorists to life imprisonment. Following the execution (and in a sharp contrast to the US Secretary of State, Kissinger, who described the event "basically an internal Spanish matter"), they recalled their ambassadors from Madrid and postponed trade talks with Spain (Rubottom and Murphy, 1985:114). Another interesting point about Spanish-EEC relations was the strong American opposition to the tariff terms of the EEC-Spanish Preferential Trade Agreement (US Hearings, 1971:228) which showed the contradictions between the US and Europe on the control of the resources in the Mediterranean in the 1970s.

5. Conclusion

In sum, in the period of expansion of the world-economy under US hegemony, Spain, though not to the extent of Greece, exhibited the general characteristics of a semiperipheral state. Various economic actors directed their activities to effect the state policies. It experienced covert US intervention in its domestic affairs. The Americans supported Franco to stay in power. Moreover, the Spanish state, which was also a central actor in the economy, was gradually transformed from an autarkic structure into a liberal one as a result of continuous American pressure for a change in the political cadres and institutions. Furthermore, in the foreign policy sphere it became a satellite/client state and a political and ideological agent of the hegemonic US.

Now, let us turn to our focus to the contraction period of the world-economy in order to see whether or not Spain showed semiperipheral characteristics in this period.

Notes to Chapter Seven

1. For more information on state intervention in the economy during the Franco period, see Baklanoff, 1978, pp.13-37.
2. Nevertheless, Banco de Espana was closely controlled by the government through the appointment of its governor and 4 of the 24 members of the board of directors, who had the right to veto any decision.
3. These five big banks were the Bank of Bilbao, Vizcaya, Hispano-Americano, Espanol de Credito and the Banco Central.
4. A.Miguel and J.Linz "Los empresarios espanolas y la banca"**Moneda y Credito** 84, March, 1963, pp.3-112, quoted in Anderson, 1970, p.77. For more information on the role of the banking sector in the economy/industry in this period see Anderson, 1970, pp.76-77.
5. For peripheral characteristics of the Spanish economy in this period, see also Donges, 1971 p.45.
6. For more examples on the technological backwardness of Spanish industry, see the findings of 1958 UNESCO Report in Liberman, 1982, p.186.
7. For another example of US Administration's intention to include Spain into Marshall Plan, and its subsequent abandonment because of the European opposition, see Dura, 1985 p.200.
8. S.Griffs, **Lying in State**, Garden City, 1952, p.293, quoted in Dura, 1985 p.335.
9. For more information on American pressure for the opening of the Spanish economy to American private capital, see Gallo, 1973, pp. 246-47.
10. Whitaker provides examples on the US policy of extending government aid to Spanish private firms, see Whitaker, 1961, pp. 245-46.
11. For further information on the 1959 Stabilisation Plan's measures on foreign investment, see Harrison, 1985, pp.146-48; Rubottom and Murphy, 1984, pp.68-69; and IBRD Report, 1963, p.46.
12. For more information on the development plans see OECD Reports, 1962, 1963, 1965, 1969 and 1972.
13. For US-based multinationals which represented majority participation in Spanish firms, and their favourite branches of activity see, Baklanoff, 1978, pp.50-51 and Munoz, 1979, p.169.

14. For other accounts on the reasons for investment in Spain, see Hudson and Lewis, 1984, pp.187-88; Pollack and Story, 1991, p.130; and Wipplinger, 1976, p.3 .

15. These sectors were, food, manufacturing, metals, agricultural products, building banking, cinema and information technology, wholesale commerce, electronics and electricity, pharmaceuticals, finance, car manufacturing, textile engineering, shipping, marketing and public relations, paper, oil, petrochemicals, insurance, transport and communications, and several other but minor categories, see Pollack, 1987, p.30.

16. For information on various indirect means of controls used by the Spanish state see Tsoukalis, 1978 p.81 and Payno, 1983 p.193.

17. For further information on INTs share in the Spanish economy in the mid-1970s see, Baklanoff, 1978, p.35 and Tsoukalis, 1981, p.82.

18. For more and detailed information on the role of the foreign and/or American capital in Spanish economy in the period between the 1960s and the early 1970s, see Baklanoff, 1978, pp.35 and 51, and Munoz, 1979, pp.168-171.

19. For further information on changes in the export structure of Spain between 1960 and the mid-1970s see, Tsoukalis, 1981, p.87.

20. For further information on the relationship between exports, imports, trade deficits, tourism, workers remittances, foreign private capital and European contribution see, Roman, 1971, p.44-45; Baklanoff, 1976, pp.193-96 and 1978, p.56; Keyder, 1985; and OECD Country Reports, 1969 and 1973.

21. Visits of top level US statesmen included, President Eishenhower, Nixon and Ford; vice-president, Agnew and Ford; Secretary of State, Dulles, Rusk, Rogers and Kissinger; and several other ministers, congressmen, high rank military officers, director of the CIA and the US Sixth Fleet.

22. After the Bases Agreement Spanish pilots were trained on American planes, and many soldiers received American training in other spheres of military operations both in Spain and the US. 4800 members of the armed forces received American military training in Spain between 1954 and 1958. In 1959, almost 700 military personnel were trained in the US, in third countries or in US bases overseas, (Whitaker, 1961:71-2). The number of US trained Spanish soldiers reached to 6,061 in the early 1970s (US Hearings, 1971:259), and the Spanish armed forces became largely reliant on the US for modern equipment (Wright, 1977:43).

23. **Europe**, US., No.600 June 29,1970, p.6, quoted in Baklanoff, 1978, pp.74-5.

24. For an analysis of political and social developments in the late-1960s and the early-1970, see Preston, 1986. pp.13-19 and 57 and 68.

25. **The New York Times**, September 29, 1953, quoted in Whitaker, 1961, pp.48-49.
26. **Ya**, January 10, 1952, quoted in Dura, 1985, p.139.
27. Hispanidad programme based on Spain's cultural ties with the Spanish American nations and representing a perversion of the relatively innocuous Pan Hispanism of the pre-Franco generation. The Hispanidad programme was launched during the Civil War with Axis aid. It was against the economic influence of the US in Latin America, see Whitaker, 1961, p.6.
28. For further information on Spain's claim to serve as a bridge between the Arab World, Latin America and the West see, Whitaker, 1961, Chapter IX; and Pollack, 1987, Chapter 4.

CHAPTER VIII

SPAIN: 1976 - EARLY 1990s

1. Introduction

In this chapter I shall discuss Spain's semiperipheral foreign policy in connection with the economic and political developments in the period between the mid 1970s and the 1990s. As we have seen this period corresponds to a “contraction period” and the “relative decline” of American hegemony, and the emergence of Europe (EC) as an economic and political power in the world-economy. I shall investigate whether Spain's internal economic and political structures and its foreign policy responded to these changes in a semiperipheral way.

The world-system school argues that during contraction periods of the world-economy some of the strongest semiperipheral countries may be able to upgrade their positions in the hierarchy of states by upgrading their production structures and trade patterns in the world-economy. In such cases core-like producers increase their weight in the production processes of the semiperipheral economy. Structural changes in the economic sphere usually go hand in hand with changes in the internal and external politics of “upwardly mobile” semiperipheral states: interventions in their domestic affairs by the hegemonic/core power(s) come to an end; the old political structures collapse; they change their international alliances and no longer act as satellites and/or clients of hegemonic powers; and their margin of independence to pursue their national interests increases. They may also increase their influence in the management of international problems. A more common characteristic foreign policy behaviour of 'upwardly mobile' semiperipheral countries is to emphasise their intermediary or bridge role between the core areas and some less developed countries/regions (periphery) with which they have historical and cultural ties, and/or geographical proximity. One motive behind this policy is to reap secondary economic and commercial benefits by becoming a springboard to underdeveloped regions for hegemonic/ core states. A second motive is to create their own political spheres of influence in the periphery.

2. The Economic Environment

An overall examination of Spain in the period between the mid-1970s and early 1990s shows that it was in the process of upgrading its position towards the core area. The establishment of democracy after Franco's death in 1975 and the transformations in the economy, especially during the 1980s revealed that a shift from the old mechanisms was underway. Not surprisingly the Spanish state was at the centre of these developments.

In spite of the rapid economic growth of the 1960s Spanish industry was dominated by traditional heavy sectors of iron, steel, non-ferrous metals, shipbuilding etc., while the traditional sectors of textile, clothing, footwear, leather etc., predominated the light industry in the 1970s (OECD, 1986:50; 1994:59). The world economic crisis of the mid-1970s and early 1980s which stemmed mainly from the two oil-price shocks hit the traditional industries in which Spain specialised in the 1960s and early 1970s. Moreover, large investments were encouraged in these declining and technologically backward sectors until the late 1970s (OECD, 1986:32). Hence, the Spanish productive system did not adjust to the changing patterns of world demand: manufacturing production was still concentrated in those sectors in which world supply exceeded demands, and Spain's comparative advantage in these sectors eroded as result of increasing competition with the low-cost, newly industrialised countries (NICs) of South East Asia, Latin America, and Eastern Europe (OECD, 1981:10-11) and of rising energy and real wage costs in Spain (OECD, 1982:26). Furthermore economic difficulties were aggravated by insufficient product differentiation and lack of high-tech sectors like consumer electronics, data processing equipment, electronic components, optical and photographic equipment, aircraft, telecommunications, etc., in which world demand was briskly increasing (OECD, 1981:11).

Moreover, in spite of the transformations in the 1950s and 1960s, the economic system was still rigid and under state protection. Excessive protection of the domestic market, the proliferation of subsidies and transfers to enterprises, and difficulties in the credit and financial markets hindered the normal operation of market forces and a more

effective resource allocation, and therefore also the structural transformation of industry (OECD, 1984:18). In general, small firms, which were overdependent on bank credits, survived because of protection (OECD, 1981:11). Thus, extensive state intervention, regulatory framework, corporatist attitudes, inefficiency and protection from foreign competition remained the main characteristics of the Spanish economy until the early 1980s (OECD, 1986:50; 1992:63).

In the 1960s and 1970s state played an important role in the economic development of Spain. It engaged in planning, it adopted an entrepreneurial role, provided economic infrastructure, and offered various incentives and subsidies to the domestic and foreign investors (Tsoukalis, 1981:98). At the end of 1978, INI, the public holding institution, participated directly in seventy different firms and indirectly in over two hundred firms. It was involved in 15% of the electricity generated; 35% of automobile and 30% of industrial vehicle manufacturing; 65% of petroleum refined; 60% of steel production; 50% of coal mined; 95% of shipbuilding. It also owned large holdings in the fields of air transport, tourism, regional development, banks, and foreign trade (Gobbo, 1981:64). In other words, it was responsible for 1/3 of all industrial investment and a significant part of employment in the country (Gobbo, 1981:73). The situation hardly changed in the early 1980s (Moxon-Browne, 1989:6) (1). Furthermore, through the INI, the Spanish state entered into joint ventures with foreign governments in oil prospecting in Kuwait, Iran and Libya, iron and bauxite mining in Brazil and uranium mining in Niger (Baklanoff, 1978:35). It also invested in the electronic computer industry with a Japanese company, Fijutsu, and held shares in the Arab-Spanish Bank (ARES BANK) (Lieberman, 1982:308).

One of the consequences of the world economic crisis of the 1970s and early 1980s was the nationalisation of loss making private enterprises, and a concomitant overmanning in large public enterprises of iron, steel and shipbuilding. In addition, heavy subsidies and wage increases led to chronic losses in public enterprises (OECD, 1984:9; 1986:35). Thus during the economic recession of the second half of the 1970s and early 1980s the public sector became a huge dustbin for inefficient private

industries, and excess capacity developed in these sectors (Salmon, 1991:33 and Harrison, 1993:48). Consequently in this period Spain usually pursued a defensive strategy that aimed to shelter the existing structure of economic activity and employment from the deep changes affecting the world-economy (OECD, 1984:51). The two main weaknesses of the Spanish economy during the mid-1970s and early-1980s were its reliance on excessively labour-intensive technology, and excess productive capacity supported by subsidies and privileged tax treatment (Lieberman, 1982:355).

Nevertheless, the Spanish state was aware of the economic shortcomings and after the 1977 elections took steps to restructure the industrial sector, improve competitiveness, reform economic institutions and increase the flexibility of factor markets (Salmon, 1991:9). The first step was the 1978 Moncloa Pact which established price and wage guidelines and envisaged a programme of basic economic and institutional reforms. It set up a norm for wage increases, intended to dismantle complex system of government intervention, eased institutional rigidities and government controls on distribution of credits, allowed foreign banks to operate in Spain (OECD, 1978:33-34). Second, a medium-term economic programme adopted in 1979 was based on three points: increasing reliance on competitive market forces, efficient resource allocation, and the transformation of the production system against higher energy prices and competition from the NICs (OECD, 1980:26). Spanish policy makers concentrated their efforts on providing competitive stimuli to the domestic market through import liberalisation, attracting foreign direct investment, creating more flexible capital and financial markets, and improving the pattern of resource allocation both through market mechanisms and government incentives (OECD, 1980:26).

At first, however state industrial policy was mainly focused on restructuring the crisis-stricken sectors of steel, shipbuilding and consumer goods (refrigerators, television, radios etc.) (OECD, 1980:39). Meetings were held with individual companies (Harrison, 1993:48). The major role of the state in this process was to provide the necessary legal, fiscal and financial support and to monitor the fulfilment of

the objectives set by the private sector (OECD, 1981:29). Accordingly, a legal base was prepared in 1980, and the Law on Industrial Reconversion was promulgated in 1981 to solve the underlying problems (OECD, 1982:37 and Harrison, 1993:49). In the same vein, capital transfers, subsidies and tax benefits were offered to both public and private sectors in order to accelerate industrial restructuring (OECD, 1981:40 and Harrison, 1993:49).

The new industrial policy also aimed at adapting Spanish industry to new patterns of world demand and increasing its competitive advantage. Funds were earmarked in the budget for the advancement of Research and Development (R&D) (OECD, 1981:29). Rationalisation was promoted by abandoning the policy of nationalising private companies in crisis (OECD, 1979:30 and Salmon, 1991:33). Moreover, investments in the energy sectors, (mainly in the electric power industry) increased substantially from 7% in 1979 to over 40% in 1981, and a new state energy holding (INH) was established in 1981 (OECD, 1982:35). Between 1978 and 1981 the Spanish state also tried to establish a more flexible labour market through a series of agreements (Aguliar, 1984:128) which liberalised the dismissal of workers and recognised the right to strike (OECD, 1979:34; 1980:21). Further liberalisation of tariffs, quotas and licenses occurred in this period.

In spite of various attempts to raise the efficiency of state enterprises, industrial restructuring lagged behind the targets in the early 1980s. Although state transfers for industrial restructuring reached 171 billion Pesetas between 1979 and 1982 it usually went to absorb losses rather than to deal with structural problems (OECD, 1986:33). Indeed, the emphasis was on cushioning the effects on traditional industries of "restructuring" (Salmon, 1991:9). According to an OECD report, Spain had to reduce uncompetitive enterprises which benefited from subsidies, tax exemptions and official credits and hence passed the burden on to more dynamic and efficient firms (OECD, 1982:43).

Spain: 1976-Early 1990s

The process of fundamentally transforming the Spanish economy began only at the beginning of 1983 when the new Socialist government decided to re-examine the method of implementing industrial restructuring. A White Paper on Reconversion and Reindustrialisation was prepared and it was supported by a law. This new law complemented the 1981 Law on Industrial Reconversion and was based on a tripartite collaboration between the authorities, employers and the employees (OECD, 1984:46-47). The socialist government seemed to revolutionise the economy. For many years, Spain had pursued a strategy of sheltering the existing, inefficient and low technology structure of activity and employment from the deep changes affecting the world-economy. It seemed that the government was now determined to deal with the structural problems of the economy (OECD, 1984:51).

The new policy was based upon two key elements: first, to improve productivity and restore a healthy profit position by cutting excess capacity and overmanning and by restructuring the financial liabilities of excessively indebted enterprises; and second, to promote investment and technological innovation in those activities with good future profit potential (OECD, 1986:33). The new policy dealt in detail with the main problems in both private and public enterprises, ranging from large labour force cuts and the concentration of ailing industries in certain regions, to the creation of administrative and monitoring bodies in charge of implementation and the choice of specific financial instruments (such as state transfers, long term credits, guarantees, etc.) (OECD, 1986:33). Moreover, in the field of technological development a law was passed to co-ordinate and rationalise existing programmes and strengthen the relationship between scientific research and innovation. The Centre for Technological and Industrial Development, which provided funds for R&D, was expanded and transformed into a modern institution (OECD, 1986:35).

OECD reports on Spain after 1986 point out that the industrial restructuring programme is going well. Excessive labour costs and plant capacity in ailing industries were reduced, the modernisation of economically viable industries was supported through investment credits and subsidies, and flexible contracts were introduced in the

labour market. Emphasis has been given to technological development in industry. Operational losses of public enterprises were first stabilised and then reduced, and subsequently a number of them became profitable companies. The social security system was rationalised, energy prices were adjusted and conservation measures were undertaken.

Substantial public sector expenditure and private sector investment contributed to the implementation of the reconversion plan (Salmon, 1991:118). Eighty percent of the investment targets in the plan was realised (OECD, 1989:40). The role of the state in the successful implementation of the reconversion plan was apparent since the subsidies and credits of the Industrial Credit Bank were equivalent to some 85% of the total investments undertaken by reconversion firms (OECD, 1989:40). As a result the latest plants were installed and Spanish industry was reorganised (Salmon, 1991: 118).

Indeed, from the mid-1980s Spanish industrial policy stopped supporting traditional industries and promoted investment in new sectors. As a result of replacement investments and additions to the capital stock embodying new technologies, efficiency gains and rationalisation became possible in the production structures (OECD, 1990 :71). 70% of Spanish firms introduced new technologies in this period (OECD, 1990:73). The composition of industrial output changed as the output began to grow faster in high technology sectors (OECD, 1990:71). In other words, Spanish companies achieved diversification by increasing the technological element in the product's added value (Aledo, 1993a:26). The establishment of larger and more competitive enterprises through successful mergers (as in the fertiliser industry) was another significant development in this period.

Public sector activity was also reoriented. This was important because public holding companies were not only concentrated in the utilities and strategic sectors but existed across the whole spectrum of economic activity. In the early 1990s, the public sector was one of the largest industrial group and Spain's leading exporter (Salmon, 1991:28-30 and OECD, 1989:48; 1990:40). As a result of the restructuring plan, INI

abandoned its dustbin role for unprofitable and inefficient private firms. Indeed except in some rapidly declining industries (such as shipbuilding), INI achieved a spectacular growth of productivity in many sectors towards the end of the 1980s and its financial situation improved appreciably (OECD, 1988:37). In 1987 its overall losses were reduced to a fifth, and by 1989 it had turned into a profitable organisation (OECD, 1989:38; 1990:40).

A striking indicator of the upwardly mobile nature of the Spanish economy was the significant change in the state's view of R&D activities (2). In accordance with the policy of 'catching-up with the EC economies', a law for the Promotion and General Co-ordination of Scientific and Technological Research was passed in 1986. Co-ordination between public research centres and private companies was improved and co-ordination with and participation in international R&D programs were promoted. In 1988 R&D projects began to be subsidised by the Ministry of Industry and priority was given to high-tech sectors. Thus, while computer and space technologies received 15.9% and 11.4% of the subsidies respectively, traditional sectors received only about 1% of the total (Aledo, 1993b:33). In the early 1990s Spanish research activities focused on ascending sectors of new materials, computer and telecommunications technology (Aledo, 1993b:32) (3). Furthermore, the government encouraged private and public research institutions to participate in European and international R&D programs in order to absorb and generate technology within the domestic production system. Hence, Spanish enterprises took part in various EC and international projects such as, BRITE, ESPRIT, RACE, EURAKA, Airbus, European Nuclear Research Organisation, European Molecular Biology Laboratory, etc. (Aledo, 1993b:34).

From the world-system school perspective, it was apparent that the Spanish state supported the consolidation of core-like (efficient, high-tech, high profit) production patterns while gradually dismantling inefficient, declining, periphery-like industries. Nevertheless, the state was not alone in this process. The Spanish economic elite also influenced state policies. The Seven biggest banks (the financial elite) were the most important and dominant group in the economy and industry, controlling 80%

of the total assets and investments in all sectors and playing a key role in the economy (OECD, 1984:44&50 and Moxon-Browne, 1989:10). They exerted decisive influence on economic and political spheres (Moxon-Browne, 1989:9). Indeed, Suarez's centre-right Union de Centro Democratico (UCD) represented the progressive wing of the Spanish financial and industrial elite (Preston and Smyth, 1984:36). The government was linked in various ways to the more progressive sectors of the Spanish capitalism: the vice-president of the National Confederation of Spanish Business Organisations (CEOE), the mouthpiece of big modern enterprises (Kohler, 1982:59), was appointed Minister of Industry for example, while the Minister of Labour was a member of the inner group of the UCD. Several ministers had close personal ties with the powerful Spanish banks (Preston, 1986:93; Menges, 1978:34 and Coverdale, 1977:626). Accordingly the promulgation of laws and preparation of plans for restructualisation of the economy was not a mere coincidence; there were intimate relations between the political and economic decision making bodies. The removal of numerous government regulations and controls, tax benefits, subsidies, etc., changed the protected and secure environment and upset the traditional (periphery-like) business sectors (OECD, 1981:40).

Nevertheless, in parallel with the relative failure of the Suarez government to implement the new economic measures, the business elite began to express dissatisfaction with the government in the early 1980s (Martinez, 1993:136-138). According to Martinez's research, although a number of businessmen still preferred old paternalistic and statist policies, many others favoured a free market and a competitive economic environment (Martinez, 1993:137). The Spanish business elite wanted to be a part of Europe and it sought for a more assertive political voice in economic and efficiency terms (Martinez, 1993:136-138). The Spanish Socialist Party (PSOE) managed to reassure many important bankers and businessmen of their determination to remove the economic obstacles (Preston and Smyth, 1984:64). F.Gonzalez, the Socialist Prime Minister, declared that the party would "...undertake serious and profound reforms which in principle [were] difficult to approach from a socialist perspective" (4). The re-examination and later the successful implementation of

reconversion and restructuralisation were clear indications of the success of the policies of “core-like” producers at the state level. The Socialist government's decision to allocate resources to high-tech and competitive industries promoted the interests of the “core-like” fraction of the Spanish economic elite (Lopez III, 1990:66). In other words, it represented a victory of the “core-like” producers over the traditional “periphery-like” economic elite.

In the context of semiperipheral development another state policy that played a decisive role in the process of upgrading the Spanish economy towards the core zone was to attract foreign investment. Accordingly, OECD reports between 1977 and 1985 indicate that the net inflow of foreign direct investments in Spain increased considerably. The incentives given by the Spanish state, the relatively large domestic market, and the prospect of Spain's membership of the EC were the main reasons for the increase in foreign investment (OECD, 1984:12). Nevertheless, a substantial inflow of foreign investment (both direct and portfolio) was realised between 1983 and 1985. The reasons were manifold. First, as a result of restructuring business prospects were improved, and confidence in the Spanish economy increased. Second, administrative controls on capital movements were further reduced. Third, the profit rates rose in Spain, and fourth, the prospects for Spanish accession to the EC improved (OECD, 1986:14).

The net amount of foreign direct business investment in Spain in the first half of the 1980s averaged around \$900 million, and the total amount of various kinds of foreign investment reached \$2.5 billion in 1985 (OECD, 1986:14). However, a particularly spectacular rise was registered between 1985 and 1990 (OECD, 1988 to 1994). In 1986 foreign investment increased by 75% (Salmon, 1991:19) and it reached \$14 billion in 1990 (OECD, 1994:21). According to Harrison, the amount was \$16.6 billion in 1989 which was roughly equivalent to 3% of Spanish GDP (Harrison, 1993:63). Between 1985 and 1990 foreign direct investment contributed to the growth of total business investment by 40 to 50 percent (OECD, 1990:9). In this period many

multinational firms shifted production to Spain, and foreign companies acquired controlling interests in Spanish companies (OECD, 1988:22 and 25).

The greater buoyancy in the inflow of foreign investment after 1986 was due to a number of factors. First, 1986 legislation enabled foreign entrepreneurs to transfer unlimited amounts of capital, profit and dividends abroad (Salmon, 1991:19). Second, full EC membership reduced the political risk of investing in Spain. Third, labour market rigidities were abolished. Fourth, good social climate, regional, financial and fiscal incentives, links with EC and Latin American markets, the strong position of Peseta, and the decision by European countries to establish an integrated market by 1992 contributed to the inflow of foreign investment in Spain. (OECD, 1990:65 and Salmon, 1991:20). Furthermore, the Spanish privatisation policy actively encouraged foreign penetration (Salmon, 1991:39). Although the upswing in the foreign investment was shared by all sectors, it mostly went into technologically advanced (machinery and equipment) and scale intensive (car production, food, paper, chemicals) industries (OECD, 1990:65).

Foreign investment played an important role in the transformation process. It brought rationalisation and new technology, largely financed the current external deficit (4/5 in 1991) (OECD, 1984:33 and 1992:25), and it contributed to fixed capital formation and employment. Nevertheless, Spanish firms became dependent on the technological know-how of core countries (OECD, 1990:24). The increasing influence of foreign capital and the reliance on foreign technology was the inevitable price for economic development and securing employment.

Full membership of the EC was one of the priorities of the Suarez government. In fact, the political and economic elite thought that EC membership was the precondition of Spain's long-term healthy economic development (Medhurst, 1984:32). For the Spaniards Europe was a model (Maxwell, 1991:9). In 1979 an opinion poll showed that 67% of the Spaniards and all the major interest groups (industrialists, the business community, both big and small and medium business

Spain: 1976-Early 1990s

organisations, chamber of commerce, trade unionists, farmers) were in favour of membership in the Community (Tsoukalis, 1981:122 and 127). In fact, the Spanish business community had been in close contact with the Community since the Franco years (Tsoukalis, 1981:127). Immediately after the first democratic elections in 1977 the Suarez government prepared a plan called Programa Economico del Gobierno (PEG) which set out the government's liberalisation plans as a prelude to Spain's eventual membership of the EC (Harrison, 1985:181).

From the semiperipheral development perspective EC membership constituted the most important developmentalist goal and an opportunity to adjust the Spanish economy to core-like production structures. Spain's expectations from the Community were that it would force Spanish entrepreneurs both to modernise and to compete in international markets. They also thought that could benefit in the medium and long-term from its ability to sell in a market of more than 250 million people. Moreover, membership would expand the volume of foreign (European) capital in Spain; and expand Spanish exports to the EC (Lieberman, 1982:297).

The Socialist government which came to power in 1982 also emphasised the importance of the EC for the development of the country. In 1983 Spanish Secretary of State said: "...[The Community] will present for us as the definitive modernisation of our productive apparatus and the country in general" (5). Indeed, the Socialist's policy was to ensure the rapid entry of Spain into the EC and the adjustment of the Spanish economy to EC norms and regulations as early as possible. Thus the economic policy it adopted aimed to accelerate Spanish entry into the EEC.

When Spain became a full member of the Community in 1986 the role of the EC in its transformation process increased significantly. A striking indicator of this development was the massive inflow of foreign (European) investment in Spain which played a decisive role in the upward mobilisation of the economy. Indeed, long-term European private capital inflow was one of the principal forces behind the sharp upturn in investment activity after 1985 (OECD, 1988:74 and 1990:62). In fact, Spain had

Spain: 1976-Early 1990s

become increasingly reliant on EC investments since 1975. While the main source of foreign investment was the US during the 1960s and most of the 1970s, after Franco's death the balance began to change in favour of the EC. In 1975 the figures for US and EC investments in Spain were 40.6% and 35.6% of the total respectively, but they decreased to 11% for the US and increased to 51% for the EC by 1983 (Salmon, 1991:21 and Pollack, 1987:140). Furthermore, EC's share of direct investment increased from 48% on average in the three years to 1985, to 65% in 1986 (OECD, 1988:25). Similarly, while the foreign direct investment shares of the EC and the USA were 38.4% and 18.4% respectively in 1984/5, between 1986 and 1989 the EC share increased to 52% and the US' share decreased to 4.9% (OECD, 1990:64). Spain began to be seen as an important springboard to Europe by American and Japanese investors (Hudson and Lewis, 1984: 187-88; Story and Pollack, 1991:141) who were eager to invest in assembly and export platforms into the unified European market (Petras, 1993:115). Indeed, a large part of the foreign investment -especially in the second half of the 1980s - aimed to expand Spanish export capacity to the rest of the EC (OECD, 1989:27).

Spain's trade relations were another indicator of its orientation towards Europe. In the immediate post-Franco period Spain signed an agreement with European Free Trade Association (EFTA). Meanwhile EC-Spanish trade relations had been increasing since the 1970 agreement, particularly with regard to exports. In 1973 43.2% of imports and 48.5% of exports were from and to the EC. By 1985 these figures were 36.8% and 52.2% respectively (Harrison, 1993:63). After Spain joined the EC in 1986, the Community share of Spanish exports and imports continued to increase (OECD, 1988:22; 1990:70). In 1990, for example, the EC's share in total Spanish imports reached 59.2%, and the exports to the Community were 68.9% (Harrison, 1993:63).

The EC's contribution to the Spanish economy through traditional invisibles receipts continued in the post-Franco period. According to the OECD reports, until the 1990s higher invisible earnings from EC countries virtually offset Spain's trade deficit (6). Most of the invisible receipts came from growing tourist receipts now, and

emigrant remittances declined in importance since many Spanish workers had to returned home from the mid-1970s onwards.

EC transfers to the Spanish economy after 1986 provide further evidence of the Community's increasing role in Spain's economic transformation. Between 1986 and 1988 Spain obtained more than 3.5 billion ECUs from various EC funds; most of the money was used to develop of public infrastructure and for training programme (OECD, 1990:61). According to OECD reports between 1989 and 1992 the net EC transfers to Spain continued to rise rapidly (thereafter they declined). After 1989 EC structural funds were directed to serve infrastructural development, regional development, industrial reconversion, youth training, reduction of long-term unemployment and agricultural support (OECD, 1990:61 and 1994:34).

An important development since the early 1980s was Spanish willingness to adapt and harmonise its economy to EC practices, indicating the determination to upgrade Spain in the hierarchy of states. The first step was the successful implementation of industrial reconversion and restructuring which led to the reorganisation and installation of modern plants in almost all industrial sectors and the promotion of research and development (Salmon, 1991:117-18). The aim was to transform production structures in order to cope with the competitive economies of the EC. Secondly, Spain paid particular attention to product differentiation strategies and to improving the country's international competitiveness by increasing the technological element in the added value of products and improving their quality and design (Aledo, 1993b:34). Similarly, science policies and technology systems were reformed to enable Spain to participate in European and EC research programme (Aledo, 1993b:34). After 1986, the interventionist policies of the state decreased in favour of market oriented reforms to align Spain with the EC economies. In this context, a new law in defence of competition was passed and a Competition Court was established in 1989 (OECD, 1990:39). Foreign investment legislation was brought into line with EC laws (Salmon, 1991:19), administrative impediments to competition between banks were lifted and financial institutions were restructured to improve efficiency (OECD, 1990:37). The

Spain: 1976-Early 1990s

banking sector was rationalised and transformed and restrictions on foreign banks were gradually lifted (OECD, 1990:38). Furthermore, a draft law was prepared giving the Bank of Spain complete independence and forbidding monetary financing of public sector deficits (OECD, 1993:49). The Peseta entered the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) in June 1989. All remaining trade barriers (quotas, tariffs, taxes, etc.) were dismantled, trade flows were completely liberalised (OECD, 1988:7; 1990:53-55) and restrictions on the movement of capital were removed (OECD, 1989:41). Moreover, all foreign exchange controls were lifted in February 1992 and in March the government designed a convergence program for 1992-96 to prepare for Spain's full participation in the next phase of European integration and to meet the strict Maastricht criteria (OECD, 1993:48-9; 1994:9). Finally, the construction of a high speed railway from Seville to Paris and, from there, to Europe constituted another important link to EC market (Petras, 1993:116). By the early 1990s Spain had successfully integrated into the EC.

There were other indications of Spain's upward mobilisation. Since 1964 Spain had gradually increased its international market share of industrial products; by 1975 finished industrial products (consumer and capital goods) constituted the most important item in total exports (various OECD reports from 1967 to 1975). The rapid expansion of Spanish industry was largely the result of the technological renovation of antiquated capital equipment (OECD, 1976:38). In the immediate post-Franco period Spain lost part of its previous market gains due to the international competition of the NICs. However, by 1978 Spain had regained its competitiveness and had gained substantial market shares (OECD, 1979:15-16). It continued to increase its competitiveness and expand its industrial exports and market shares in the period between late 1970s and mid-1980s (OECD Reports from 1979 to 1984), building up new outlets in EC and Latin American markets (Minet, 1981:49 and OECD, 1980:19), in the Middle East and OPEC countries (OECD, 1978:16; 1981:35) and in COMECON and Japan (OECD, 1982:15). Spain's export performance was strongly influenced by the foreign investment wave of the mid-1970s (OECD, 1984:12) and it performed especially well in intermediate technology sectors such as vehicles, machine tools,

avionics etc. (Harrison, 1993:47). Furthermore, the Spanish capital goods industry competed in major international bids (7).

After 1986 Spanish exports to Latin America, OPEC and COMECON countries declined as a result of EC membership, while EC markets became more attractive to Spanish exporters (OECD, 1988:20-22; 1989:27-28). Nevertheless, export performance improved and export markets continued to grow (OECD, 1990:22 and 44): Spanish entrepreneurs increased their share by nearly a fifth and market share gains were concentrated in the EC countries. In the early 1990s sizeable gains in EC markets were obtained (OECD, 1992:23 and 71). In 1990/91 the market share gains by industrial goods was 7% on average, buoyed by the coming on-stream of a large number of new industrial plants (OECD, 1993:26).

Another development which is significant from the world-system perspective was the shift in product composition of Spanish exports towards goods with higher unit values. This resulted in big terms-of-trade gains (OECD, 1990:71): in 1993 export-import coverage rose to 76%, from 64% on average in the previous five years (OECD, 1994: 21). The Spanish share in total OECD exports for medium and high technology products have increased by two-thirds and four-fifths respectively since the mid-1980s (OECD, 1994:21).

From the perspective of an "upwardly mobile semiperiphery Spain", another significant development has been the export of Spanish investment capital, particularly to Latin America and southern France at first, (OECD, 1973:25 and Tsoukalis, 1981:94) and later to the EC and the US (OECD, 1981:36; 1986:14 and Salmon, 1991: 21). Furthermore, this growth persisted in the early 1990s (OECD, 1992:25; 1994:23), indicating that Spain's upward mobilisation towards the core region of the world-economy continues.

The final index of Spain's upward mobilisation is the dramatic increase in the GDP per capita. As we have seen, according to world-system scholars successive and

remarkable increases or decreases in the GNP (and GDP) per capita are a sign of upward or downward mobilisation in the world-system hierarchy of states. In parallel to the transformation in Spain's production system since the mid-1970s, Spanish GDP per capita has increased remarkably. Hence, Spanish GDP per capita, which was \$2890 in 1976 increased to \$3960 in 1978, \$5648 in 1980, (falling back to \$4778 in 1982 and \$4192 in 1984, but increasing steeply again) to \$5927 in 1986, \$7449 in 1987, \$9658 in 1989, \$12,770 in 1990; \$13,520 in 1991; and \$14,704 in 1993 (OECD Country Reports from 1976 to 1994). From the world-system perspective these successive and steep increases together with the establishment 'core-like' production structures clearly demonstrate Spain's upward mobilisation.

From the perspective of world-system analysis, therefore all the economic developments in Spain between mid-1970s and early 1990s show that the process of upgrading Spain from its semiperipheral position towards the core region of world-economy has continued successfully.

3. The Political Environment

Let us turn now to the political sphere to see whether Spain's economic development coincided with semiperipheral political developments in the post-Franco period. There are two basic contentions of the world-system school about the political developments of upwardly mobile semiperipheral states in the contraction period of the world-economy: first, the old political structures collapse, second, the intervention of hegemonic/core powers into their domestic affairs come to an end.

Spain experienced radical developments in its political establishment in this period; the principal institutions of the Francoist establishment were either abolished or made to abandon their old roles and habits as a result of democratisation. First, the system of Francoist "representation" was abolished through the democratisation of the Cortes (Parliament). In the old system the Cortes, its members selected arbitrarily by Franco, was no more than a sounding board for Francoist speeches. The other chamber, the Council of Realm, was an "advisory" unit composed of dignitaries and the

economically powerful families of the Francoist regime (Ben-Ami, 1984:2). When the Law for Political Reform of 1976 introduced the principle of popular sovereignty and universal suffrage, the Cortes was manoeuvred into voting itself out of existence, and the Council of Realm was abolished. Spaniards overwhelmingly (nearly 95%) approved of these reforms in a referendum in December 1976. In 1977, the 30-year old National Movement, the state party, was also dismantled by a Royal decree. A new Law of Political Association opened the way for the establishment of political parties. Furthermore, the outlawed Communist Party was legalised.

A second step was military reform which aimed to prevent the intervention of the armed forces into politics. Under Franco the military was a highly privileged body (Vinas, 1988:153). Its basic duty was to prevent possible internal revolts and defend the institutional order against the enemy from within (separatism and communism) (Ben-Ami, 1984:18). The first democratic government aimed to subordinate it to civilian power. At the organisational level the Military High Command was dismantled and the armed forces were brought under the authority of the Defence Ministry in 1977 (Graham, 1984:200). In 1978, the first civilian Defence Minister was appointed, the scope of Military Justice was reduced, and promotion and retirement systems were overhauled. Article 97 of the 1978 Spanish constitution established the supremacy of civilian authority over the armed forces, stating that 'the armed forces must obey the civil authority of the government' (Giner and Sevilla, 1984:126). Furthermore, the 1980 Law on Basic Criteria of National Defence redefined the jurisdiction and responsibilities of the leading civil and military authorities by re-emphasising the supremacy of the former (Payne, 1986:183-84). In 1981, the Defence Ministry's authority over the military budget was increased and its financial supervision was made even more complete under the Socialist government after 1982. The National Defence Law of 1984 further reinforced civilian supremacy over the military (Payne, 1986:185-86), giving real power in decision making regarding military issues such as defence policy, command and co-ordination of the armed forces, the approval of defence and strategic plans, economic and financial programme for equipping the

Spain: 1976-Early 1990s

armed forces to the Prime Minister, Defence Minister, and government (Vinas, 1988:175).

The active participation of the military in politics was restricted and promotion and retirement system were revised. The Armed Forces were ordered to respect all political options, to refrain from publicly expressing any political preferences, and to avoid participation in politics (Jordan, 1979:8 and Gilmour, 1985:235). Moderate and reformist generals were appointed to key posts and several generals whose opposition to the new regime was well known were removed to posts outside Madrid, fired or retired (Jordan, 1979:4 and 7; Gilmour, 1985:235). After an attempted coup in 1981 new legislation was passed to eliminate pretexts for future coups (Diaz-Ambrona, 1984:33).

A third reform provided new objectives to soldiers to shift their attention from domestic to external issues. The new constitution defined the military's mission as guaranteeing the sovereignty and independence of Spain and defending its territorial integrity and constitutional order (Graham, 1984:202).

Both the Suarez and Gonzalez governments paid special attention to turning the Spanish military into a professional institution ideologically compatible with other Western armed forces (Jordan, 1979:8 and Graham, 1984:201). Accordingly, the defence budget was increased and resources were invested in equipment and material (Vinas, 1988:154). An extensive modernisation process was carried out and the size of the military was reduced. Above all, the army was turned into a professional defence force with an international perspective (due to NATO and WEU membership) rather than an internal force charged with suppressing domestic disorder (Heywood, 1987:397 and Moxon-Browne, 1989:28).

State-Church relations were also transformed. The Spanish church had been dominated by Franco and the Church had identified itself with the Franco regime functioning a dictatorship's principal legitimise (Szulc, 1976:67 and Graham,

1984:215). In return the Church was supported by grants and incorporated into state structures through representation in the government, the Cortes and the Council of Realm (Szulc, 1967:67; Graham, 1984:215; and Bardaji, 1976:201). In the immediate post-Franco period the church was separated from the state by the constitution (Graham, 1984:219). In fact the transition was greatly facilitated by the church. Since the early 1970s some Church groups (especially the younger generation) had progressively dissociated themselves from the Francoist system and by the mid-1970s the Church had abandoned its strong anti-democratic characteristics (Carr and Fusi, 1981:155). In the post-Franco period upper Church echelons distanced themselves from Francoism and support the transition to democracy. Further, they refused to be identified with any political party, and for the first time in its history, the Spanish Church deliberately disengaged from the political realm (Graham, 1984:212 and Brassloff, 1984:61).

Labour relations were another important indicator of structural transformation. Throughout the forty years of Franco rule, trade unions were banned and the employers and employees were organised in a Syndicate system in which the corporatist state acted as final arbiter between labour and management. One of the priorities of the new government was a complete break with the old corporatist practices. Accordingly, in 1976/7 a series of laws were enacted allowing independent unions to organise and engage freely in collective bargaining. The right to strike and dismissal of employees were regulated (Rubottom and Murphy, 1984:123; Liberman, 1982:328).

A further step in political restructuring was the official recognition of regional autonomies. The autonomy of Basque and Catalonia were approved by the parliament in 1977 and ten other regions were granted pre-autonomous status. The 1978 Constitution recognised and guaranteed the right to autonomy of the nationalities and regions which constituted the country (Gilmour, 1985:199).

From the perspective of “upwardly mobile semiperiphery Spain”, perhaps the most important point was the extremely favourable attitude of the economic elite to

political reorganisation/democratisation. Important sectors of Spanish capitalism informed the King that they were anxious to abandon Francoist political mechanisms (Preston, 1986:77). Furthermore, the governing party between 1977-82, UCD, was a coalition of financial and industrial elites (Preston, 1986:23). The positive attitude of the economic elite towards democratisation was confirmed by data revealing strong support on the part of Spanish capitalists for a democratic system (Martinez, 1993:118). First, they did not support the conservative Popular Alliance Party (AP), but voted for Suarez's moderate-centrist UCD between 1977 and 1982 (Martinez, 1993:124). Indeed, AP was the representative of the old-fashioned, subsidised (periphery-like) businessmen (Menges, 1978:52). Second, Spanish capitalists strongly supported the institutionalisation of the democratic system by voting "yes" in the 1978 Constitutional referendum (Martinez, 1993:121). Moreover, their public actions and statements after the abortive military coup in 1981 showed their firm support for democracy (Martinez, 1993:126). Although they withdrew support from the UCD government in the 1982 elections, they voted not for the old-fashioned conservative AP but for the Socialists Party (PSOE). In accordance with their aspirations to become part of the EC (core area) they recognised that the country required coherence between its increasing economic well-being and its political system. As Martinez argued, Spanish business wanted a political voice which reflected its economic and market confidence (Martinez, 1993:136).

The world-system school also maintains that in contraction periods, the intervention of hegemonic/core powers in the domestic affairs of semiperipheral states comes to an end. In the previous period American intervention had been realised in two ways: first, Americans did not object to Franco's dictatorship and hence they indirectly allowed its continuation until the mid-1970s. Second, they managed to reduce the power of the autarkic political cadres and institutions in return for economic aid. However, American intervention in Spanish domestic politics came to an end after Franco. For example, when US Secretary of State H.Kissinger, suggested a slow and essentially Francoist transition, and encouraged the Suarez government not to legalise

the Spanish communist party (Ben-Ami, 1984:6 and Gilmour, 1985:174), his proposals were ruled out by the King and the Suarez government.

In fact, there was a consensus among Spaniards across the political spectrum that the US had given credibility to the Franco regime by its economic and military support, and hence had sustained him in power (Pollack, 1987:153 and Treverton, 1986:6). The leader of the Spanish Socialist party, F.Gonzalez, stated in 1981 that “America helped Europe to free itself from fascism and it not only did not help Spain but condemned it to dictatorship for many more years... We have little for which to thank the United States” (8). According to survey data only 24% of Spaniards favoured friendship with the US in 1979 (Leon, 1986:202), and in 1985 a public opinion poll showed that 74% of Spaniards disagreed that the US and its president were loyal and sincere friends of Spain (Maxwell, 1991:8). S.Eaton, the US Deputy Chief of Mission in Spain and Minister Counsellor of the American Embassy between 1974-78, describes the American position in Spain in the post-Franco period as follows:

... the relationship ...was a delicate one and for the sake of sound long-term relations we had to be careful how we managed our side of it. We had to be sure we did not appear to be intervening when we merely wanted to be helpful. We had to be sure we did not appear to play favourites among the democratic parties... Of the all democratic parties [Socialists] distrusted us most because of our past intimacy with Franco (Eaton, 1979:118).

In 1986, F.Gonzales, this time as Prime Minister of Spain, expressed Spanish anti-Americanism at the Woodrow Wilson Centre in Washington, referring to the warm relationship between the Americans and Franco, and American protection of Franco's dictatorship (Maxwell, 1991:7-8).

In contrast to their anti-Americanism, Spanish political parties revealed pro-European attitudes and increased their co-operation with the European political parties. There was a consensus about Spanish accession to the EC (Medhurst,1984:45). The support of leading conservative, liberal, and Christian-Democrat parties of Western

Europe was appreciated at the first congress of the UCD (Kohler, 1982:33). The Socialists (PSOE), on the other hand, were supported by the Socialist International, the Confederation of European Socialist and Social Democrats, and by the German Socialists (Kohler, 1982:42 and Coverdale, 1977:621). European support to both parties included extensive financial and organisational assistance (Kohler, 1982:43).

A final point worth mentioning is the advent of the Socialists, persecuted throughout the Franco years, to power in the early 1980s. This was a significant indication of the success of transition and the consolidation of democratic practices.

4. Foreign Policy: Europeanization

World-system analysis proposes that following main developments are expected in the external relations of an upwardly mobile semiperipheral state in contraction periods of the world-economy: they change their international alliances, give up satellite-type foreign policies, and pursue relatively independent foreign policies, they also compete with other semiperipheral states for economic and political gains, tend to assert their intermediary and bridge (or sub-imperial) role between core zones and areas (or countries) with which they have geographical proximity and/or cultural and historical ties. Furthermore, they seek to become involved in the management of international problems.

Spanish foreign policy in the post-Franco period was conformed with these expectations. First, bilateral agreements with the US on bases and installations had to be reformulated. Second, integration into NATO was seen as desirable but not a priority. Third, integration into the EC was perceived to be the most important objective. Fourth, Spain's active presence had to be ensured in the Council of Europe; relations between Spain and Latin America and the Middle East had to be improved. Spain's role in the Mediterranean and North Africa had to be increased, and Spanish national interests which did not overlap with allies interests in these regions had to be emphasised.

Spain: 1976-Early 1990s

An important indicator of Spain's "semiperipheral foreign policy" was its break with postwar Atlanticism and its shift to Europeanism. This indicated a change in Spain's international alliances. The evidence was clear. First, the Spaniards redefined the status of US bases and installations. The 1976 bases agreement established Spanish sovereignty over US bases (Vinas, 1988:157). The Americans agreed to reduce the number of US air-refuelling K-135 tankers to a maximum level of five, to withdraw the US nuclear submarine squadron by 1979, and not to store nuclear devices or their components on Spanish soil. Furthermore, the use of bases in emergency cases was subjected to urgent consultations between the two governments, and a joint council was set up for this purpose (Rubottom and Murphy, 1984:117 and Klepak, nd:87). Eaton emphasises that the Spaniards were attempting 'to establish a lower profile for Spain's relations with the US as part of the better balance in Spain's total foreign policy'. This, he says, was apparent from the attitudes of the Spanish government. While official foreign policy speeches on Europe, Latin America, Arab countries and the Third World tended to be long, for example, only short references were made to relations with the US. Furthermore, the government was careful to interpret the terms of the 1976 Treaty strictly so as to avoid charges of weakness towards the Americans (Eaton, 1981:114-15). On the other hand, Spanish Chiefs-of-Staff bitterly criticised the US, even arguing for breaking the relationship and closing the bases (Eaton, 1981:114).

A new bases agreement in 1982 was more balanced and precise than the previous agreements (Vinas, 1988:163). First, it precisely defined the notions of "operational and support installations" and "authorisations of use", terms which the previous agreement left vague. In this way possible misinterpretations of the agreement in critical moments were eliminated. Second, the status of US forces in Spain was brought in line with their status in other West European countries. Third, the notion of 'geographic area of common interests' which existed in the previous agreement was eliminated. The new agreement did not limit Spain's freedom to develop a security policy out of NATO.

Spain: 1976-Early 1990s

A second sign of a shift from Atlanticism was democratic government's lukewarm attitude towards Spain's integration into NATO. During the Franco period Spain had demanded a special security guarantee, either through bilateral agreements with the US or by becoming a member of NATO (Eaton, 1981:15). Although the first democratic government advocated Spain's eventual integration into NATO, it clearly stated that NATO membership was not a priority (Pollack, 1987:154). According to Suarez, a national debate was required on the issue and it could not take place at short notice. The matter, he felt, was neither urgent nor immediate (Minet, 1981: 14). According to Suarez, Spain needed a special arrangement for NATO membership. Spaniards felt that NATO served the interests of the US more than anything else. On the other hand, the widespread view in the army was that NATO needed Spain much more than Spain needed NATO (Preston and Smyth, 1984:54).

The anti-NATO, anti-American opposition argued that NATO membership would not provide additional security for Spain's two small African possessions of Ceuta and Mellila since they lie outside the NATO area. Furthermore, it was feared that the US would support the transfer of the two cities to Morocco if Gibraltar returned to Spanish sovereignty. The opposition also pointed out that NATO did not promise support for Spain in the dispute over British sovereignty and Spanish claims over Gibraltar. In any case, NATO membership would raise the tension in East-West relations and place Spain directly against the Soviet Union in a possible East-West conflict. Nor would NATO membership protect the nascent Spanish democracy against military coups as exemplified in the Greek and Turkish cases. The assessment of the 1981 attempted military coup by the US Secretary of State, A.Haig, as 'an internal Spanish question' strengthened negative feelings towards the US and NATO among Spaniards (Preston and Smyth, 1984:20-22).

All these changes and attitudes were clear indications of a policy of getting rid of the old American shadow over Spanish foreign and defence policy, while emphasising the primacy of Spanish national interests and independence. The new Spanish position vis-à-vis the US and NATO did not also go unnoticed by the

Americans. At the end of 1978 an American army observer's report concluded that " the Spaniards seemingly would steer an independent political course, permitting the US to retain a reduced number of military bases there in return for direct military aid, with no allegiance to NATO" (9). According to Eaton, the Americans had begun to worry about US vital interests in Spain in the face of such anti-Americanism (Eaton, 1981:26).

The policy of breaking with Atlanticism went hand in hand with a European oriented foreign policy. The Spaniards were anxious to be a part of the political and economic map of Europe. Indeed, only two days after the Franco's death, J.Carlos, the King, expressed Spanish orientation towards Europe to parliament: "The idea of Europe would be incomplete without a reference to the presence of the Spaniards and without a consideration of the activity of many of my predecessors. Europe should reckon with Spain and we Spaniards are Europeans" (10). Spanish interests, he maintained, lay in the 'integration into the unity of western nations and in all principal European institutions' (Story and Pollack, 1991:129). Accordingly, the Spanish Foreign Minister started a series of visits to European capitals to establish closer relations between Spain and Europe. During his meetings with the Europeans, the Foreign Minister emphasised the democratic intentions of the King and Spain's wish for full membership in the EC (Eaton,1981:110).

The Suarez government gave priority to EC membership (Pollack, 1987:154), and in July 1977 Spain applied for membership. Another important development was Spanish accession to the Council of Europe in November 1977. In 1978 the Spanish Foreign Minister announced that "Spanish preoccupations... are identical to those of the member states of the European Community whose political acquis (Spain) fully shares" (11). A cabinet level position was created for relations with Europe and Suarez travelled to each EC state to explain Spain's candidacy (Salisbury, 1980:104 and 116). Negotiations opened in 1979 and Spanish officials announced the government's intention to approximate Spanish foreign policy to European Political Co-operation (EPC). In this context the EC Council of Ministers began to inform Spain about discussions in the EPC Committee (Minet, 1981:67). It was not only the centre-right

UCD, the Communists and Socialists also strongly supported Spain's membership in the Community (Vinas, 1988:152 and Klepak, nd:138 and 190). In sum, for Spain Europe was both a model and an aspiration, and hence priority was given to full membership.

The process of Europeanization was further accelerated when the Socialist government came to power in the 1980s and the presence and influence of the US in Spain was further degraded. In this context, Spain became a member of NATO but remained outside its integrated military structure. Second, Spaniards separated NATO interests from those of the US, and underlined Spain's sovereign rights. However, the Spaniards were careful not to become a trouble-maker in the Western Alliance.

By 1980 the Suarez government believed that integration into NATO was a necessity for Spanish integration into European politics (Minet, 1981:29). The policy of keeping EC and NATO membership apart was abandoned. This did not mean a U turn but rather indicated that foreign policy was being framed in line with the core states of Europe. The remarks made by the Spanish Defence minister about the meaning of NATO membership in 1981 were revealing:

In the first place, being in the same system of defence as the majority of democracies. In the second place, it is not a question of what NATO is offering, rather it is that Spain... has a right, on account of its own essence as a European country, to be a power within the group of European democracies...In this sense I believe that it is necessary to take Spain's European dimension to those heights which it must attain (12).

It was thought that NATO membership would be a means to influence decision-making in one of the principal organisations of the Western World (Minet, 1981:28). Spain became the 16th member of NATO in June 1982, just before the Socialists came to power.

Spain: 1976-Early 1990s

Once in office (October, 1982), the Socialists announced a freeze on the incorporation of Spanish armed forces into NATO's Integrated Military Command, and repeated their commitment to a referendum on remaining in NATO which they had promised during the election campaign. At the Atlantic Council in December 1982, the foreign minister explained that his government's policy was "to act as a loyal, co-operative and solid member but to detain the process of integration into the military structure with the objective of studying rigorously Spanish national interests" (Marquina, 1991:36). It was believed in Spain that NATO was not an effective means to meet Spain's defence and diplomatic needs (Preston and Smyth, 1984:2). Furthermore, army circles complained that the UCD had failed to negotiate more concessions in return for accession (Preston, 1986:205).

The Socialists' policy vis-à-vis the Atlantic Alliance in 1984 was to remain a member without becoming part of its military structure. The government would maintain a prohibition against the deployment, storage or entry into Spain of nuclear weapons, would work to reduce progressively the US military presence in Spain while increasing military co-operation with other European nations and seeking membership of the WEU (Vinas, 1988:171 and Treverton, 1986:11). These conditions were the essence of the referendum on NATO membership which was held in 1986. Although the Socialists recognised that Spain's membership in NATO secured an important link with Europe, they defined the Spain's position in NATO in their own terms. In 1985 the Socialist Defence Minister argued that:

The unequivocal decision to be in Europe assumes collaborating in Europe's defense, and it is possible to do so while maintaining the sovereignty to decide our own defence policy...It would be a historic irresponsibility if Spain were to abandon the Atlantic Alliance (13).

A second Socialist challenge to postwar Atlanticism came in the form of further limitations on the use of the American bases. The American material and human presence in Spain was substantially reduced and US interests were strictly separated US interests from those of NATO in the bilateral Spanish-American Defence and Co-

operation Agreement which was renegotiated in 1983. It contained important clauses in favour of Spain, including the provision that no clause or circumstance should presuppose Spain's integration into NATO's Integrated Military Structure. Each government reserved to itself the right to initiate the procedure for the revision or modification of the Agreement, and, if in the future the Spanish government were to decide to modify its attitude with respect to the Atlantic Alliance, the relevant texts could be re-examined (Marquina, 1989:60-61). The Agreement also provided stricter Spanish control over the US use of bases (Rubottom and Murphy, 1984:144). As the Spanish Minister of Defence put it, "there are no US bases in Spain, rather there are Spanish bases which are loaned to the US under certain conditions for certain uses and in return for certain benefits" (14).

In 1986 the Socialist government decided to make substantial reductions in the number of US troops in Zaragoza base, and to replace US forces at the Torrejon air base with Spanish military personnel and aircraft (Pollack, 1987:172). The aim was to replace Americans where Spanish personnel of equivalent competence was available (Gooch, 1986:312). In 1986 the Americans agreed to reduce their military personnel in Spain by approximately 50%, and in 1988 they unwillingly accepted the complete withdrawal of American fighter planes from Torrejon air base and the replacement of American by Spanish personnel at the 16th Air Force General Headquarters. This was important because the activities of Torrejon wing included out-of-area missions (Marquina, 1991:59).

Any formal link between the American use of bases and Spain's precise relationship to NATO was removed (Treverton, 1986:3). Thus the negotiations about the renewal of the Defence and Co-operation Agreement were purely a bilateral affair (Marquina, 1989:62). The Spaniards acted to prevent the US using of Spanish facilities in crises outside the NATO area without prior authorisation (Marquina, 1989:62-63). In the 1988 Spanish-US Defence and Co-operation Agreement a regulation for the use of the bases and facilities for out-of-area activities was introduced limiting the area of agreement to the area covered by NATO and establishing a mechanism for consultation

and authorisation for out-of-area activities (Marquina, 1991:59). The 1988 Agreement clearly remained within the framework of NATO and reinforced Spanish command over all US installations and bases (Marquina, 1989:70).

On the other hand, the Socialist government followed a pro-European/EC policy announcing that “Spain belongs to Europe” (Klepak, nd:138). The socialists declared themselves 'the only party that could unlock the European door' (Leon, 1986:209), and made accession to the EC the first priority of their foreign policy. An intensive diplomatic campaign was conducted in EC capitals for rapid and favourable accession and the Europeans were impressed by their determination and seriousness (Preston and Smyth, 1984:78). They also supported security and defence co-operation in Europe. In 1984, Prime Minister Gonzalez stated in an interview that “If Spain wishes to be political, economic, institutional and cultural part of Europe's destiny, then (it) must also make contribution to that European destiny in terms of security policy” (15). The socialists argued that a united Europe could increase European leverage vis-à-vis the Americans on political and strategic decisions (Leon, 1986:229 and Gooch, 1986:305).

As we have seen Spain became a full member of the EC in January 1986 and one of the strongest supporters of integrated Europe in monetary matters, in concerted action on social legislation, and especially on foreign policy and security matters. In 1987, Prime Minister F.Gonzalez declared that “the moment has come to make a reality of the idea of reinforcing the European pillar of the Atlantic Alliance...both in the field of harmonisation of their policies and in the production of defence means” (16). Indeed, the Spaniards wished to enter the WEU as soon as possible in order to participate in the construction of a European Defence System. It became a member of the organisation in 1990. Spain also participated in various arms co-production programmes and agreements to homologise weapon systems with other European countries (Marquina, 1991:59; Story and Pollack, 1991:137).

Spain: 1976-Early 1990s

The European dimension of Western security turned into a more important issue after Spain's accession to the WEU. At a special NATO summit in July 1990 Prime Minister Gonzalez argued that:

The reduction of US and Canadian troops in Europe and our own European vocation make it imperative that the Europeans fortify the pillar of a renovated Alliance on this side of the Atlantic. In this scenario the EC has a decisive role to play in building up a common foreign and security policy and becoming a privileged interlocutor of its North American allies (17).

Similarly, in an Atlantic Council session in the early days of the Gulf Crisis, Spain proposed that the WEU should co-ordinate any military action that would be undertaken by European NATO members (Rodrigo, 1992:101-102). In the early 1990s Spain became an ardent supporter of European Political Co-operation and advocated the incorporation of all aspects of security into the EPC (18).

Another semiperipheral aspect of Spanish foreign policy was to abandon the country's postwar satellite-like position and to emphasise its independent stance. One component of this line was the determination to achieve a swift incorporation into the EC. A second component was degrading the importance of the US in Spanish foreign and defence policy. A third important aspect of Spain's relatively independent foreign policy can be seen in the caution about being identified with the US in world politics (Treverton, 1986:17). In this connection Spain banned the US from refuelling a squadron of F-15 fighter planes en route to Saudi Arabia during the Iranian Crisis in 1979. The Spanish government also gave full recognition to the PLO, then considered a terrorist organisation by the Americans while refusing to establish full diplomatic relations with Israel. Furthermore, the Spaniards participated in the non-aligned summit in Cuba as an observer in 1979. Moreover, Spain called for the creation of a regional co-operation system in the Mediterranean in order to reduce the level of extra-Mediterranean forces. Similarly, Suarez implied that NATO entry might jeopardise Spain's special relations with the Arab and Latin American countries (Preston and

Smyth, 1974:71). These actions were a clear manifestation of the fact that that Spanish interests did not necessarily coincide with those of US.

The Spanish Foreign Minister explained his foreign policy in Brussels in 1979, arguing that 'the Western world is a free world rather than a monolithic one in which each individual state may follow its own policy to protect its own interests' (Minet, 1981:4). Spain's broader options and wider interests were pursued through multilateralism and 'the principle of universality' in foreign relations. Closer relations were cultivated with Latin American and Arab countries, contacts and connections were expanded with the neutralist and Third World blocks.

After a 40 year gap diplomatic relations were resumed with the Soviet Union and East European states. The King's visits to Soviets and China emphasised this new opening to the Communist world. Spanish and Soviet views on Middle East issues, Mediterranean co-operation and aspects of disarmament converged in this period (Minet, 1981:22), and bilateral relations with East European countries improved. Thus Spanish foreign policy was no longer under the tutelage of the US and Spain pursued a relatively independent course with special emphasis on Spanish national interests.

The Socialists also followed an independent foreign policy line, although they were careful not to create major discord in the Western (especially the European) alliance. They increasingly considered themselves a partner in the Western alliance, not a client and satellite state (Gooch, 1986:313). In 1983 Gonzalez described Spain as 'a part of the Western defensive system but with a margin of its own' (Preston and Smyth, 1984:84). Accordingly, the Socialists would not allow the use of air bases and Spanish air space for the US attack on Libya in 1986. Gonzalez replied to the American request that "Spanish bases that have American forces stationed on them will be used by those forces for the defence of the West but never in any bilateral conflict between the US and another country" (48). Similarly, throughout the 1980s the Socialists were sharply critical of American support to Contras in Nicaragua and of the US invasion of Panama in 1989 (Marquina, 1991:13). They saw the roots of Central American conflict in

domestic economic and political factors, rather than in East-West conflict as presented by the US. Another proof of Spain's independent stance was the refusal to accept economic counter loans from the Americans in 1988 anymore for the use of the bases.

A significant PSOE initiative was to support the Spanish arms industry to reduce Spain's dependency, especially on the US. Instead, Spain became involved in a series of agreements with its European partners for the co-production of defence equipment (Heywood, 1987:394). In the new national defence plan of the PSOE priority was given to strengthening southern Spain militarily in order to face any possible conflict with Morocco (and/or any other Northern African state) over the Spanish enclaves of Ceuta and Mellila, and of the Canary islands against threats that might come from the Saharan Corridor in Africa (Vinas, 1988: 179-81).

Spain also intended to play a bridge (intermediary) role between the EC and regions with which Spain had historical ties and/or geographical proximity - namely Latin America and the Arab world - and to strengthen Spanish sphere of influence in these regions. In this context, Latin America turned into a central concern. Mexico supported Spanish claims to act as a link between Europe and Latin America and stated that this initiative would enable developing countries in the region to diversify their economic contacts abroad, in particular with the EC countries (Minet, 1981:50). Moreover, the 1979 EC Commission's report (Opinion) on Spain stated that "...Because of the historical ties between Spain and the countries of Latin America the enlarged Community may be able to forge new political and economic links with this part of the world" (Opinion, 1979:55). Accordingly, at a meeting of the Andean Council in Madrid in 1980 negotiations were opened between the Andean Pact and the EC, and a month later, a declaration in Brussels was made for closer links between Latin America and the Community (Minet, 1981:52-53).

The Socialists also emphasised Spain's function as a bridge between the EC and Latin America. During the accession negotiations the Spanish delegation tried, without success, to obtain a preferential position for the Latin American countries similar to that

Spain: 1976-Early 1990s

given all former colonies of member states (Treverton, 1986:18 and Grugel, 1987:606). The Socialist government was more successful in lobbying for the passage of a motion supporting the Contadora process at the European Parliament (19). Due to Spanish efforts, the Contadora Group, composed of 12 EC, 5 Central American and 4 Latin American ministers met in Costa Rica in 1984 to promote the Contadora process (Leon, 1986:235). Furthermore, Spain became a meeting place for European and Latin American social democrats to discuss Latin American issues. The aim of the Socialists was to increase European sensitivity towards the region in the belief that in the long term it would eventually bring increased private investment, bigger aid and softer credits to Latin Americans, and also international support for political sovereignty (Grugel, 1987:605). During the Spanish presidency of the Community in 1989 special emphasis was put on promoting relations between Latin American and European states. However, the Community has remained reluctant to implement radical programmes in Latin America. Nevertheless, in the early 1990s the Spaniards still considered Spain '...the natural spokesman for Europe in Latin America and for Latin America in Europe' (Gooch, 1992b:133-34).

Spain also wished to play a "bridge role" between the West and the Arab world. Compared to Latin America, however its activities remained weak in this region. Nevertheless, in 1980 Spain actively attempted to explain the Arab position in the Middle East to the Americans and Europeans and the Jordanians, Syrians and Saudi Arabians expressed their gratitude to Spain for its efforts to make the Western world understand the Arab posture (Minet, 1981:37). The Socialist governments continued to presenting Spain as a bridge that linked the Arab world to Europe and vice versa (Moxon-Browne, 1989:100 and Gooch, 1992a:5).

Spain also hoped to create a sphere of influence (or what world-system scholars call a kind of sub-imperialism) in Latin America and the Arab World. In this way, the Spanish government aimed to increase Spain's influence and bargaining power in external relations. The Spanish policy towards Latin America was based upon interdependence and multifaceted co-operation. The new constitution endowed the

King with a special responsibility in relations with Latin Americans (Minet, 1981:51). In this context, an Ibero-American Centre for Co-operation was established (later Ibero-American Institute for Co-operation) (Pike, 1980:205) and co-operation agreements were concluded on Spanish participation in Latin American industrial, civil engineering, and fishing projects. Agreements were signed with Mexico and Venezuela for the transfer of technology and capital, for example, and a series of joint-ventures were agreed, notably with Argentina, Brazil and Mexico (Minet, 1981:50).

The Spanish quest to increase its presence in Latin America led to other developments. Spain was admitted to the UN Economic Commission for Latin America in 1979 and it transferred its membership in the IMF Executive Committee from Southern Europe to the Northern Latin America group. Furthermore, Spain joined the Inter-American Development Bank in 1976, and became an observer in the Council of Foreign Affairs Ministers of the Andean Pact in 1979. The Spanish-Latin America volume of trade increased steadily in the second half of the 1970s, and over half of the Spanish foreign investments went to Latin America in this period (Minet, 1981:49).

The Socialist governments continued to build a sphere of influence in Latin America, arguing that Spain's influence in Europe and the US would depend on establishing stronger "special relationship" outside Europe and North America, even against the US wishes (Grugel, 1987:604). The main emphasis was given to development programme in Latin America under the umbrella of the "Plan for Integrated Co-operation" which included projects in the scientific, technological, agricultural, educational, transport, health, shipping and engineering areas (Grugel, 1987:610-11 and Pollack, 1987:72). The most important part of this general scheme was implemented in Nicaragua, Costa Rica and Honduras in conjunction with the Ibero-American Institute for Co-operation (ICI). By 1987 the plan's budget had more than quadrupled (Grugel, 1987:611). Furthermore, Spain extended financial aid to the Southern Cone countries like Argentina and Chile (Leon, 1986:235) and gave import credits to Nicaragua during the US economic blockade of that country (Grugel, 1987:614).

Spain: 1976-Early 1990s

These initiatives created a new image of Spain in Latin America. Hence Latin American countries hoped to see Spain or the EC as a counter-balance to US influence and to US support for oligarchic and military dictatorships in the region (Grugel, 1987:603 and Pollack, 1987:71). Moreover Latin Americans saw Spain as a model for their own future development (Grugel, 1987:603). The PSOE governments emphasised Spain's support for the strengthening of democracy and extended financial support for a number of projects in order to foster democratic development, participation and human rights in Latin America (Pollack, 1987:92). However, in both the economic and political spheres, Spanish attempts to create a sphere of influence had modest outcomes mainly because of financial constraints and the little concern paid by the EC to Latin America. Nevertheless, some scholars have concluded that these attempts provided Spain with a role in the region and underlined its intentions to build up a sphere of influence, and act as a bridge between the Western and the Latin worlds (Pollack, 1987:92 and Gooch, 1992b:133-34).

As we have seen, upwardly mobile semiperipheral states also attempt to strengthen the country's position in the international system and search for a wider role, in the management of international or local problems. After 1980 Spanish foreign policy revealed these characteristics.

After establishing a margin of autonomy in NATO and clearly separating NATO and American interests the Socialists gave their full support to Western/European unity and cohesion. In 1983, for example Gonzalez expressed sympathy with the NATO decision to deploy Pershing II and Crusie missiles in Europe. And in 1985, he declared Spanish support for the Strategic Defence Initiative (SDI) (Pollack, 1987:171). Moreover the Spaniards adopted a very narrow definition of Spanish non-involvement into NATO's military structure and tried to maximise Spain's importance in NATO. Spanish Foreign and Defence ministers participated in the Atlantic Council and NATO Defence Policy Committee, Spanish representatives attended meetings of the Nuclear Planning Group (despite Spain's anti-nuclear policy); Spain's air defence and radar network was co-ordinated with that of the Alliance,

Spain: 1976-Early 1990s

Spanish forces participated in NATO exercises, and Spain participated in NATO's Military Committee (Leon, 1986:225 and Gooch, 1992c:243).

On the other hand, Spain's incorporation into the WEU, and its policy of reinforcing the European pillar of the Atlantic Alliance through harmonisation (George and Stenhouse, 1991:94) also consolidated and strengthened Spain's position in the international system. As we have seen the Spaniards were determined to contribute to the European destiny (Leon, 1986:227) and hence enthusiastically gave their support to the common European defence and foreign policy (George and Stenhouse, 1991:99; Gooch, 1992a:7).

While harmonising its policies with the Western world (especially with Europe), Spain also improved its relations with its neighbours, signing defence and co-operation agreements with Tunisia (1987), Morocco (1989 and 1991), Mauritania (1989) and establishing much more cordial relations with Portugal (Gooch, 1992d:61).

Spain further strengthened its position in the international system by increasing its capabilities and influence in the defence field. By the early 1980s Spain was capable of producing much more sophisticated weaponry (Payne, 1986:190). However, the central aim of the Socialist governments was to bring Spanish defence structure into line with the West European countries and to make it more independent from foreign suppliers (especially from the US) (Vinas, 1988:175 and Moxon-Browne, 1989:19). That is why Spain participated in the Independent European Programme Groups for the co-production and development of weapons systems; co-operating in the production of the European Fighter Aircraft (EFA) project with Germany, and with the UK and Italy for the acquisition of new technologies in aeronautical research (20). As a result of the rapid modernisation of the defence industry during the 1980s Spain became technologically competitive with its European partners and became the eighth leading arms exporter in the world (Maxwell and Spiegel, 1994:56) (21).

Spain: 1976-Early 1990s

Spain has also aspired to a wider role in the world and to increase its weight in the interstate system by becoming involved in the management of international and local problems. As we have seen, Spain gave full support to the Contadora group of Central American States which came into existence to stop the conflict in the region without the interference of outside powers. On the other hand, Spain supported a peaceful solution to the problems in Nicaragua and in 1986 offered to mediate between Sandinistas and the opposition. However, while the Nicaraguan government showed its sympathy to this offer the civilian opposition which was supported by the US refused it. We have already mentioned Spain's wish to strengthen democracy in Latin America. This policy was supported with a number of projects for democratic development, participation and human rights in the region (Pollack, 1987:92). In El Salvador Spain contributed with 120 observers to the UN mission and provided technical and financial support. The Spaniards also announced that they were willing to increase their financial contributions for peace-keeping operations in Latin America (Maxwell and Spiegel, 1994:54 and 83-4). In Cuba, however, Spain criticised human rights abuses, while keeping the channel of communication open in order to contribute to a democratic transformation. Finally, in order to deepen its influence in Latin America, Spain brought Latin American leaders together in series a of conferences in Mexico, Madrid and Bahia (Maxwell and Spiegel, 1994:84) (22).

Spain also became involved in the Middle East peace processes. Based on Spain's historical ties, good relations and special contacts with the Arab world the UCD governments intended to play a role in the Middle East in the early 1980s and they received encouragement from the Germans and the Americans as well as from the Arabs (Minet, 1981:37). Accordingly, Suarez took diplomatic initiatives in Iraq, Jordan, Syria and Saudi Arabia where there was a warm reaction to Spain's potential mediatory. In the second half of the 1980s, after the Socialist government had recognised Israel, Spain presented itself as an "honest-broker" for a pragmatic solution for the problems in the region. The selection of Madrid for the opening of the Middle East peace talks in 1991 was a clear indication of Spain's favourable position vis-à-vis

Spain: 1976-Early 1990s

the Arabs and Israel, and an acknowledgement of its increasing international status (Gooch, 1992a:7; Maxwell and Spiegel, 1994:55).

During the Gulf Conflict, Spain supported the UN embargo imposed on Iraq, and played its part in Western alliance, allowing the US to use the bases in Spain before and during the hostilities. Furthermore, the Spanish government sent one frigate and two corvettes to the Gulf region to participate in the blockade, and committed itself to defend Turkey in the event of an Iraqi attack to this country. Prime Minister Gonzalez stated that Spain was:

... not going to follow the traditional policy of not participating in the destiny of Europe or not sharing the international unanimity about the conflict. I am not for an isolated Spain. We are going to remain firm in our new role" (23).

Spain's call for the creation of a regional security and co-operation system in the Mediterranean was another manifestation of its aspiration to a wider role in world politics. In 1990 Spain and Italy proposed an International Conference on Security and Co-operation in Mediterranean (CSCM) similar to the Conference on Security and Co-operation in Europe (CSCE). The Spanish Foreign Minister introduced this idea first in a CSEC meeting in 1990 pointing out that the basic problem in the Mediterranean was the increasing economic, demographic and value differences between the Northern and Southern shores which could lead to future instability. Hence, an overall approach (rather than bilateral ones) was needed to face up those problems and to prevent a possible confrontation between "Islam and the West" (Rodrigo, 1992:112). This initiative was not supported by the US or other European states but Spain did participate in the 5-plus-5 talks between Northern shore countries (Spain, France, Italy, Portugal and Malta) and Arab Union of the Maghreb (Mauritania, Morocco, Algeria, Tunisia and Libya) in an attempt to improve communication in the region. However, these talks were adversely affected by the intensification of the Bosnian war.

Another example of Spanish involvement in the management of international problems was the deployment of over a thousand Spanish soldiers in Bosnia under the command of UN peace keeping forces, and the Spain's contribution to the cost of the UN mission in Bosnia (approximately \$25 million) (Maxwell and Spiegel, 1994:57). Spain was made one of the vice-presidents in the UN Peacekeeping Commission for former Yugoslavia at the Hague (Mojon, 1993:101). Spain's participation in the peacekeeping forces in Namibia, Angola and Central America as well as in Bosnia has further marked its active participation in international problem solving mechanisms. Thus Spanish armed forces have turned into a crucial element of Spain's international activism. The plans to create a Rapid Action Force (FAR) by 1997 for WEU's operational activities in crisis situations (Maxwell and Spiegel, 1994:82) can be seen as an important component of this strategy.

At this point it would not be unrealistic to say that from the world-system point of view, the further integration of the Spanish economy into the international (especially the European) economy requires a military capable of fulfilling Spain's new role as a [junior] partner in policing European interests (see also Petras, 1993:117). Moreover, Spain has become the ninth largest contributor to the UN budget (Maxwell and Spiegel, 1994:83) and has participated in humanitarian and technical assistance programmes in the former Soviet republics (Mojon, 1993:101). Finally, the election of J.Solana, former Spanish Foreign Minister, as the new General Secretary of NATO clearly indicated the increasing status of Spain in the interstate system.

5. Conclusion

As a conclusion one can say that in the contraction period of the world-economy "semiperiphery Spain" achieved economic modernisation, and showed a certain ability to adapt its production structure to the core-like production patterns. As predicted in the world-system analysis, the transformations in production system went hand in hand with radical developments in Spanish politics and foreign policy. Accordingly, while democratisation occurred in the domestic sphere, Spain, an upwardly mobile semiperipheral state, gave up satellite type foreign policy, asserted its intermediary and

Spain: 1976-Early 1990s

bridge role between core zones and periphery, and increasingly involved in the management of international problems. In short, unlike Greece, Spain has achieved an upgrade in its status from semiperiphery towards core region in the world-system hierarchy of states.

Notes to Chapter Eight

1. For state's activities in the economy in the late 1970s, see also Baklanoff, 1978, pp.35-36; Tsoukalis, 1981, p.82.
2. For an analysis of Spain's scientific and technological policy before and after the mid-1980s see, Aledo, 1993b.
3. Other ascending sectors in which Spanish research activities have been focused on are, micro computers, food technology, bio-technology, space, pharmaceutical R&D, aquaphonics, Antarctic research, high energy physics and research personnel training, see Aledo, 1993b, p.32.
4. **Cambio 16** June 18, 1984, quoted in Gunther, 1986 p.34.
5. **Cambio 16** June 20, 1983, quoted in Preston and Smyth, 1984, p.14.
6. On the contribution of invisibles to the trade deficits, see also Harrison, 1985, pp.75-76 and 1993, p.64; Salmon, 1991, p.167.
7. For instance, CAMER international SA., an organisation formed by major Spanish banks, involved in capital goods business throughout the world and with the backing of credit guarantee from the Spanish government. CAMER concluded major credit agreements with Latin American central banks in support of Spanish machinery and equipment exports, see Baklanoff, 1978, p.69.
8. **Ya** 1 November, 1981, quoted in Treverton, 1986, p.6.
9. **Congressional Record US Senate**, 4 April 1979, p.3945, quoted in Minet, 1981, p.12.
10. A.R. Ventura, **Agonia y muerto del Franquismo**, Barcelona, 1978, p.390, quoted in Preston and Smyth, 1984, p.24.
11. **La Libre Belgique** 21 December 1978, quoted in Minet, 1981 p.67.
12. **Cambio 16** 14 September 1981, quoted in Preston and Smyth, 1984, pp.22-23.
13. **El Pais** 20 January, 1985, quoted in Treverton, 1986, p.32.
14. **Excelsior** Mexico City, April 23, 1983, quoted in Rubottom and Murphy, 1984, p.144.
15. **Frankfurter Allgemeine Zeitung** December 1, 1984, quoted in Leon, 1986, p.227.

16. R.Estrella and J.Gama **Interim Report on New Patterns of European Security Collaboration**, North Atlantic Assembly, 1988, p.8, quoted in George and Stenhouse, 1991, p.94.

17. **El Pais**, 6 July,1990, quoted in Rodrigo, 1992, p.105.

18. For further information on Spanish position in European Common Foreign Policy and Security issues see, Rodrigo, 1992, pp.108-111; Gooch, 1992a, p.7.

19. This motion supported the view that the crisis in Central America could be overcome by a change in social structures and the establishment of liberties, and the principles of the representative system.

20. Moreover Spain participated in the NATO frigate replacement project and the A-129 light-attack helicopter and modular stand-off weapons project. Similarly, Spain, Netherlands, France, Germany and the UK co-operated in the generation of an anti-tank weapons programme. Spanish electronic sectors and manufacturers were involved in multinational military equipment production programme. Spain, France and Italy have co-operated to create the Helios military satellite observation system (Zaldivar, 1991:209; George and Stenhouse,1991:110-11; and Maxwell and Spiegel, 1994:82) The Spaniards have also built an aircraft carrier navy vessel and reduced their dependence on US equipment for F-18 aircrafts by establishing software development, validation and integration centre (Moxon-Browne, 1989:19 and George and Stenhouse, 1991:111).

21. Much of the production was realised through state owned companies which have been aggressive in the world arms market: the three main firms, CASA (air), BAZAN (navy) and ENESA (tank) exported their products to Far-East, Egypt, Iraq, Morocco, Libya, Argentina, Mexico, Chile, Congo, Mauritania and even to Portugal (Treverton, 1986:26; Pollack, 1991:137; and Payne, 1986:190-91).

22. However Spanish efforts to increase EC's sensitivity towards Latin America was unsuccessful partly because of the developments in Eastern Europe and the subsequent shift of EC's interest to that region since 1989.

23. **El Pais** 20 August,1989, quoted in Rodrigo, 1992, p.102.

CONCLUSION

In the study of foreign policy one of the main discussions concerns the relative influence of internal/societal and external/systemic sources and of political and economic factors on foreign policy. In conventional thinking, and in majority of the foreign policy case studies internal/societal and political factors have been treated as the main sources of foreign policy. In fact because foreign policy is a complex phenomenon in which both domestic and external, and political and economic determinants are in constant interaction the question should not be formulated as to which one of these factors determines the final outcome. Different variables (or combinations of variables) explain foreign policy best in different contexts, and only one or some of these variables can be the determining factor in some individual cases. Accordingly, the main issue should be to determine a starting point around which these different sources and/or factors of foreign policy converge and can produce a web of interaction among them.

At this point the world-system perspective provides us with a “social totality” in which the links between the internal/societal, external/systemic, political and economic determinants of foreign policy can be established. In world-system analysis the starting point is the production structure and the production relations around which the political and economic external/systemic and internal/societal determinants of foreign policy converge. The world-system perspective provides us with tools to examine how power and production are organised at the world and national levels and, accordingly, how these complex organisations are related to foreign policy. In this context one can understand the impact of the world level organisation of power and production on the formation and functioning of national level organisations. This is not to say that national level organisation is determined solely by the world level organisation (or by changes at this level). In world-system analysis the world level organisation provides opportunity structures for the reorganisation of national level organisations of power and production. But how to benefit from these opportunity structures is basically up to the national level actors (i.e., political (power) and economic (production) elites, state institutions etc.). It follows that in world-system analysis foreign policy is a function of the interaction between the world and national

Conclusion

levels of organisation of power and production. More specifically it becomes a function of how national power and production elites organise their interests in the state structures in relation to the opportunities provided by the world level organisation of power and production. In short, in the world-system perspective foreign policy is a part of a totality which is composed of a complex web of interactions among the world and national level organisations (structures), national economic and political elites, state structures, external actors (other states, foreign political and economic elites) etc.

In analysing the foreign policy of an individual state, world-system analysis starts by explaining how power and production are organised at the national level at any point in “world-system time” (i.e. in expansion and contraction periods of the world economy). Accordingly, it first establishes the “structural” and “temporal” components of the foreign policy environment. The “world-system time” is the temporal component, and the “category of a state” in the world-system hierarchy is the structural component of this environment. In this study, “world-system time” means whether the “world-economy” is in an “expansion” or “contraction” period, and whether the “inter-state” system is passing through a stage of “hegemonic rise” or “hegemonic decline”. On the other hand, the “structural category of a state” means whether the state under examination is a “core”, “peripheral” or “semiperipheral” state in the “world-economy” and in the “inter-state” system. This is important because in analysing foreign policy it is assumed that states that belong to the same category have similar characteristics and are subjected to similar opportunity structures during “cyclical rhythms” of the “rise and decline of the hegemonic powers” and the “expansion” and “contraction” periods of the world-economy. However, they do not necessarily benefit from the opportunity structures provided by the world level organisation in the same way because there are differences in their internal organisation of power and production.

After establishing the “temporal” and “structural” components of the foreign policy environment, the world-system perspective focuses on how national actors

Conclusion

organise power and production at the individual state level in this environment, and to what extent this organisation is influenced by external actors. It is argued that foreign policy is strongly affected by the specific national organisation of power and production since foreign policy is the output of this specific organisation into the external environment. There is a constant and significant interaction between the production and power structures and the foreign policy of the national system. In other words, a structural change in foreign policy is the result of a structural change in the organisation of power and production at the individual state level. Accordingly, the first step in analysing foreign policy in world-system analysis is to define the power-production structure of the state in the period under consideration and then to see how a structural change in this organisation leads to change(s) in the foreign policy of a state.

In analysing foreign policy, the type of state under investigation is important because the role played by the state in the functioning of the power-production structures differs depending on the category of the state in the world-system hierarchy of states. In the semiperiphery the state is believed to play the most important role as an agent of both power and production. And because of its central position, and the absence of hegemonic economic elites (periphery- or core-like) in the semiperipheral zone of the world-economy, different groups in the production sphere try to influence state policies in order to promote their own interests. Accordingly, the collaboration of the state with, or its support for any group of actors (or its domination by any group of actors) will change the balance of power in the power-production structure, and this change will be reflected in the foreign policy. Thus, since the state is also the main actor of foreign policy, and since such changes in the power-production structure are more likely in the semiperiphery, one can analyse the complex relationship between external/systemic and internal/societal determinants in semiperipheral foreign policies.

Thus, in world-system analysis once the world-system time and type of state under investigation are determined, the next step in analysing foreign policy is to

Conclusion

examine the power-production structure. In this way the web of relations between the state, domestic political and economic elites and external actors (states, multinational corporations, foreign economic elites) are clarified, and it also becomes possible to measure to what extent the state under investigation reveals typical characteristics of its world-system category. The nature of the web of relations, in turn, greatly shapes the basic orientation of the foreign policy of the state. Here, again, one can assess to what extent the foreign policy of the state under investigation follows the general characteristics of its category prescribed in the world-system framework.

An interesting aspect of analysing foreign policy in the framework of world-system analysis is to compare the foreign policies of individual states during and after a transition from one world-system time (say, an expansion/hegemonic period) to another (say, a contraction/hegemonic decline period). This gives us a comparative perspective and we can see whether a change in the world-system time and a change in the power-production structure at the global level result in a change in the power-production structure of individual states, and hence a change in their foreign policies. The crucial point is that, as we saw in the Greek and Spanish cases, a change in the global environment can only provide opportunity structures, it cannot determine the specific responses/behaviours of the actors (the state and economic and political elites, etc.) of individual states. In other words it depends on the political will of the domestic actors whether or not they benefit from the changing environment and whether they reorganise their domestic power-production structures in accordance with the new global structures.

In this framework, analysing the foreign policies of Greece and Spain in a comparative way gave us the opportunity to assess how two similar countries from the semiperipheral zone of the world-economy (and their domestic actors) responded differently to changes in the world-system power-production structure, and reorganised their internal power-production structures in different ways. We also saw that their foreign policies were significantly affected by changes in the global and national level structures. In other words, their foreign policies were usually in

Conclusion

conformity with their semiperipheral power-production structures in the two different sub-periods examined. Finally, I tried to evaluate to what extent these changes in foreign policy confirm with the semiperipheral foreign policy behaviours prescribed in world-system theory.

My analysis of Greece and Spain in the postwar period in chapters 5-8 of this study shows that the foreign policies of both countries were strongly affected by their semiperipheral development patterns. In both “expansion-hegemonic rise” and “contraction-hegemonic decline” periods of the world-economy, their internal power-production structures (the structures that organise and greatly determine the developmental path) revealed the general characteristics of a semiperipheral country defined in the world-system framework. In other words, in both periods the Greek and Spanish states occupied a central place in the developmental processes of the national economies either through favouring the accumulation of capital in the hands of one particular kind of production elite (periphery- or core-like) or through taking on an entrepreneurial role themselves. On the other hand, as a result of the state oriented activities of the different central internal and external actors, close relationships were established between these groups and the Greek and Spanish political establishments. Political establishments, in turn, promoted the interests of different internal and external actors in different periods depending on which group became effectively dominant over the others.

However, because of the different responses of the Greek and Spanish internal actors to the opportunities provided by the world-system power-production structures, their semiperipheral developmental processes (which were very similar at the beginning) followed somewhat different paths and this took them to different points in the world-system hierarchy of states. This does not mean that either Greece or Spain is not semiperipheral. It simply means that they are located differently in the intra-semiperipheral hierarchy. Indeed, both of them followed semiperipheral development patterns. However, while “developmentalist-state” and “core-like producers” dominated the power-production structure in Spain (as we saw in the

Conclusion

chapter 8), their counterparts in Greece (as I demonstrated in chapter 6) failed to establish their hegemony over “periphery-like power-production” groups and structures. Accordingly, in the contraction period of the world-economy Spain became “a strong and an upwardly mobile semiperipheral state”, while Greece’s attempt to achieve upward mobility was unsuccessful and it remained “a weak semiperipheral state”. Consequently, their different semiperipheral developmental patterns were reflected in their foreign policies. In other words, while Spain revealed the foreign policy of an upwardly mobile semiperipheral state, Greece failed to do so.

Semiperiphery is still one of the problematic concepts of the social sciences. Although debates on various aspects of the semiperipheral zone of the world-economy have continued even among modern world-system scholars (see Arrighi, 1985 and Martin, 1990a), there is more or less general agreement that such an intermediate zone exists. However questions about the “shape, size and the method of membership within - and entrance into and exit from - the zone remain an unexplored realm” (Martin, 1990b:4). Furthermore, other crucial questions and issues relating to ‘how we know the semiperiphery when we see it, ‘what the nature is of semiperipheral movement within the world-economy’ and ‘what the role is of geo-strategic position in the upward mobility of semiperipheral states’ have not been satisfactorily answered and need further clarification at both theoretical and empirical levels.

Since the concept semiperiphery is still contentious, it may be legitimate to conclude with the question of ‘whether it is correct to use it in analysing the foreign policies of individual states’. The answer depends on one’s understanding of foreign policy phenomena. If one sees foreign policy basically as the product of internal or external political factors and processes, the answer is clearly “no”. However, if one believes that foreign policy behaviour is best explained by linking ‘politics’ with ‘economics’, and internal/societal factors with external/systemic factors “the concept semiperiphery” can be a useful tool in the hands of the researcher. In other words, if one looks at foreign policy phenomena from the perspective of national and

Conclusion

international political economy, “semiperiphery” can be far more useful than other terms such as, “newly industrialising countries” (NICs), “middle income countries”, “developing countries”, etc. The reason is that by employing “the concept semiperiphery”, as I have tried to show in the Greek and Spanish cases, one can identify and establish the relative impact of international and national structural factors, the distribution of wealth and power, the state, external and internal economic and power elites on the foreign policies of “intermediate countries”. Moreover, unlike the other terms used to describe these countries, the concept semiperiphery enables the analyst to explain changes in foreign policy. Thus its use is fully justified.

It is widely accepted that foreign policy analysis is an interdisciplinary field. Similarly the “world-system school” in general and the concept of “semiperiphery” in particular provide us a totality called a “social system” which requires interdisciplinary investigation. In this respect, studying foreign policy in the framework of world-system analysis will lead to fruitful research, and it will provide students of international relations with new fields to explore in analysing foreign policy.

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