The London School of Economics and Political Science

How does corporate internationalisation, undertaken from the economies of nation-states at the European and global periphery, ameliorate their long-standing strategic rivalries? The case of the Greek strategic rivalry with Turkey.

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A thesis submitted to the European Institute of the London School of Economics for the degree of Master of Philosophy, London, February 2010

Declaration

I certify that the thesis I have presented for examination for the MPhil degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified in it).

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Antonis Kamaras

Abstract

This thesis aims to examine the impact of internationalising corporations of peripheral nation-states on their strategic rivalries. Although corporations from an increasing number of peripheral countries have internationalised their operations in the last fifteen years, the implications of this process for their interstate relations and –in particular– their relations with their strategic rivals, have yet to be systematically addressed. The thesis's hypothesis is that in the context of such corporate internationalisation for a state in the semi-periphery, the large-scale acquisition by a domestic firm of a foreign enterprise, reconfigures conceptions of economic nationalism. This is especially the case where the enterprise acquired is located in a state with which there is a long-term and significant foreign policy rivalry. The interests and strategies of key domestic socioeconomic actors are reconfigured within the new nationalism, with incentives to support and sustain such corporate internationalization.

This thesis will review the scholarship on New Economic Nationalism which provides the most suitable analytical perspective to evaluate the impact of corporate internationalisation on strategic rivalries. It will also identify the corporate internationalisation process and those of its features that are particular to peripheral countries. It will also examine the challenges posed to its hypothesis by the scholarly debates which liberal institutionalism, realism and Europeanization, have generated.

The thesis's hypothesis will be tested through the country case of Greece, and its strategic rivalry with Turkey. The thesis will examine the wider role of Greek corporations prior to their internationalisation in Southeastern Europe, and at the height of Greece's strategic rivalry with Turkey. It will then access the prominence that Greek corporations achieved due to their internationalisation and the conflation, by Greek policy makers and governing parties, of the corporate internationalisation process with national prestige and prowess. By scrutinising a particular FDI transaction, the acquisition of a major Turkish bank by Greece's leading bank, the thesis will evaluate whether corporate internationalisation, by redefining economic nationalism, can indeed have an significant impact on Greece's strategic rivalry with Turkey.

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Chapter 1

Introduction

Although corporations from an increasing number of peripheral countries have internationalised their operations in the last fifteen years or so, the implications of this process, for their interstate relations, and in particular their relations with their strategic rivals, have yet to be systematically addressed, to our knowledge. The thesis's hypothesis is that such corporate internationalisation creates or aligns powerful socioeconomic groups and actors with a reconfigured conception of economic nationalism in peripheral nation-states. By doing so corporate internationalisation attenuates the strategic rivalries of these peripheral countries.

In the first section of this introductory chapter we will identify the corporate internationalisation process as it emanates from peripheral countries. Subsequently we will pose our research question and hypothesis and introduce the concept of strategic rivalries. We will then address the methodological issues that arise from our research question and hypothesis, as they apply in our country case. We will do so by suggesting how an examination of state-society relations can provide sufficient traction for addressing how corporate internationalisation, from countries of the European and global periphery, can alter their strategic rivalries.

In the second section we relate the choice of our country-case, Greece, to some salient elements of its status as a strategic rival to Turkey and of the corporate internationalisation process which has been emitted by its economy. We will also briefly review the range of explanations which Greece's strategic rivalry with Turkey has generated.

In the third section, we will briefly review scholarship on New Economic Nationalism which we hypothesize provides the most suitable analytical perspective from which to evaluate the impact of corporate internationalisation on strategic rivalries. We will then highlight the challenges posed to our hypothesis by the scholarly debates which Liberal Institutionalism, Realism and Europeanization, have generated.

We will conclude with an outline of the thesis's chapters to follow.

Corporate Internationalisation and Strategic Rivalries

1.Identifying the Corporate Internationalisation Process

Traditional recipients of advanced capital and know-how, embedded in Foreign Direct Investment (FDI) and imported products and services, have in the last decade or so, and for their first time in their histories, become significant producers of the same. These countries tend to originate from the global periphery: from Europe and Asia (Greece, Turkey, India, China), to Africa and Latin America (South Africa, Egypt, Brazil, Mexico).

Corporate internationalisation, in these countries, has been widely perceived as a process of historic magnitude by governments, domestic and international media, market actors and indeed populaces.

Initially, in the early 1980's these countries were seen in the framework of reintegration in the world economy – thus the term 'emerging markets' – whereby peripheral economies could access capital flows from abroad in the context of liberalised home capital markets and would become increasingly important importers and exporters of goods and services. Particular focus was placed on the larger of these emerging markets, the so-called Ten Big, the BRIC's, and N11's, as potential linchpins of the world economy and powerful stakeholders of the international order (Garten, 1996; O'Neil et al., 2003; O'Neil et al., 2004).

Subsequently, emphasis was given to a particular element of these emerging economies, both as indicative of their rise to prominence and worthy of attention on its own right: namely their cohort of internationalising corporations which not only defend their home turf but also present a competitive threat to well-established, western multinationals. Concepts invented and popularised by market actors and commentators, such as the New Challengers (Aguiar, et al., 2006), the Emerging Market Century (Van Agtmael, 2007), Reverse Colonisation (Fortune, 2007), are all anchored in the theme that such corporate performance signals a rebalancing of the established world economic order.

In this regard, corporate internationalisation has been informed, by those same nation-states of the periphery, the corporations of which now undertake it themselves, by their historically subordinate status in the international order. This status manifested itself through their often unwilling acceptance of free trade, their military inferiority leading either to their hard or soft colonisation and their 'great divergence' in income and productivity terms, from the developed West. The concept of periphery, employed henceforth, was established on the basis of this reality which held dominant from the late 18th century to the early 20th century (Findlay and O'Rourke, 2007, p.366).

Indeed, hard power and multinational activity were initially coterminous, beginning with the Dutch VOC and continuing with the East Indian Company, both establishing by the force of arms profitable monopsonies and monopolies in Asia. Subsequently, capitulatory regimes, imposed after military defeat, pried open the markets of China and of the Ottoman Empire, while India was de-industrialised as a colony of the British Empire, its artisanal textile manufacturing decimated by exports from Lancashire's textile mills (Findlay and O'Rourke, 2007, p.400). Following the reintegration of the world economy after the end of WW II, this time around the empire and the emporium were conflated in the persona of the United States (De Grazia, 2006). Patterns of consumption and collective aspirations were mediated through US branded goods and marketing structures. Consequently, whether in a causal or correlative manner, those peripheral nations and/or their nation-states, have always seen international commerce and investment through the lenses of the prevailing international order and hierarchy. They have also filtered their understanding of their international position through prevailing patterns of international trade and investment: their status as objects not as subjects of history determined by the nature of their subordinate economic specialisation (Findlay and O'Rourke, 2007, p.388).

So we have a widespread phenomenon of corporate internationalisation by peripheral nation-states; this phenomenon is perceived as heralding a new world order, and widely advertised as such, within and outside these peripheral nation-states; nation-states which, furthermore, have historically experienced corporate internationalisation as coterminous with their subordinate status – political and economic - in the international system. The issue that arises then is whether corporate internationalisation in peripheral nation-states cannot but have a substantial impact in the way these states perceive and comport themselves in the international system and in particular in their relationships with their main strategic rivals.

2.Research Question & Hypothesis and the concept of the Strategic Rivalry

Our Research Question then becomes the following:

How does corporate internationalisation, undertaken from the economies of nation-states at the European and global periphery, ameliorate their long-standing strategic rivalries? The case of the Greek strategic rivalry with Turkey.

Our resulting Hypothesis will posit that:

For a state in the semi-periphery, the large-scale acquisition by a domestic firm of a foreign enterprise, reconfigures conceptions of economic nationalism. This is especially the case where the enterprise acquired is located in a state with which there is a long-term and significant foreign policy rivalry. The interests and strategies of key domestic socioeconomic actors are reconfigured within the new nationalism, with incentives to support and sustain such corporate internationalization.

In the formulation of the thesis's research question we seek to identify this sub-category of peripheral nation-states which do not only feature substantial corporate internationalisation but also well-entrenched, friction-laden relationships with other nation-states: nation-states that have strategic rivals.

Strategic rivalries are defined as "relationships in which decision-makers have singled out other states as distinctive competitors and enemies posing some actual or potential military threat...[Strategic] Rivalry requires the combination of competition and the perception of threat from an enemy"[1]. Such rivalries are historically informed, often by the manner in which particular nation-states have been brought into being, and by the very conflicts which they have generated, as the latter shape self-fulfilling expectations. They involve seemingly irreconcilable goals between nation-states which originate in territorial, positional and ideological contests. Due to their long duration, strategic rivalries also generate powerful domestic constituencies vested in their continuation and become an integral part of the relevant national identities.

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[1] Colaresi, M.P. Rasler, K. & Thompson W.R., 2007. *Strategic Rivalries in World Politics*. Cambridge: Cambridge University Press, p.3

We deem it desirable to examine the impact of corporate internationalisation through the prism of strategic rivalries for three main reasons.

First, if indeed internationalising corporations can have an impact on those hard cases which exhibit the most enduring and intractably conflictive relationships, then our research acquires wider relevance: it is of consequence to the large category of peripheral nation-states, and of their process of integration in the international system, whether their interstate relations also feature strategic rivalries or not.

Second, such conflictive, interstate relationships offer researchable opportunities in which to evaluate the impact of internationalising corporations onto the domain of interstate relations of peripheral nation-states.

Third, by examining the impact of corporate internationalisation on peripheral nation-states through the prism of strategic rivalries we also give to the thesis its paradox: that it is a new variant of nationalism, this time grounded in corporate internationalisation, that can actually be effective in combating this most well-recognised variant of nationalism: irreconcilable, implacable enmity to the historical 'other', namely the strategic rival.

By selecting such hard cases we also connect our investigation with that strand of the scholarly debate that hypothesizes that the benefits of economic interdependence can overcome the imperatives of international conflict, particularly so in peripheral countries that have been bedevilled by sustained interstate conflict or friction. Starting with early modernisation theory on foreign policy (Morse, 1970) and moving on to the debate on economic interdependence versus international conflict (Rosecrance, 1986, 1996; Solingen, 1998; Brooks, 1999) it has been presumed that the rising benefits of economic exchange, combined with the declining benefits of territorial conquest, will make themselves felt, marginalising a more traditional 'high politics' focus' of such peripheral nation-states; states grounded in national 'myths' and identities and outdated notions of the value of territory for national power, development and prestige.

It will be argued that indeed the material benefits accruing through economic interdependence, seen through corporate internationalisation, do have their assumed impact on foreign policy conduct, even in these hard cases, namely peripheral nation-states involved in strategic rivalries;

not least, however, through the very capacity of corporate internationalisation to appropriate and be conflated with the national project. In that respect the thesis's aim is not falsifying existing theory, on economic interdependence and international conflict, but rather, due to its negative case characteristics – grounded in the additional, previously unaccounted for, variable of a reconfigured economic nationalism - it is to expand it (Emich, 1997, p. 654).

This focus of the single case characteristics of our own case study under examination is justified by the widespread but still novel and under-explored phenomenon that corporate internationalization from the periphery has become. As Emich notes, the focus on the single case is justified by the ever present need to develop theoretical content (1997, p. 657). This need becomes most pressing, we would argue, when a novel phenomenon emerges. While in due course it must surely be subjected at comparative study of ever wider range – indeed as wide as it is its occurrence – it does make sense to commence with the single case focus that can generate the perspectives and nuances that can then be applied to the totality of the group that the single case belongs.

Moving to the issue of generalised applicability, our single case has the added benefit of materializing over a discreet time frame which it shares with the wider group of cases which it belongs too, namely internationalizing corporations from the periphery. Thus we can address the requirement that a case study is "an independent study of a single unit for the purpose of understanding a larger class of (similar) units"[2]. The thesis in that regard will not only establish the particular time frame under which its case study becomes actualized but will also make extensive reference to the theoretical perspectives, and actual processes, that it shares with the larger class of cases to which it belongs. These features of the thesis will incorporate the transformed relationship between internationalizing corporations and domestic and international stakeholders, including states, publics, employees and other domestic and international stakeholders. In other words, while the novel subject of the impact of internationalizing corporations from the periphery on strategic rivalries is the subject of the thesis, the nature of

[2] Gerring, J., 2004. What is a Case Study and What Is It Good for?. *American Political Science Review*, 98(2), p.342

ours single case selected is such that it allows for concrete theoretical and other linkages to be established, such that it can facilitate further research on a wider sample of similar cases.

Indicatively, our case study, National Bank of Greece (NBG) has been found, in a period which is almost coterminous with that of our study, from 1997 to 2007, to be a high performing corporation, one of 200 word-wide, selected from a wider group of 2,000 leading corporations, both from core and peripheral markets (Hansen, M.T., Ibarra, H., Peyer, U., 2010, p.109). The criteria according to which NBG has thus been selected by this study, industry-adjusted shareholder returns, country-adjusted shareholder returns and change in market capitalization, are also relevant to the wider processes which will examine below, both normative and material, which bear upon a reconfigured conception of economic nationalism. NBG, in other words, and as we will seek to further establish, is an emblematic, rather than a sui generis case of a corporation from the periphery in the period under examination, in the way it has interacted with its domestic and international envirponment.

3.Methodology

In terms of the research methodology employed in the testing of this hypothesis what will be utilised is a combination of (i) establishing that altered state-society links, under corporate internationalisation, can produce an alternative understanding of the place and mission of the nation in the international domain (ii) implementing a process tracing approach which will illuminate the hypothesized effect of this understanding – our independent variable - in a discrete, identifiable event involving Greece and its strategic rival, Turkey; an event which has challenged key elements of its strategic rivalry – our dependent variable - namely the acquisition by National Bank of Greece, Greece's leading commercial bank, of Finansbank, Turkey's fourth largest, privately-owned bank.

The emphasis on state-society links is necessitated by our choice to examine internationalising corporations. The assumption that socio-economic actors can affect the priorities and conduct of this nominal preserve of state action, the relationship with a strategic rival, requires specificity on state-society relations.

In that respect we will apply the perspective of scholars such as Hill (2003, pp.107-8), who, in addressing how certain issues in foreign policy are organised 'in' or 'out' of the realm of plausible action, refers to underlying political and social structures which have a decisive impact. On this basis he criticises theories of bureaucratic autonomy, which assume that administrative elites can remain impervious to evolving collective understandings. He reinforces this view by making the point that informal networks in government and the state can make an elite cohere around a perspective which, for example, can supersede, if it will not eliminate, the established view of a ministry of defense or of foreign affairs.

The pertinence of this discussion will be evaluated in our examination of how the Greek Ministries of Finance and Foreign Affairs have responded to the increasing saliency of the corporate internationalization process in Greece. Both policy action and the strategies of the politicians in charge of these ministries will be taken into account in order to arrive at a considered judgment on the nature of the alignment of the Greek political and policy making apparatus with corporate internationalization.

Additionally, we will strive in our examination of Greece's strategic rivalry with Turkey, to answer Simmons' call, to the effect that "Studies of interdependence cry out for an explicit consideration of the links that bind a state to its society"[3]. For Simmons, absent such links "What do societal preferences and activities in the commercial area ultimately have to do with the way the state formulates and pursues its foreign policy objectives?"[4] In this respect we will need to be able to identify particular state-society links, their capacity to act as transmission mechanisms of influence and the unique normative weight that gives heft to their influence.

Tian (2006), in his analysis of the politics of interdependence between Taiwan and China, focuses on how distinct business, state and labour coalitions in Taiwan compete against each other, in order to establish their policy preference, with regard to how the Taiwanese state should treat Taiwanese FDI in the Chinese mainland. That level of specificity will be necessary for our investigation. In particular in Greece we will assess how the internationalization imperative for state owned enterprises and state controlled banks (SOE's and SCB's) aligned their trade unions with the Greek social democratic party, PASOK, under the 'national champion' norm. In our

[3] Simmons, B. 2006. Pax Mercatoria and the Theory of the State. In E.D. Mansfield & B.M. Pollins eds. *Economic Interdependence and International Conflict*, Ann Arbor: The University of Michigan Press, p.32

[4] Ibid, p.32

case study we will be evaluating the assumed as **singular capacity of corporate internationalisation to transmute socioeconomic actors as effective agents of a particular variant of economic nationalism**; a variant capable of having a significant impact on the strategic rivalries of their nation-states.

We will thus trace the evolution of such socioeconomic groups and actors, before and under corporate internationalization, and assess their influence – or previous absence – on Greece's strategic rivalry with Turkey. We will examine their strategies and motives, under corporate internationalization, in aligning themselves with a reconfigured national project as well as their capabilities in making a distinctive contribution to such a project. These capabilities will be evaluated both in terms of corporate internationalization proper – e.g. the regional preeminence of the Greek SOE's and SCB's in the Balkans, – and of their unique linkages and influence to the political process itself – e.g. the integral connections of banking trade unions with PASOK. We will also assess **whether and if so how the distinctive nationalisms of ruling parties, such as PASOK and ND in Greece, coalesced with corporate internationalization undertaken by SOE's and SCB's.**

The causal sequence that will be examined – the 'how' of our research question – will unfold as follows:

(i) Locate the material and normative resources that corporate internationalization confers to our selected socioeconomic groups and political actors. We will seek to establish the importance of the internationalizing process in our country case in terms of FDI volumes and regional leadership in the relevant business sectors. We will also relate these material facts to the dominant paradigm of globalization and their twin adoption by ruling parties and policy makers, as these might be evident in their policy making and their projection of the role of the Greek nation-state internationally.

(ii) Assess how ruling parties and political decision-makers incorporate these resources in their own strategizing and their domestic political positioning. We will examine how ruling parties in Greece integrate corporate internationalization programmatically, by integrating it to their evolving conception of nationalism and the common good, in the context of domestic political contestation. Indicatively, for both PASOK and ND, their take on corporate internationalization has been a defining feature of their electoral campaigns and their positioning vis a vis rival political parties.

(iii) Evaluate, through the examination of our selected incident, the impact of this incorporation on the status of the strategic rivalry in question. Here we will engage in a process tracing approach, buttressed by interviews with key decision makers, in the incident that we believe can provide an adequate test of our hypothesis on corporate internationalisation's ameliorating influence on Greece's strategic rivalry with Turkey: the acquisition of the Turkish Finansbank by National Bank of Greece. Particular focus will be placed on the capacity of corporate internationalization to create specific foreign policy opportunities and neutralise foreign policy threats.

The Greek Case

1.Why Choose Greece?

We have chosen the case of Greece as we believe it satisfies our single case requirements both on strategic rivalry and corporate internationalisation-from-the-periphery grounds.

Greece's strategic rivalry with Turkey is considered to be archetypical (see Colaresi, Rasler and Thompson, 2007, pp.6-9; Blum, 2007, pp.53-58). Greece's rivalry with Turkey originates in the manner of its creation and evolution as a nation-state, making Greece an exemplar of those countries for which their "sovereignty came with rivalry strings attached"[5].

Greek nation-building evolved in opposition to the Ottoman Empire, the successor state of which is Turkey, through a succession of wars from the early 19th century to the early 20th. Greece's present territorial disputes, with Turkey, originate in the manner of its foundation and the perceptions which have been shaped henceforth: most prominently in the disputes surrounding Cyprus & Aegean. Wars and/or recurrent militarised incidents, between Greece and Turkey, have sustained and informed their ongoing rivalry, Greece's primary disputes with Turkey have remained unresolved and the focus of Greece's foreign policy and security establishments has

[5] Colaresi, M.P. Rasler, K. & Thompson W.R., 2007. *Strategic Rivalries in World Politics*. Cambridge: Cambridge University Press, pp.83-4.

unceasingly been maintained on Turkey. Furthermore, Greece's overall relationship with the international system has also been shaped by its strategic rivalry. Greek policy elites and its public have determined in the past that Turkey has been preferentially treated by the United States for geostrategic reasons; as a result of which generalised mistrust towards the Western international order *in toto* has been engendered in Greece's political culture (Couloumbis, 1993; Coufoudakis, 1993; Iatrides, 1993).

Greece by expending scarce diplomatic and other resources, and shaping its relationships with great powers and international alliances, almost to the exclusion of any other priorities, through the prism of its antagonism with Turkey, has suffered marginalisation in the international system. For the Greek public and Greek policy makers such a costly commitment to confronting Turkey has been well justified as Turkey is seen, through its national security and foreign policy, as determined and capable of compromising the major national goal of sovereignty and the integrity of Hellenism: for instance the undisputed command over Greece's air space and territorial waters; enjoyment of natural resources that might lie in Greece's continental self; the denial of the reunification of Cyprus, which would enable the repatriation of the Greek-Cypriot refugees, and their families, to their lands from which they were alienated from, due to the Turkish invasion of the island in 1974 (Dokos and Tsakonas, 2005, pp.100-101).

Domestically, for Greece, its ability to defend itself against the much larger Turkey, the successor state of the Ottoman Empire to which Greeks were subjects for four centuries, has been a proxy indicator for the capacity of this small country to consolidate its sovereignty; as such it has animated an inward looking, defensive orientation, which has undermined its integration within the EU and its ability to converge with more successful member-states (Pagoulatos, 2004).

In short, for Greece its strategic rivalry with Turkey has been constitutive, to an extreme degree, both of its identity in the international domain and of its domestic collective self-understanding.

As importantly, Greece shares, with other peripheral states, processes of corporate internationalisation, which are, in domestic terms, of comparable visibility and perceived importance in the time frame under consideration. Greece's corporate internationalisation has led to Greece becoming one of the leading investors in its surrounding region of South East Europe.

It has thus grounded Greek claims to being an increasingly sequential as well as forward looking, benign regional actor.

In terms of the compatibility of our Greek case with the time frame chosen, its corporate internationalisations exemplifies the wider phenomenon of corporate internationalisation, undertaken from previously peripheral nation-states, under globalisation. In Greece we observe (i) the opening up of regional markets due to the collapse of communism in Central and Eastern Europe (ii) the accessing of global capital flows to finance Greek corporate internationalisation in South Eastern Europe (iii) the ideological retreat within Greece of 'tiers mondiste' political approaches following the disintegration of the Soviet Union and the increasing legitimacy of the market and market actors.

In particular, it will be examined whether a 'strong' and 'extrovert' Greece, the redefined understanding within which ruling parties in Greece have framed their strategies, has recast Greece's relationship with its strategic rival, Turkey. Strong in relation to what? Extrovert to where and to what purpose? Answers to such questions should be answers to our hypothesis. To be, for the shake of example, more specific: is an 'extrovert' Greece one that looks at the seventy million consumers in Turkey rather than, or at a minimum, not only at, the largest armed force in the region, which Turkey's population makes possible? Does such a concept enable Greek FDI in Turkey, helping to overcome the severe political contestation that such FDI creates (due, of course, to Turkey's status as Greece's strategic rival). As it has been written of the battle for free trade in early 20th century Britain "The inquiry, then, must look beyond material interests to the collective meanings...that helped translate individual interests into a broader conception of political economy"[6].

Appropriately for our case study, which is well-established within the strategic rivalry paradigm, it provides a substantial evidentiary record, within our timeframe under consideration, from which answers to the above questions can be sought. In Greece, in 2006, the Greek state acceded to the acquisition by the country's largest financial institution, National Bank of Greece, of the

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[6] Trentmann, F., 1998. Political Culture and political economy: interest, ideology and free trade. *Review of International Political Economy,* 5(2), p.223.

fourth largest Turkish bank, Finansbank. Prior to the acquisition the Greek financial sector had acquired a leading position in South East Europe, consolidating claims of the country's regional commercial prominence. This event will be evaluated in order to test the thesis's hypothesis on the impact of corporate internationalisation on strategic rivalries.

2. Accounting for Greece's Strategic Rivalry with Turkey

While in the following section we will present New Economic Nationalism and the alternative, competing explanations to it, in terms of corporate internationalisation's purported impact on Greece's strategic rivalry with Turkey, the discussion which is unique to this strategic rivalry must also be taken into account. In this subsection, we will briefly review the debate on the rivalry, focusing mainly on interpretations, centred on Greece, which analyse what drives the rivalry between the countries.

Not surprisingly, for a strategic rivalry of such duration and intensity, there are diverse, conflicting as well as overlapping, accounts of its origins and dynamics.

According to several accounts, Greek national identity, forged through revolution, war and uprooting, and substantiated through competitive domestic politics, has shaped present-day Greek antagonism towards Turkey. The imperatives of seeking support for the national struggle against the Ottoman Empire, together with Europe's identification with the 'glory that was Greece', led Greek nation-builders to denigrate the backwardness of the Ottoman Empire and posit a claim for a modern nation-state of their own (Ozkirimli and Sofos, 2008, p.23). Furthermore the traumatic exchange of populations of 1922, between Greece and Turkey, has been transmuted as collective enmity towards Turkey, by the Greek state and domestic groups within it, in order to achieve mobilisation for state and/or group ends, within an almost, since 1922, mono-ethnic Greek nation-state. Consequently, a historical narrative driven by the twin chariots of separateness from the Turkish people and demonization of Turkey has achieved prominence, within Greece, erasing from the Greek collective memory centuries-long coexistence and interdependence. Once this narrative became dominant, it also erased from collective memory, and public debate, the highly contingent nature of Greek nation-state building, and the outcomes of such contingency, articulated through the alternatives of various forms of co-existence that Greek nationalists themselves had entertained, other than a homogeneous state of their own (e.g. a Balkan commonwealth, a redefined Ottoman Empire ruled by both Turks and Greeks etc), not least so that these more capacious alternatives could accommodate the geographically spread Greek Diaspora, (Veremis, 1989, pp.143-144; Hirschon, 2009; Ozkirimli and Sofos, 2008, pp.18-19). In a vicious circle this antagonistic outlook has helped induce inter-state conflict while inter-state conflict has renewed prejudice and enmity between the two countries (Skouroliakou, 2005, pp. 10-11; Hirschon, 2009).

It is important, for our purposes, to note the economic subtext of this violent separation. The exchange of populations of 1922, subsequent to the conclusion of the Greek-Turkish war of 1918-1922, resulted in the pauperization of millions of Greeks residing in Asia Minor, who were alienated from their real estate, commercial and agricultural assets. This experience of the destruction of Greek wealth was, albeit on a smaller scale, enacted in slower motion from the early 1940's to the mid 1960's, due to the discriminatory treatment, ranging from pogroms to punitive tax measures, meted out by the Turkish authorities and the Turkish people, to the surviving Istanbul Greek minority. The common thread linking these events was the determination of the Turkish authorities to eliminate any residual influence of the Greek element in Turkish economic life (Alexandris, 1992, p.219). Aftershocks of this attitude included the expropriation, by the Turkish state, well into the 1980' and 1990's, of real estate assets belonging to the charitable organizations of the dwindling Istanbul Greek minority of 2,000-3,000 people. So the prevalence of this interpretation of the past, that posited that peaceful co-existence between the two peoples was untenable, was also informed by this seemingly definitive foreclosure of the possibility that Greeks will ever again be allowed to play an economic role within Turkey's borders.

Other authors have sought, within this grand narrative of implacable enmity, to identify pressure groups and political party strategies and dynamics as they bear on particular instances of Greek foreign policy conduct.

The Greek Church, Church affiliated organisations, professional associations and associations of Greek refugees, almost immediately after the end of World War II, adopted Cyprus's cause in order to increase their leverage with the Greek state and raise their societal prominence (Stefanidis, 2007, pp.55-76). Ambitious up-and-coming politicians also engaged in oneupmanship, on the Cyprus issue, and its corollary anti-Americanism, in order to outflank their senior competitors, as in the case of the future Greek prime minister Konstantinos Mitsotakis who thus outflanked his senior and patron Sophocles Venizelos (Stefanidis, 2007, pp.205-6). The Greek left grabbed the mantle of nationalism from the rightist authoritarian, pro-American regime, for the first time since its defeat in the civil war of 1945-49, by arguing that the latter is giving up on the national cause of Cyprus in order to accommodate its foreign patrons (Stefanifidis, 2007, pp.91-93). Stefanidis (2007, pp.278-79) has argued that the appropriation in the 1950's and 1960's, of Greece's irredentist tradition, by these diverse groups and political personalities spanning the political divide, limited the Greek government's room of manoeuvre in negotiating a viable solution to the Cyprus crisis.

Another author (Mitsotakis, 2006) has engaged in a forensic analysis of the Greek socialist party's, PASOK, domestic political strategy and its negotiations, from 1981 to 1983, with the US on the retention or not, and under what conditions, of US military bases on Greek territory. With Cyprus establishing a politically unbreakable chain of causation between national defeat by the arch enemy, Turkey, and US involvement in Greek affairs, PASOK utilised the threat of kicking out the US bases to outflank its ND opponent both as opposition and subsequently as government. While discontinuing the presence of the bases was never really an option – Greece's dependence on US military aid was too great – the threat of doing so and the protracted negotiations under this, in retrospect, false pretence, was instrumentalised by PASOK. This domestic imperative, for Mitsotakis (2006, pp. 184-5), shaped the Greek government's negotiating tactics, which could not pursue quid pro quos, in compensation for the bases retention, as that would have given away, by relativising, the exercise's foundational premise: the presumed as absolute, non-negotiable quest for national independence.

Several scholars (Ioakimidis, 1999; Dokos and Tsakonas, 2005; Blavoukos, 2007) have also emphasized how lack of institutionalisation in the Greek Ministry of Foreign Affairs, certainly throughout the post World War II period, has undermined the conduct of foreign policy making by making it either idiosyncratic and personalistic and / or beholden to public opinion. On the basis of this analysis the lack of depth of technical and planning expertise in the Ministry is a contributing factor to making foreign policy conduct subject to emotionalism and to the perpetuation of policy stances informed by a nationalistically grounded as much as widely held sense of national 'rights'. This under-institutionalisation has undermined the pursuit of pragmatic solutions, that could be achieved through bargaining and compromise, and which could very well accommodate Greek interests, particularly those relating to Turkey.

Authors have also addressed the impact of low politics and in particular economic interdependence, on the Greek Turkish relationship, whether through bilateral agreements that have a bearing on such interdependence, or through trade and investment activities proper. In doing so they would point to (i) the decision by foreign policy makers, starting with the decision of Ministers of Foreign Affairs Papandreou and Cem reached in 1999 , to reach agreement on low politics issues as a means to an end, whereby such initiatives would ease the way towards agreement on the high politics disagreements that structure and mediate the Greek Turkish rivalry (Dokos, 2004, p.124; Aybet, 2009) (ii) cross-border initiatives by NGO's and professional and business associations and municipalities, encouraged by the same policy makers, as an adjunct to the same effort to improve the overall climate and strengthen societal support in both countries towards an attenuation of the strategic rivalry (iii) the possibility that, in due course, the level of commercial exchange, between the two countries would acquire such magnitude that would generate prohibitive costs, on either or both countries, were they to engage in military conflict (Keridis, 2001, p.17; Heraclidis, 2004, p.80).

It is important to note that these authors, whereas they might disagree on the effects of low politics on the strategic rivalry (Aydin, 2004, pp. 24-25; Kerr-Lindsay, 2007, p.103), they still predominantly see low politics and economic interdependence as a means to an end and not an end in and by itself: both in terms of how and why policymakers have made use of low politics initiatives, albeit with willing social actors and allies, and in the normative sense, of how these aspects of the bilateral relationship should be seen, in terms of Greek national interest (Ifantis, 2004, pp. 260-261; Ker-Lindsay, 2007, pp.50-53). Thus social actors, as bearers and advocates of economic interdependence, have not been seen as having an independent effect, or constituting a goal in their own right, in relation to Greek foreign policy conduct with Turkey.

Other authors have posited the existence of rising, and even hegemonic social forces vested in a rapprochement with Turkey. Keridis (2001, pp.8-9), has identified the rivalry with Turkey as the demarcation line dividing Greece's two main and opposing socioeconomic elements, and crossing party lines, the first seeing, in a closer and more effective relationship with the EU, and more open and competitive markets, an opportunity rather than a threat and the second occupying the opposite ground. The strategic rivalry with Turkey, for the latter group, legitimates a suspicious attitude towards Greece's international interlocutors, historically perceived as having benefited Turkey to the disadvantage of Greece, as well as a statist economy that provides succour and protection from competitive market forces. ND's and PASOK's smaller party spinoffs, namely the now defunct Political Spring and DIKKI respectively, which have been constituted along these bases, bear evidence to this bifurcation. Unlike the previous authors, however there has not been an effort undertaken to trace the causal chain under which these socioeconomic groups, and their strategic interests, whether domestic or international, have actually brought to bear their impact on the strategic rivalry with Turkey.

Alternatively Greek foreign policy analysts and policy makers have posited that Turkey's greater size and stronger armed forces, together with its regime characteristics, namely its politically influential armed forces, propel this country to a revisionist stance vis a vis Greece and its sovereignty. According to these accounts (see Dokos and Tsakonas, 2005, pp. 100-101 and Triantafyllou, 2001, pp.57-58, for a précis of that outlook inhering among segments of the Greek public and policy makers) Turkey's long standing objective is to 'Finlandise' Greece whereby a cowed Greece would accept to dilute its sovereign rights to the benefit of Turkey's geopolitical ambitions.

On the basis of this assumption, of revisionist Turkish intentions and capabilities, opinions differ on how Greece should confront Turkey. On the softer end of the spectrum, the argument is that Greece should utilise Turkey's European ambitions, which would compel Turkey to contain its ambitions, and moderate its behaviour towards Greece, due to EU-imposed conditionality. At the harder end, what is advocated is an implacable stance of vigilance, of adequately equipped and trained armed forces and the shunning of any policy choices – Turkey's EU accession included – which by strengthening Turkey would actually make her an even more formidable an opponent to Greece (see Ifantis, 2004, p.262, for a précis of this point of view).The benign effects of the accession process being discounted in view of the essentialist conviction of the incorrigible character of the Turkish regime and its geopolitical ambitions. Crucially this latter constituency of policy makers and analysts see with a jaundiced eye any sort of interdependencies that might make Greece subject to Turkish blackmail, as in the case of the Ecumenical Patriarchate and the now tiny Greek minority, while also dismissing the possibility that inter-cultural dialogue, commerce and even popular sentiment, as evinced after the two earthquakes which hit first Istanbul and then Athens in 1999, might effect a rapprochement between the two countries. At best, they view these elements as irrelevant to the rivalry with Turkey at worst as factors that might legitimise a lowering of Greece's guard or an attitude of appeasement towards Turkey which would pose an existential threat to Greece.

More moderate analysts argue that the two countries bilateral relations are simply captive to a classic security dilemma (Aydin and Ifantis, 2004, p.3). Turkey's quest for security, due to its greater size and the multiple security threats that it faces across all the regions with which it shares borders, are bound to induce Greek insecurity, and thus engender a friction-laden relationship. In the context of an anarchic international order, that leaves Greece with no other option but to hope for the best but also prepare for the worst by maintaining its military preparedness – not least because the relationship with the US, which considers Turkey a pivotal state in the region, will ultimately be proven to be much more of a mainstay than Turkey's accession process in the EU (Ifantis, 2004, p.256).

Last but not least, most authors who look at the strategic rivalry from a regional perspective, which is to say the interaction between Greek foreign policy, developments in the Balkan region, and perceptions of Turkish intentions in the region, agree that whereas Turkey might affect how Greece relates to the Balkans, the reverse is mostly not the case. Post-1974, after the collapse of the Greek junta, the first centre-right democratically elected party to rule Greece, initiated a policy of improving Balkan relations in an attempt to counterbalance what it saw as Turkish aggression (Larrabbee, 1999, p.315). This policy was also pursued by the succeeding PASOK party as it chimed with its ideological antecedents, in the pro-junta period, when the Greek left argued vociferously in favour of a neutralist, and friendly to the Soviet Union and other communist countries, Greek foreign policy, portraying membership in a NATO alliance as inimical to Greek interests and supportive of Turkey (Larrabbee, 1999, p.315; Stefanidis, 2007, p.230).

Subsequently in the 1990's, the collapse of the Eastern Bloc and instability in Yugoslavia encouraged a more capacious Turkish foreign policy, branded as neo-Ottomanist, particularly as it related to Turkish attempts to exert influence in Central Asia but also to provide succour to Muslim populations in the Balkans. A number of authors have pointed out that this further exacerbated Greek insecurities, which were encapsulated in the so-called Muslim Arc thesis, whereby Turkey would sponsor emergent states and ethnic communities with secessionist or at least hostile intent towards Greece, contributing to Greece's alignment with the repressive Milosevic regime as well as to the country's intransigence with regard to the Republic of Macedonia (Ioakimidis, 1999, p.172; Gundogdou, 2001, p.3; Anastasakis, 2004, p.53; Houliaras and Tsardanidis, 2006, pp. 468-472; Larrabbee, 1999, p.333). In due course these fears were attenuated and Greece and Turkey came to participate in joint NATO stabilisation operations in Kosovo. Still, in the considered judgment of two of these authors, Greece's rivalry with Turkey is so all-encompassing that whereas it has proved the ability to colour Greek attitudes and responses to the Balkans the reverse cannot be the case, i.e., events in the Balkans cannot have a significant impact on the nature and dynamics of the Greek-Turkish bilateral relation (Larrabbee, 1999, pp. 332-333; Anastasakis, 2004, p.58).

New Economic Nationalism and Alternative Explanations

We now move from the discussion which is specific to Greece to the wider perspectives relevant to the thesis. We believe that the main school of thought within which we must seek confirmation of the thesis's hypothesis is the one that has examined the integration of a variety of nation-states, including those in the periphery, in the present liberal, global economic order, through a reconfigured nationalism. This school of thought is New Economic Nationalism (NEN). We will subject our application of NEN to our research question and hypothesis to three alternative explanations, corresponding to the Liberal Institutionalist, Realist and Europenisation theoretical understandings.

1.NEN

The key point that the scholars of NEN make is that focusing on nationalism and national identity is analytically indispensable to grasping collective choices at the economic level and vice versa: not only is it in nationalism and national identity that collective economic preferences are formed, and become sustainable, but it is also in economic experience that national identities can be formed. Consequently, legitimacy, notions of social equity and national purpose, are all uniquely tied up with specific societies and nations and as such are inseparably connected with the nature of their economic life. It is on this basis that it is argued (Pickel, 2003, pp. 122-123) that economic nationalism cannot be identified with a particular economic doctrine such as statism or mercantilism, or indeed market liberalism, as it is an outcome of contexts which pertain to unique historical, political and cultural circumstances of the nation-states and their societies that produce them.

Scholars of NEN, as we will examine more thoroughly subsequently, take this insight to make a variety of claims such as that perceived security needs, tied to a national identity forged by historical experience (e.g. colonisation or subordination by a foreign power), can orient strategic economic choices and alignments in a particular direction (Abdelal, 2001, pp. 38-39, 42); that relational comparison through the lenses of economic processes such as industrialisation and rates of economic growth can help define the nation vis a vis other nations and the international order (Crane, 1999, p.217); that distinction in a particular service or industrial sector can legitimise national engagement with the international economic order by privileging a particular quality that the nation is assumed to possess (Fougner, 2006, pp. 197-198); and that, crucially, nationalism is composed of several goals which might well conflict with each other (Shulman, 2000, pp. 373-374) such as (i) autonomy, which can be averse to economic interdependence, with other nation-states and the international order at large, and (ii) wealth and status, which may only be procured through such interdependence. A systematic exploration, however, of how evolving variants of economic nationalism can affect strategic rivalries has not been conducted *for our group of states, undergoing corporate internationalisation, at this particular juncture*, to the best of the author's knowledge.

By implementing the perspectives of scholars of NEN we seek to address the following subsidiary questions to our main research question:

- No matter how market liberalisation, and its subsidiary process of corporate internationalisation is effected, and by whom, will it involve a substantial redefinition or at least the reworking of national purpose and identity?
- Will, within any nation-state that undergoes a significant transition in the organisation of its economic life, and of its corporate life in particular, the central battleground ultimately be the definition of national purpose and of national identity?
- Will the outcome of this transition be both contingent and analytically graspable through the contestation of national purpose and national identity?
- Does that mean that that we must help locate the corporate internationalisation process within this battleground, for national purpose and identity, and evaluate its impact on the outcome?

As these questions that originate from NEN perspectives are not applied in a vacuum, from our perspective, but rather to the process of corporate internationalisation, we will assess the possibility of whether collective understandings about the national identity and the national project (i) must inhere or become adopted by institutions and organisations if they are to acquire voice and suasion in the public domain and that (ii) such ideas must bear correspondence with the operational reality and material existence of these organisations and institutions – in our case internationalising corporations.

Specifically to our country case we will subject to scrutiny the interaction between corporate internationalisation and the characteristics of the Greek nation and its nationalism. Has the regional primacy of the Greek financial sector had a bearing that is inextricably tied to the Greek past and thus to a politically plausible and resonant future? has such a bearing been mediated, through corporate internationalisation, by social and political actors – trade unions and political parties – which have also been decisive in anchoring and shaping particular ideas of the nation in the past, a capacity that they have retained?

Such questions will also be posed in relation to particular perspectives of the NEN debate to the effect that nations and societal orderings, their inequalities and diversity notwithstanding, can and do cohere around common, if contested and unstable, understandings of past experience and future prospects. They can do so, even when processes such as the one of corporate internationalisation that we hypothesize as having such a cohering effect, might not have a direct and positive material impact on the totality of a nation's constituent socioeconomic and other groupings (Crane, 1999; Abdelal, 2001).

2.Liberal Institutionalism

Milner (1988) has raised the bar, in terms of the capacity of corporations to aggregate their interests, through her examination of firms' trade preferences, in the US and France, during the 1920's and the 1970's. Specifically, she has found that such preferences are firm-, not sector-specific, as within sectors different firms exhibit widely diverging capabilities and incentives with relation to a protected versus a substantially open economy. Furthermore she presents evidence according to which only firms with a substantial degree of multinationality (i.e., operations in third countries) and/or sustainable export performance prove to be solid supporters of a non-protectionist trade regime.

What distinguishes the two periods that she is examining is not in the diversity of firms' incentives – both periods exhibit diverse and conflicting firm interests between and within sectors – but rather the greater number of larger firms, in the latter period, in the 1970's, in contrast to the 1920's, that exhibit sufficiently robust multinationality and export performance. Structural reasons, such as advances in technology and the fall in transport and communication costs, have made a greater number of firms reliant on third markets, whether due to growing backward and forward production linkages or growing demand for their exports. Structure, in other words, has expanded free trade incentives and these incentives have translated in a greater number of firms being pro-free trade. This in turn has tilted the balance for governments, making them more resistant to clamour, by other domestic firms and constituencies, to raise trade barriers either through tariffs and/or subsidy.

Subsequent accounts have impressed the importance of domestic institutions in how, and to what extent, firm preferences such as the ones Milner has explicated, are translated into policy (Keohane and Milner, 1996, pp. 21-22). Greater benefits conferred by internationalisation to firms and socioeconomic groups are not presumed to automatically be transformed into policies that facilitate their materialisation. Domestic institutions can obstruct the signals of an internationalised market and domestic coalitions, which stand to lose from internationalisation, can make sure that such institutions remain intact. In a feedback loop, lack of institutional change preserves the coalitions that are based on institutional immobility, as the benefits that would enlarge a pro-institutional change coalition do not materialise.

Still, pressures can make themselves felt even in the most cloistered of economies. As other economies internationalise, the opportunity costs of not doing so become more and more obvious, generating increasing internal pressure for institutional change (Frieden and Rogowski, 1996, p.32). Additionally, the costs of keeping an economy close, a policy of essentially supporting the non-tradables sector, gradually undercuts the ability of the state to support its core support groups, due to declining macroeconomic performance (Garett and Lange, 1996, p.70). A closed economy, in due course, cannot generate the resources needed to maintain in power even those who want to keep it closed.

At all times socioeconomic and political actors are assumed to be rational maximisers, although in the context of incentives shaped by domestic institutions and internationally available conditions, as in world or regional economic trends, which can either lessen or enlarge the benefits of internationalisation.

Assuming that all these observations hold, the question that is raised is what additional explanatory power can the thesis's account provide? From the perspective of this question, we can view strategic rivalries as they are managed by the relevant ministries and agencies, such as that of Foreign Affairs and Defence, and supported by protectionist-inclined socioeconomic groups, as processes tasked with the objective of delaying market openness though regional instability. By virtue of its powers of disruption and ability to destabilise a reformist government, a strategic rivalry is a powerful, ongoing process in the hands of supporters of a closed economy. Skilfully managed it can produce the obstacles needed which can block the transmission of incentives that the international economy is emitting. National security crises, originating in strategic rivalries, can close-off promising markets, disrupt capital flows which are instrumental to corporate internationalisation, and destabilise or even unseat governments that are committed to market openness and the reforms that the latter necessitate.

Still, a polity might very well have the institutional and socioeconomic wherewithal to benefit from internationalisation and set aside such obstacles. It should be able to so, if those who stand for internationalisation are strong enough and/or even the supporters of a closed economy can no longer be catered by a macro-economically underperforming state. If it takes an invocation of another version of nationalism to do so, then this might very well be the 'best nationalism that money can buy' – an artefact rendered politically dominant by powerful corporate interests as opposed to a dispensation which is genuinely optimal to national welfare and national interest. Kirshner (2007, pp.96-97) has shown how the Banque de France mobilised opposition in France (and bought it by bribing the press) in the interwar years against a military confrontation with Germany, due to the budgetary and monetary implications of such a national security policy. In our Greek country case too we will also observe the powerful core banking – investment preference, that Kirshner has identified, and its negative disposition towards conflict with Turkey (in a period of growing capital markets we might as well paraphrase his book title from 'Appeasing Bankers' to 'Appeasing Bankers and Stock Brokers').

We can assume, in other words, Milner's position, for the corporate cohorts that we examine, namely that market liberalisation and globalisation have so altered incentives that the latter have in turn affected a decisive a shift towards market openness – for instance, the collapse of the Eastern Bloc has undeniably accelerated the multinationality of large corporations in Greece. Furthermore, this shift, a Liberal Institutionalist account could argue, has been translated in the wider capacity to remove obstacles, including strategic rivalries managed by obstreperous foreign and national security ministries and agencies, and underwritten by powerful domestic groups hostile to a market friendly policy regime.

The question that ultimately arises for the thesis is what additional or distinctive explanatory power can it provide, that the Liberal Institutionalist account cannot (additional that is to providing merely greater specificity to the Liberal Institutionalist account). This question is addressed both to the nature of interest aggregation, by large listed corporations, and to the way in which their interests are brought to bear on the distinct domain of strategic rivalries.

3.Realism

The fundamental Realist assertion that bears on the thesis is of state autonomy on issues of foreign and national security policy. For Realists the state is the major actor in international affairs and the overwhelming purpose of its primacy is to guarantee its security and autonomy vis-a-vis other states. The state is also a positional actor not an individualistic one (Grieco,1993a, p.128), which means that it evaluates the gains and losses accruing by cooperation, with other states, not through the prism of absolute but of relative gains.

What is most important is not that cooperation procures gains for all parties involved in it, from a comparative advantage perspective, but rather that it does not produce greater gains to other states. Were that to happen, this would increase the relative power of other states and thus decrease the inherent ability of the positional, realist state to defend itself against a military threat or militarily-induced subordination and exaction. In all fairness this position is not absolute. Grieco (1993b, p.325) for instance introduces a number of criteria under which a state's tolerance to relative gains might increase (e.g. the need to counter a greater state threat, leading a state to accept the relative gains that would strengthen an ally, or whether the other state is an adversary or a fellow member of a security community).

The challenge that the thesis must meet in this case is not to dispute Grieco's qualifications, in terms of, say, why a state would tolerate relative gains from another state. Rather it is to establish that it has done so in the context of its interaction with other non-state, domestic actors and that its determination of the gravity of such relative gains has been a highly subjective exercise involving not only state deliberation but state-society interactions, as we have outlined them earlier in this chapter.

Gilpin's (2001) starting point is also state primacy and autonomy. What is most relevant in Gilpin (2001, p.106), for the thesis, is his keenness to challenge neoclassical and liberal economic thinking by incorporating strands of economic thought, such as new endogenous growth theory and new strategic trade theory, that make the following important claim: state action, as well as economic processes in general, can contribute to increasing returns and thus to the creation of disequilibria that would enhance the strength of a national economy relative to others.

The implications of this claim, for a Realist, are twofold: the state is not only willing, due to its ultimate concern with relative gains and security, to undertake action in the economic field towards such ends; it is also capable of producing the economic effects that would serve such ends (as opposed to producing rents for the sake of domestic interests to which it has fallen captive to, as Rational Choice Theorists would have it). Conversely, the state is obliged, in its international interactions, to take this capability of other states into account and pre-empt it, at least to the extent that it judges to produce inimical results to its relative strength, through its foreign economic policy (as in refusing the transfer of technology that would allow another state to kick start the development of high-technology, strategic sectors). By thus enlisting economic thinking, Gilpin renews the relevance of the Realist state in international economic interactions, particularly so at a period when such interactions have been increasingly assumed to become all important.

What the thesis needs to establish with regard to Gilpin is not so much the importance of relative gains, as such. Actually, we will hypothesize that one of the main reasons that internationalising corporations are so effective politically, and in the traditional preserve of the state, foreign and national security policy as they pertain to strategic rivalries, is because they represent nationally conceived relative gains through their performance: they do produce those scarce, on occasion zero-sum gains that Realism has rightly given emphasis to, such as power relative to neighbours, prestige regionally and internationally and so on. Rather it needs to make the case that Gilpin cannot have the relative gains that intense society-state interactions produce – in terms of strategic industry development, co-determined provision of factors such as education and skills, maintenance of headquarters and RD functions within the national territory – and then determine the implications of such gains for the country's international position in an autonomous fashion.

The last Realist thinker that we will examine is Nayar (2005) as he examines the peripheral, Realist state under globalisation, the category to which our country case belongs. Nayar judges market opening as not driven by socioeconomic actors but by state concerns. These concerns have been activated, under globalisation, by the decline in the state's relative position compared to other potential or actual antagonistic states that have opened up their economies to a greater degree. Importantly, from a corporate internationalisation perspective Goldstein (2007) supports

Nayar's argument, as he argues that the countries which liberalise their home economies first are also the ones that first acquire a cohort of internationalising corporations. For Nayar, increasing plenty under globalisation will still acquire increasing power, as antagonistic states will have the resources with which to promote their interests, provided to them by a growing and increasingly technologically advanced, because open, economy (he argues that, for India, China's economic liberalisation has had this salutary, Realist effect, see Nayar, 2005, pp. 235-236). As with Gilpin we must go beyond characterising an observed amelioration in strategic rivalries. Is it a Realist one? Or Liberal Institutionalist? Rather, accepting Nayar's Realist position for developing states, we must establish that the process of corporate internationalisation, even if initiated by the state, does set in process state-society interactions that make the claim that the state determines how to manage its strategic rivalries in an autonomous fashion an untenable one.

4.Europeanisation

Tonra (2001) in his examination of EU's smaller member-states, has argued that there is a tangible effect of EU membership, on their foreign policy conduct. In the past, when these states would assert principle in the international domain they were limited to essentially gesture politics, primarily in the context of their UN membership. Now they can forge a consensus with the other member states that can have a material impact on how their principles materialize.

Importantly both domestic and external constituencies demand that they do so. For example, the leader of the African National Congress, Nelson Mandela, wanted the EU to maintain its sanctions to South Africa, while Danish voters, on this same issue, likewise wanted to see their government use its power of EU membership to effect in the context of the EU's Common Foreign and Security Policy (CFSP). Consequently the Danish government would insist that the EU maintains a common front, in terms of its established sanctions policy on South Africa.

Alternatively, conflicting goals would be synthesized in favor of the institutionalization of EU's foreign policy conduct. As increased political cooperation emerged in the EC, and later in the EU, the government of Holland, as a small member-state, historically suspicious of large European countries such as Germany, would strive to ensure that it is adequately institutionalized and that it goes beyond its initial intergovernmental remit – despite its initial reservations that such an institutionalised EU foreign policy would undermine Europe's Atlanticist orientation.

Three of the main themes that emerge on the impact of Europeanisation on smaller member states' foreign policies are as follows:

1. Their inherent interest in a rules-based regime, which mitigates the smallness of their size, makes them, despite initial reservations, active participants in the domain of CFSP.
2. Their penchant to associate themselves with principles in the international arena, also a function of their size, draws them further into CFSP.
3. CFSP, partly because of 1 and 2, confronts them with contradictions inherent in the forces that drive their foreign policy conduct, while also causing the latter to evolve.

Size and influence feature as prominently in a case of a large member-country as in that of the smaller ones (Wong, 2006), further substantiating the claim that one of the main drivers of Europeanisation in foreign policy conduct is the very obvious benefits of exerting greater influence through the EU, rather than having marginal impact, through ones own exertions. France, according to this account, discovered that the EU is much more capable of shaping the structure of a trade and investment relationship that is beneficial to her, with such countries such Japan and China, than if it were to attempt this on her own. Wong makes an additional point relevant to our purposes. Crosspollination, with other member-states, alters France's relationship with Japan and even contributes to a shift in its political economy paradigm. As Britain and Holland abandon their earlier protectionist stance towards Japan and welcome Japanese FDI that puts a question mark on France's own preference to respond to Japan purely through protectionist measures.

Finally, the discussion of the impact of Preferential Trade Agreements (PTA's), of which the EU is the most institutionalized, on interstate conflict, has emerged with some key conclusion relevant to our case study (Mansfield, Pevehouse, Bearce, 2005, p.93). PTA's are found to dampen conflictive inter-state relations by providing an organized forum for resolution of bilateral disputes as well as putting a ceiling on the expectations of the escalatory potential of disputes between PTA members, both factors limiting the political risks attendant to commercial interdependence. PTA's are also assumed to be capable of creating such expectations of economic gain that they would dampen the appetite for military conflict (which, one assumes, also affects positively the perception of political risk by the economic actors who are actually the ones to generate these gains).

The implications for our case study are twofold. First, Turkey's accession process means that the bilateral relationship with Turkey becomes constituted through the norms and rules attendant to this process. Greece, as it would be expected by the hypothesized behavior of the smaller EU member-states, has been an important contributor to this process, by acceding to Turkey becoming an EU accession country. By extension, Greek corporations investing in Turkey are afforded the same protection to that of other EU-domiciled corporate peers to have established a presence there. As such, they are private actors that take advantage of the stability of relations induced by Turkey's accession EU process, which has been approved by all member countries, Greece included. Furthermore, Greece's overall relationship with Turkey is also ensconced in the latter's accession process, limiting appreciably the risk that a Greek corporation would suffer collateral damage in Turkey were there to be a significant deterioration in this relationship. The risk of such deterioration is not only mitigated in terms of Turkey's conduct, but also of Greece's, as its imperative to use the EU as a lever in its relationship with Turkey would also weaken its own propensity to relate to Turkey in a way that would not be conformable with the norms and practices shared with its fellow EU members.

Second, Turkey's accession process by accelerating investment from other EU member-countries in Turkey, and by enlisting support for that reason by the governments of these member-countries, would tend to influence the Greek government in the same direction, of visualizing the relationship of this candidate country in the context of a beneficial and growing commercial interdependence.

What we need to do is to identify whether these factors were indeed present and relevant to the decision of NBG to acquire Finansbank. Having done so, we would need to examine whether Europeanisation provides sufficient explanation both for this unprecedented creation of economic interdependence between Greece and Turkey and for shifting the normative underpinnings that shape the bilateral relationship from an unadulterated strategic rivalry to one informed, to a substantial degree, by the logic of growing economic interdependence.

Thesis Outline

In chapter two we will first review the debate on NEN, in greater depth, as it might inform corporate internationalisation's impact on strategic rivalries. We will then trace the evolving state-corporate relations in peripheral countries, from our perspective of state-society links, from the developmentalist to the market liberalisation eras. Subsequently we will examine in greater detail the process of corporate internationalisation in general, and its particular characteristics in peripheral economies. We will conclude with a review of the debate on the impact of domestic groups and coalitions, constituted by key socioeconomic groups, on a nation-state's foreign and national security policy.

In chapter three firstly, we will review the precedent, to corporate internationalisation, interactions between leading SOE's and SCB's and the Greek state. Subsequently we will examine the wider context, in terms of market reforms and their legitimation, in which corporate internationalisation has been effected in Greece. By setting such a context we will seek to evaluate whether and how such market reforms, in the way they have been contextualised by the corporate internationalisation which they have spawned, have created a salient variant of economic nationalism. We will conclude with an examination of how corporate internationalisation, through its increasing materiality and normative content, has become enmeshed with the policy and politics of the Greek Ministry of Finance and of Foreign Affairs.

In chapter four we will subject the hypothesis of the thesis to its test by engaging in a process tracing approach to see how the Greek government opted for economic interdependence with Greece's strategic rival, Turkey, by consenting to the largest ever acquisition in Greek corporate history, by a Greek state-controlled financial institution, NBG, of a major Turkish financial institution, Finansbank. We will delineate the presence of economic nationalism, reconfigured by corporate internationalisation, across the tenures of the PASOK and ND administrations. We will also assess whether the acquisition, (i) by incorporating Turkey in the notion of a periphery, where Greece can demonstrate its commercial leadership, bears evidence of a state-society interaction which is constitutive of a transformation in foreign policy goals and (ii) by neutralising fears on Greece's Finlandisation by Turkey has also effected a transformation of Greece's perception of foreign policy threats.

In chapter five we will relate the acquisition to the debate on strategic rivalries in general and to what we already know, from the relevant country-specific literature on Greece's strategic rivalry with Turkey. We will then relate our findings to our research question and hypothesis as well as to the posited alternative explanations.

Chapter 2

Introduction

We will begin, in our first section, with a review of scholarship of New Economic Nationalism which seeks to systematically address how the objects of the study of nationalism and the political economy of globalization relate to each other. We will present this view, which holds that around the idea of the nation a great variety of economic policy regimes and collective choices can be anchored. Nationalism and national identities substantially influence economic policies and processes, and they can at times reinforce and at times undermine economic globalisation. What cannot be gainsaid, for scholars of New Economic Nationalism (NEN), is that a transition to a different economic regime, within a nation-state, will have to be compatible with a prevailing, even if reconfigured, notion of the national project.

In the second section we will examine the two main phases, which have framed the role of major corporations in peripheral nation-states, first the state-led developmental project which most Less Developed Countries (LDC's) undertook particularly after the end of World War II and second the market opening that has become as ubiquitous in the last twenty years or so.

Initially, economic development, in those LDC's which were mixed economies, was dominated by political and bureaucratic elites while incorporating a growing swathe of ascendant socio-economic groups. Large corporate entities were one of the critical institutional vehicles through which this developmental process was effected and, as employers of choice, the organisational loci of this alliance between elites and publics in peripheral nation-states. When these corporations also happened to be expropriated by their original foreign owners, this process of expropriation, together with the international friction that it created, further cemented the links between the developmental, peripheral nation-state and the public. Thus large corporations emerge as one of the strategic terrains of economic nationalism for the peripheral, developmental state.

Subsequently, these large corporations went through a market-led transformation, whereby they became listed in national stock exchanges, they attracted a growing volume of portfolio investors in their shares and their managers acquired increasing autonomy by the state. However, due to their embeddednes in their home economies, rooted in their past performance as agents of developmentalism, these corporations have retained their capability of defining and aggregating the material and ideational perspectives of essentially national stakeholders.

In our third section, we will visit those features of corporate internationalisation process in general, and of peripheral nation-states in particular, that further entrench the national significance of corporations from the periphery under market liberalisation. These features include the material importance of the process itself, which make it a natural priority of national policy making and those elements of the process that facilitate instead of undermining national control of these corporations. Subsequently we will access whether the nature of the international operations of these corporations is such that it can generate shifts, actual and perceived, on the position in the international hierarchy of their home nation-states. We will conclude this section by looking at global liquidity, in the period under consideration, and its impact on the reach and magnitude of the corporate internationalisation emanating from peripheral nation-states.

In our fourth section we will review the discussion on the impact of domestic groups and coalitions on foreign and national security policy. Particular attention will be paid to accounts on the creation, under globalisation, of two competing coalitions, the internationalist and the backlash one respectively, for which foreign and national security policy is critical to the outcome of their contest. Subsequently, and because of its relevance to the evidentiary record, through which we will examine our Greek case, we will look at the interaction between domestic groups and coalitions and the conduct of economic statecraft, the latter being a sub-branch of foreign policy making. The purpose of this final section is twofold. First, to place our internationalising corporations as domestic actors in the relevant context, in terms of domestic politics which have a bearing on foreign policy conduct. Second, to examine that particular domain of foreign policy, economic statecraft, that is most relevant to our case study, as the acquisition of Finansbank by NBG represents, among other things, state-enabled interdependence with a strategic rival.

New Economic Nationalism

1.Nationalism and the Economy: Historical Background

Scholars of New Economic Nationalism have been very upfront in their purpose of re-examining established scholarly opinion on the historical interaction between nationalism and the economy.

Such opinion, they argue, not only has obscured the understanding of societal mobilisation and policy preference in the past. It is also obscuring, by unreflective prejudice, the role of nationalism and collective economic choice in the present.

Harlen (1999, pp.739-740) has pointed out how two of the most notable economic nationalists of the 19^{th} century, Friedrich List and Alexander Hamilton, considered their advocacy for import tariffs and infant industry protection, as a pragmatic, interim measure. This preference was, furthermore, partly generated, before the repeal of the Corn Laws in Great Britain, by restrictions on the less-industrialised nations' ability to progress economically by the unhindered export of commodities – i.e. by making full use of their comparative advantage. Helleiner (2002, pp.313-314) also has underlined that List's dynamic perspective on national economic development underlain his faith in internationalism. List argued that such measures should be undertaken, as with the protection of infant industries behind traffic walls, until the nation can enter the international economy from a position of parity. Thus, protection, by accelerating industrial parity between nation-states, would end up facilitating international exchange and comity in the long term, not undermine it. Where both List and Hamilton were in agreement was in their belief that the nation and its progress is the proper object and priority of national economic policy rather than individual and/or commercial interests which would maximise their utility under this or that system of economic exchange.

Equally, for Helleiner (2002, pp. 320-321), free trade, and its monetary underpinning, the gold standard, have also been embraced in the 19^{th} century by nationalists. Latin American nationalists, which resented Spanish colonial rule, saw in unhindered trade the possibility of developing their countries through their use of comparative advantage in commodities. They also conflated Great Britain's economic order with its liberal constitutionalism, the political order that they promoted in their attempt to win independence from Spain. Furthermore the gold standard, by underpinning stable national currencies, also became a symbol of national cohesion and modernisation in many countries, an attractive alternative to debased national currencies that attracted within the national territory exchange through foreign currencies.

Trentmann (1998) has explored how in late Victorian and Edwardian Great Britain a diverse coalition, composed of both commercial interests and the working classes, supported the maintenance of free trade. Trentmann bases the mobilisational effectiveness of this coalition on free trade's status as a symbol of effective popular mobilisation (harking back to the repeal of the Corn Laws) in a society with still limited political representation, whereby the citizen was constituted through his right for consumption not burdened by tariffs. The identification of protection with the national 'other', Germany, considered as authoritarian and regressive, and accused of pauperising its people because of its protectionism, was another rhetorical and mobilisational pillar of the Free Trade Coalition – despite the fact that, during that period, Germany enjoyed a low tariff regime, compared to republican France and the United States, and increasing incomes for its populace.

But it is not only constructivists that have illuminated the eclectic relationship between nationalism and economic choice. Realists and Marxists have done so as well. Classic 19th century liberalism has been interpreted as the economic doctrine of an industrially advanced Great Britain. Liberalism was thus the doctrine of a powerful nation, well-ahead of any potential competitors, and with a formal and informal empire that underpinned, militarily and institutionally, its economic comparative advantage. Classical liberals, like Cobden (Economides and Wilson,2001, p.43), who first used the language of free trade and comparative advantage, took it for granted, at the time, that their nation would very much occupy the peak of the implied international dispensation. Presciently, from the perspective of this thesis, Marxists critics argued that nationalism has also aided the international economic integration of the less developed countries in the post World War II era (Economides and Wilson, 2001, p.111). According to these critics, the import substitution industrialisation (ISI) regime associated with the New International Economic Order (NIEO), aiming at the escape of the less developed economies from their subordinate position in the international economy, served a so-called 'bourgeois nationalism'. As such ISI, legitimated by nationalism, only set the stage for the eventual reinsertion of these economies in the internationalist capitalist order.

In sum, for constructivist and other thinkers, nationalism and nationalist economic doctrine and actors in the past have often been supportive of a liberal economic order. Even when they have not been unqualifiedly so, they have often envisaged protection as an interim stage, which would eventually facilitate liberal economic interaction. Often enough, nationalist social and political movements have been aligned with economic preferences not for solely economic reasons, but because these preferences correlated with what they saw as the political imperatives of their nation. Last, but not least, the political efficacy and plausibility of the claims of these movements have been grounded both in past collective experience and in the contradistinction with what was seen, or could be convincingly portrayed as, the nationally-defined 'other' (whether the 'other' was a colonial master or an antagonistic nation and nation-state). As we will see below the argument that is being made is that all these three elements feature in present-day economic nationalism as well.

2.The Explanatory Force of the Nation and Nationalism

For scholars of New Economic Nationalism "whatever the specific concept of...[economic] policy doctrines, their conception and legitimation always (and in most cases primarily) occur in a national context"[7]. In that respect, the most important antecedent observation which characterises scholars of New Economic Nationalism is List's emphasis on the ontology of the nation – as the primary focus of collective loyalty and identity between the extremes of individualism and universal humanism or cosmopolitanism – rather than on the range of policies, in the economic domain and elsewhere, than this ontology can give rise to[8]. Simply put, the nation cannot be indifferent, and national identity cannot be unrelated, to the nature of economic life and activity.

This is not a unidirectional movement. Crane (1998, pp. 68-69) emphasizes that, if the nation serves the need for collective identification, economic life, as such, structures and informs much of collective experience and the way it is processed through collective memory and political contestation. Examples abound of how totemic economic experience can be in shaping national consciousness and choice, for Crane: from Gandhi's protest against the British salt monopoly to Chinese resentment of economic concessions given to foreign powers, in China's entrepot coastal cities of the 19th century.

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[7] Pickel, A., 2005. False Oppositions: Reconceptualising Economic Nationalism in a Globalizing World. In Helleiner, E. and Pickel, A., eds. *Economic Nationalism in a Globalizing World.* NY:Cornell University Press, p.12.

[8] Helleiner E.,2005. The Meaning and Contemporary Significance of Economic Nationalism. In Helleiner, E. and Pickel, A. eds. *Economic Nationalism in a Globalizing World.* NY: Cornell University Press, 2005, p.222.

The case specificity that scholars of New Economic Nationalism defend is further refined and grounded, when we consider that political legitimacy is established, more often than not, in a correlative, as opposed to causative, manner. Correlation integrates two key elements with claims to national legitimacy and national identity: an evocation and interpretation of the past and a definition of a national community against or in favour of other national communities and nation-states. If free trade is associated with colonisation or the centrally planned economy with subjugation, is there any chance that a political community will choose to maintain the economic regime of its oppressors in the aftermath of its emancipation?

For Abdelal (2001), in his examination of post-imperial states and those states that emerged after the collapse of the Soviet Union, such correlation, in states which exhibited a cohesive national identity antagonistic to their past masters, explains their post-independence directionality in terms of collective economic choice. Other authors have produced similar explanations to account for collective economic choice. The correlation of imperialism with free trade substantiated the case for a close economy in India after 1945 (Kholi, 2004, p.264); the dominance of the minorities in the Ottoman Empire's economic life made indigenisation of the national economy a key project of the Kemalist Republic, from 1922 onwards despite the tremendous welfare costs this resulted in (Keyder, 1987, p.62) and entrenched a policy bias against FDI in Turkey which lasted until the 2002; the 1974 Cyprus debacle in Greece sustained a ten year delay in adjustment of the Greek economy by legitimising political claims to Greek exceptionalism and fuelling anti-Westernism (Pagoulatos, 2004, pp.58-59).

Abdelal (2201, p.199), also accounts for the impact of international conditions on such correlatively grounded preferences. In the interwar years, the response to the World Depression created diverse policy responses, giving greater leeway to specific nationalisms to identify with those policy regimes most compatible with their predilections. US and Soviet conduct during the Cold War, which was premised on two competing as well as distinct developmental paradigms (Westad, 2005, p.3), also provided alternatives in terms of nations-states' ability to pursue that economic model which would best accommodate the legitimacy and consolidation imperatives of their nationalism.

Following the collapse of the Berlin Wall the seeming prevalence of a single economic model means that national ambition cannot easily be imagined, let alone realised, in a distinct policy domain. This means that the nation will tend to pursue its future and progress within the orthodoxy of the liberal economic regime. Employing the perspective of scholars of New Economic Nationalism, in this context, we will be looking at two interdependent, mutually reinforcing, aspects. First, at the activities and actors that exemplify this regime internationally, namely corporate internationalisation and corporations themselves. Second, at how national identity and historically informed notions of the national project, can valorise, in nationalist terms internationalising corporations.

Corporations in the Periphery

1.The Peripheral State and the Corporation

The classic interaction that underpinned free trade in the 19^{th} century free trade era, of export of commodity products to colonial metropolises and import of manufactured goods by them in the underdeveloped world, was done for by the end of the Second World War.

Already, during the interwar years, the world depression combined with the protectionism and falling commodity prices that it induced, undermined the position of commercial elites in the less developed world. Ascendant national independence movements associated this specialisation with colonial dependency and looked favourably to national self-development, undertaken by the Soviet Union and European fascism, under varying degrees of autarky (Frieden, 2006, p.223).

Importantly, the United States, as patron of the mixed economies that emerged after World War W II, were not averse to state-led developmental efforts. The US was keen to provide an alternative model of national development, as appealing as that offered by the Soviet Union (Westad, 2005, p.32) and was correspondingly averse to associating itself with the legacy of European colonialism, the global influence of which it was determined to replace. Having said that, US support also encouraged political authoritarianism. US internationalists in Congress had to conflate market openness and reconstruction with the international anti-communist effort so as to win over their right wing nationalist peers. They in turn, strongly biased US foreign policy in favour of regime stability and conservative political forces in dependent states (Frieden, 2006, pp.266-67).

Commercial elites in the LDC's, of the post World War II era, had neither the capital nor the motive necessary to overcome a commodity-based comparative advantage and instead implement the vital national goal of industrialisation. National savings were neither enough on their own nor would the banking sector, left to its own devices, have directed them to industrialisation. The state had to come in and both identify industrial development as a priority for directed lending and suppress consumption, through authoritarian measures, so that adequate national resources could be marshalled. Funding from abroad, first through US aid and subsequently through the World Bank, was also by its very nature channelled in national economies through state institutions, most prominently dedicated industrial development banks that disbursed a mixture of domestic and internationally sourced financial resources. The ends willed the means: it was state bureaucracies and government elites that dominated the direction of economic life in LDC's. The nascent business sectors were either extension of the state themselves – state-owned industrial enterprises, utilities and banks – or subordinated private actors who owed their existence to their being selected by the state as vehicles of national development. The state and its leaders were the heroes in the ensuing narrative of national development.

This state-led developmental process had important as well as interconnected international and domestic implications, mediated through the transformation of the control of major peripheral corporations.

As Lipson (1985) in his historical account of the evolution of property rights in the periphery points out, the corporation of the peripheral nation-state, in the inter-war and post World War II eras, became a critical terrain for the interstate relations between core and periphery. As the peripheral nation-state emerged, emancipated from formal or informal colonial rule, it became keen to challenge property rights, particularly in terms of the protection offered to FDI emanating from the countries of the metropolitan West. Considering that peripheral economies up to then were dominated by colonial and/or non-indigenous (or non-majority) capital, the new peripheral nation-state was keen to transfer key assets either to itself or to indigenous entrepreneurs, in order to assert its newly-found sovereignty, consolidate its legitimacy, and to acquire the tools necessary to fulfill its developmentalist mission (Lispon, 1985, pp.73, 102.

These goals were interconnected. A large and dominant non-indigenous business class was synonymous with subordination and seen as a Trojan Horse of colonial interference; its freedom to invest according to its own commercial considerations was seen as responsible for keeping the nation locked in the cul de sac of Ricardian comparative advantage.

For Lipson (2001, pp. 122-123) the more these reinforcing goals became entrenched within peripheral nation states and the more the latter enhanced their administrative and mobilisational capacity to pursue them, the more anachronistic and counterproductive became classic tools of the protection of FDI such as military intervention and sanctions. In the end developed country corporations that undertook FDI and their national sponsors, such as the US, were compelled to seek an accommodation with this societally embedded economic ordering and seek solutions within it rather than against it. Importantly, the emerging middle classes of the periphery ascended through indigenized corporate assets – banks, utilities, transport companies – whether these were owned by the state or its favoured native sons. For Abdelal(2001, p.200), this transfer of assets suggests that peripheral, post-imperial states were not only involved in state-building but also in nation-building as the new citizens of these new nation-states were themselves acculturated into their nationalism through increasing participation in their national economy. It was within these large corporations that nationalism was conflated with modernity as their increasingly industrialised economies grew under national, whether state or private, ownership of large corporate entities. It was this set of policy choices and confrontations with foreign states, and their corporations or indigenous commercial elites, seen as collusive with them, that propelled the socioeconomic ascend of the rapidly urbanizing society of the periphery. Furthermore this transfer of assets from foreign owners to national ones exhibited formidable political effectiveness as it combined the provision of a general public good, the psychic income of the general population of the peripheral national society, resentful of its history of subordination to the West, with the alliance between the rulers of the peripheral nation-state and those of the ruled who were to manage and be employed in these corporations (Johnson, 1965, p.177).

2.Marketised but not De-nationalised

By the end of the 1970's middling LDC performers such as Turkey and Mexico did acquire an export orientation that they previously did not enjoy but at the cost of growing indebtedness to international commercial banks. By that time US aid had declined significantly and multilateral finance was insufficient to support increasingly growing, complex economies, while Western commercial banks were under tremendous pressure to recycle the petrodollars which their own economies could not absorb in the stagflation that characterised the period. Whether because of misallocation of that lending, of endurable weaknesses of the business sectors in the countries concerned and the finance of domestic consumption, export performance could not service increasingly onerous commercial bank debt. Their vulnerability, sometimes leading to sovereign default, led them to accept restructuring of their debt obligations conditional upon accelerated market opening and revenue raising through state asset disposals. State-ownership, where prevalent, was also discredited due to the inevitable shortcomings that it revealed as a dominant paradigm of economic organisation. The transfer of assets from foreign to national owners retreated, as a policy instrument in LDC's, from the 1980's onwards (Minor, 1994, pp.179-181), and indeed so did national ownership itself.

Illuminatingly, the World Bank and its subsidiary IFC, its lending arm to the private sector of developing countries, led the way in dismantling the model that they themselves were instrumental in constructing from the 1950's onwards. Instead of directed lending by state banks that they had helped establish, financed and were even shareholders to, the World Bank and the IFC proposed and provided technical assistance for the establishment of country-specific equity funds, thus spurring the development of local capital markets. By doing so, private and state corporations were enabled to source funding from international and domestic private investors, a process in which the state would be absent, in terms of providing finance to activities of its own choosing (Lavelle, 2000, pp.208-210).

We find Lavelle's subsequent account (2004) of the development of equity finance in peripheral economies particularly useful in analysing this transition in the status of the peripheral corporation. It both parallels that of Lipson while also picking up the baton where he left it, at the point when market liberalization in the periphery accelerates. She describes the process whereby capital markets fell into disfavor in peripheral states and colonies – now known as emerging markets - as they were a mechanism for the channeling of private capital flows from the metropolis to the formal or informal empire. Post-independence nation-states were not inclined to let private, foreign investors exercise control over these assets which were, at any rate, put to work in the service of national, developmentalist goals in a way that was not conformable to private shareholder motives. Lavelle's key mission is to illuminate the process of transition – mostly under duress, after the 1970's debt crisis – of these assets to a regime whereby they would be managed with less or no interference by the state and act as repositories once again of private, foreign capital flows.

Did this shift in a liberal, open market economy and the greater participation of foreign capital in these large corporations mean the disappearance of the nation in the economy, whether in terms of widely-held expectations of corporate purpose or of the state's responsibility to upheld such purpose? For Lavelle, in an analysis which fits well into the new economic nationalism canon, although not declared as such, most emphatically not. Rather it facilitated the redefinition of national purpose as it inheres in large corporations.

Lavelle (2004, pp.4-5) defines in this transition company stock, particularly of state-owned enterprises (SOE's) that are floated in national capital markets and part-privatised, as a political instrument whereby governments seek to maximise access to international capital inflows, at a minimum cost in terms of loss of control of the companies under question. For Lavelle that makes the evolution of capital markets, and the corporate governance structures that inhere in them, unique to the states in question, their leverage over external actors and their own national priorities and political exigencies. This specificity is reinforced by the fact that the control or influence of part-privatised SOE's, due to their size and centrality in national economies, continues to be a salient issue to political leaderships, stakeholders, actual or potential, and publics at large. Indeed their past role, for Lavelle, in the pre-market reform era carries with it expectations that they will continue to fulfill a larger mission, beyond and above that of satisfying shareholders expectations, in terms of capital gains and dividends. Such expectations certainly incorporate widely held, if evolving assumptions, of the developmental priorities of the national economy in which they occupy such a leadership position. They are also grounded by important domestic interests, and in particular national business elites and employee organizations, that would want to ensure that the transition in the status of these corporations would, at a minimum, not hurt their position and, at maximum, improve it.

Gourevich and Shinn (2005, p.3) make a substantially similar point to Lavelle in their study of corporate governance patterns under a variety of political regimes at different stages of development. They call corporate governance the authority structure that determines who has claims on the cash flows, strategies, and allocation of resources of corporations. The determination of this authority structure is thus inherently a political process and is determined by contests which are political in nature, expressing the interests and preferences of particular actors. Interests are aggregated into institutions and they in turn produce policy outcomes. However, as our examination of the control of major corporate assets in peripheral nation-states, before and after market liberalisation suggests, widely-held societal preferences can also be prior and formative of these interests and their aggregation.

We will examine below how corporate action, undertaken either on the initiative of governments and/or management and key shareholders, (IPO's, secondary offerings, privatization to strategic investors and the like) which affects the control of these corporations interacts with societal preferences. Such action by producing contestation, which draws in political parties, managers and workers, shareholders and the general public, also generates normative content, in terms of evolving expectations of the contribution, to the nation, of large corporations. Our job would be to evaluate the nationalist character of this normative content and the degree of influence that it exerts both on the corporation itself and the socio-political order that envelops it.

Although Lavelle's perspective, and ours, through our Greek case study, is anchored in the experience of SOE's or ex-state controlled enterprises, analytically it incorporates also those privately-owned corporations and conglomerates that have been built in the post-World War II period within high protective walls, in peripheral nation-states. Despite the fact that these corporations were not state-owned, the policy regime that shaped their evolution and growth reflected national will and/or consensus, at the political elite level, and even mass level, that their home nations-states would henceforth base their national independence on an indigenously owned business class and industrial capacity. While this policy regime has since then retreated, the linkage between national capital and national power and independence still attaches, we would argue, to these privately-owned corporations, shaping their effectiveness and influence on multiple policy domains.

Corporate Internationalisation

1.Embeddedness

There is a complex of reasons why market actors, even in advanced Western political economies where market liberalisation has taken root, continue to be well-entrenched, embedded, in their national political economies. For Rhodes and Appledoom (1998, p.418), these reasons pertain to the desire of local elites not to lose power, to the unique competitive advantages that national conditions can still confer to major firms, and the political imperative to ground any major change, in the relationship between states, firms and social partners, in agreements that enjoy wider social and political consensus.

Sally (1994, p.172) further specifies the durability of embeddedness by examining the relationship between multinationals and their home countries. Internationalisation intensifies state-firm relationships as it reconfigures them. In order to succeed internationally, home corporations place new demands on the state to enhance factors of production and other features of the national economy that bear on their international operations. To the extent that an increasing share of national wealth is procured outside national borders, and through multinational operations, international economic competition is conducted not solely through firms but rather through a set of redefined state-firm relationships. States, in other words, are driven to facilitate the international competitiveness of their major national corporations. Their capacity for such facilitation, in turn, enables political actors and other stakeholders to exercise substantial leverage in determining the conditions under which their national corporations internationalise.

Particularly with regard to the large listed corporations that we are examining, from previously peripheral economies, also known as emerging market economies, internationalising operations involves a double move. Antecedent state-enacted market liberalisation compels corporate internationalisation while internationalisation consists, in large measure, of those competitive advantages build by the liberalisation process itself. As Goldstein (2007, pp.67-73) notes, one of the major competitive advantage of emerging market multinationals is their experience of being transfigured from protected state monopolies, or local firms which have matured under high tariff walls, to corporations which: (i) face competition at home from third country multinationals (ii) renew their managerial ranks in order to adapt to changing home market conditions (iii) need to master the ability to raise capital from international investors and not just from home banks or governments. It is the cumulative effect of adjusting to home liberalisation that gives them an edge, managerial and financial, in entering third country markets which are later followers on the market liberalisation path.

Goldstein (2007, p.95) also underlines that even under liberalization, governments of emerging market multinationals continue to extend to them support to compensate for their perceived weaknesses towards their longer established Western competitors: such assistance includes fiscal transfers, soft patent laws to facilitate technological upgrade through copycat production and of course investments in skill formation and the like, policies that are not unique to emerging market economies.

The analysis of Spanish multinationals and their expansion in Latin American markets (Guillen, 2005; Martin and Toral, 2005), fuses the above perspectives: of a state, long in the European periphery, facilitating the internationalisation of its major corporations which have been transfigured by the Spanish liberalisation process; and of a society that confers acceptance to these state-society links as it recognises in them legitimate and indeed desirable considerations of national welfare and prestige.

Guillen (2005, p.68) argues that the Spanish state and regulatory authorities encouraged the internationalisation of Spain's main oligopolistic and monopolistic corporations, in banking, telecommunications and water and energy utilities. The Spanish state supported internationalisation partly so that these corporations would acquire such a size that they would not end up being acquired by competitors from Western Europe (the fate that befell Spain's major manufacturers, subsequent to Spain's accession to the European Community). Their subsequent expansion, by making them even more central to the Spanish economy and the international status of the Spanish state, has produced significant support through a set of regulatory and fiscal measures (leading the Financial Times[9] to call Spanish multinationals in one of its editorials as the 'tax conquistadores' because of the favourable tax treatment of their international acquisitions). Concurrently, their growth through internationalisation has made them, as multinationals, ever more important to Spain's socioeconomic groups, from the expanding ranks of a managerial cadre that oversees and manages this process, to the exposure of Spanish capital holders in Spain's stock exchange which has become increasingly sensitive to developments in Latin America.

Another author (Martin, 2005, p.265) claims that in an open and democratic society such as the Spanish one, internationalisation by Spanish firms in Latin America could have been undertaken only if it had enjoyed wide popular support. In particular, the rising risks to the Spanish economy due to this process, the effective subsidy by the Spanish state of this internationalisation and the transformation of the image of Spain, from a model of democratisation in Latin America, to an aggressive capitalist state, connoted through the historicised formulation of the 'conquistadores' and the 'Spanish armada', all these elements could have only come into being through public acceptance and indeed support. Indeed majorities polled in Spain, by this author (Martin, 2005, pp.270-72), understand Spanish FDI in Latin America as (i) driven by competition with the US for influence in Latin America, by Spain (ii) realised by close coordination between politicians and corporate decision-makers while also (iii) expressing satisfaction or even pride in this Spanish leadership in FDI rankings in Latin America.

2.Corporate Internationalisation and the International Hierarchy

For our purposes, internationalisation of large corporations, from our mid-tier economies and nation-states that we are examining, is particularly important in the way it impinges on collectively and elite held notions of the evolving international hierarchy.

Corporate internationalisation, as has been noted above, is shaped by sequentiality. In the case of market liberalisation, those countries that undertake it first, proceed to export it, though their multinationals, to other countries down the line. Alternatively, manufacturing countries that

[9] Editorial, 2007. Tax Conquistadores. *Financial Times*. 11 October.

are no longer labour cost competitive, due to their early success as exporters, internationalise their labour intensive activities to countries at a lower stage of development – the flying geese pattern that has been observed in Asia. In financial services it has been found that most FDI is undertaken by banks that are one step above, in terms of institutional development. Banks that are domiciled in high income countries would invest in middle income countries and banks that are domiciled in middle income countries would invest in low income countries (Van Horen, 2006). In most cases such sequentiality unfolds within regions and countries that are geographically and / or culturally proximate (Aykut and Ratha, 2003, p.158; Aykut and Goldstein, 2006, p.16). These are of course the regions and countries where the most critical inter-state relationships reside, including the strategic rivalries that are the object of our study. Cultural and geographical proximity obtaining between national collectivities is historically grounded and history entails competition, friction, war and even conquest.

Alternatively, corporations from previously peripheral economies and nation states, seek to accelerate their growth by acquisitions of developed countries' peers that possess superior brands, know-how and distribution networks – or seek to develop, on their own, brands and proprietary technologies that will ensure them greater profit margins and protection from the competition of even lower-cost competitors (Goldstein, 2007, p.17; Van Agtmael, 2007, pp.45-46; Aguiar, et al., 2007, p.12). This might involve Indian, Taiwanese or Turkish corporations acquiring capital and knowledge intensive firms in Western Europe and North America and/or successfully exporting high value-added, branded products to the developed markets of Western Europe and North America.

This aspect of corporate internationalisation does not only give expression to an intense nationalist feeling, by an elite group of managers and owners in peripheral nation-states, to avenge past commercial relationships of subordination and inferiority (Van Agtmael, 2007, p.30); it also gives expression to this sentiment held at the collective level and reflecting past experience of politico-economic subordination. The case of the Indian conglomerate TATA is typical in this respect. Two acquisitions have underlined TATA's status as an apostle of internationalisation for the Indian economy. The first one is that of Anglo-Dutch steel maker Corus and the second of the auto marques Jaguar and Land Rover from Ford Motor Company.

These acquisitions in the UK by TATA, where presently the Holding derives a greater share of its revenues than from any other market, India included, generated nationalist euphoria in India, encapsulated in the mantra of 'reverse colonialism'[10].

Last but not least, scholars of internationalisation from corporations from peripheral states, have noted how socio-cultural resources which are unique to them – and in particular Diasporic networks - facilitate internationalisation (Kapur, 2002, pp.100-102; Golsdstein, 2007, pp.117-119). This is due to the fact, that once such states open up their economies, they acquire privileged access to native pools of capital and expertise which have accumulated over time abroad. Greece and India, among peripheral nation-states, possess arguably the most notable examples of this process. The opening up of their economies has facilitated the repatriation (Greece) or led to the creation (India) of literally global leadership in two key economic sectors, namely shipping (NBG, Economic and Market Analysis, 2005-6, p.2) and IT outsourcing (in both these cases, services provided internationally are managed from the home country). Such repatriated Diasporic networks are particularly important because they produce global leadership within a recognisably national character, rendering popularly credible beliefs on the particular qualities of the nation.

What needs to investigated is whether, such distinct modes of corporate internationalisation emanating from peripheral nation-states, by altering collective conceptions of the position, and indeed identity of the nation in the international hierarchy, have also altered, or constitute themselves, patterns of behaviour which substantially affect inter-state relationships, including strategic rivalries.

3.Global Liquidity and Corporate Internationalisation

Global liquidity flows directed to corporations from peripheral markets, during the period under examination, constitute the capstone of the corporate internationalisation process. Their impact is important in commensurately material and symbolic terms. By expanding the remit of the internationalisation process, they have enhanced its distributional capabilities as much as they have fuelled claims to national commercial primacy in the international domain. Both these

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[10] Leahy, J., 2007. Indian passions stirred by a symbolic shift in industrial fortunes, *Financial Times*, 2 February; Leahy, J.& Yee, A., 2008. Motoring along road of reverse colonialism, *Financial Times*, 27 March.

effects have been maximised by the fact that major corporations are listed entities and that their major strategic actions have been financed by powerful international investment banks and portfolio investors and validated by the international business press.

The internationalisation of corporations from peripheral economies, accelerated throughout the 2000's, with a commensurate increase in the channelling to this process of global liquidity flows reaching its peak in 2005-7(World Bank, 2006, pp.2-3; Stendevad, Simonetti and Singh, 2007, p.6; Aguiar, et al., 2007, pp.16-17). Facilitated by the provision of seemingly limitless liquidity, corporations from peripheral countries executed strategies of ever widening scope, attaining in several instances global leadership. Indicatively, CEMEX, the Mexican cement manufacturer, at the peak of global liquidity, in 2007, acquired for 15 billion $ the Australian Rinker, a company which had 80 % of its sales in the US market. This last major acquisition catapulted CEMEX to the top rank of cement producers worldwide, becoming the third biggest, after the European Lafarge and Holcim[11]. The internationalisation of TATA, the Indian conglomerate, has also been financed by liquid global and money capital markets, by institutional investors and banks such as Citi and JP Morgan. TATA's acquisition of the Anglo-Dutch Corus, implemented in 2007, still at the peak of the global liquidity cycle, was the largest ever in Indian corporate history. Again as with CEMEX, the acquisition of Corus catapulted TATA to global leadership, making its subsidiary, TATA Steel, the fifth largest steel processing concern worldwide.

As it was mentioned above, nationalist euphoria greeted TATA's steel and car acquisitions in the ex-colonial metropolis, the UK, with the TATA chairman admitting the high price paid for these acquisitions and partly justifying them by acknowledging how national sentiment has been identified with this manifestation of Indian resurgence which he did not want to disappoint by letting the acquisition opportunity pass, due to its high price[12]. The impact of global liquidity, effectuated through the aggrandizing strategies of home corporations, on national esteem, has been observed not only on economies of the periphery but also very wealthy but small European

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[11] Thomson, A. & Minder, R., 2007. Cemex 14.2 bn Rinker takeover, *Financial Times*, 7 June.
[12] Leahy, J.,2007. Indian pride fuelled Tata's push for Corus, *Financial Times*, 2 February and Leahy, J., 2007. Indian passions stirred by a symbolic shift in industrial fortunes, *Financial Times*, 2 February.

states. Post mortems of the collapse of Belgium's and Iceland's financial sectors, all highlight the extent to which their internationalisation came to represent supposedly national character and identity, carrying along with them both elites and publics[13]. The aggressive internationalisation strategies of these two small nation-states gave the impression that they can escape the confines of their small size, just as peripheral nation-states seemed to escape their history of subordination to the nation-states of the Western core, through corporate performance, and punch well above their historically defined weight.

Foreign Policy and Domestic Actors

1. Domestic Coalitions

Large, internationalising corporations, from peripheral nation-states, or any other category of nation-state for that matter, must be presumed both as subject and an object of group interests and domestic coalitions that strive to fashion a foreign policy compatible with their perceived interests. In the discussion that follows we will review several perspectives which address this twin capacity of large internationalising corporations.

In terms of group interests and foreign and national security conduct, the discussion has been substantially initiated by the seminal work of Snyder (1993) from the perspective of threat exaggeration, as opposed to minimisation, justifying societal exaction for the sake of ever more powerful armed forces and bellicose military strategies. Contrary to Realist arguments, Snyder forcefully argues how spurious can those threat assessments be, on the basis of which means and goals are decided upon in the domains of national security and foreign policy. The determining factor, other than an, as objective as possible, evaluation of the security environment facing a nation-state, is the ability of bureaucratic, military and business cartels to align with larger societal groups, under propagated 'myths of empire' that justify their interests. The counterproductive effects of such domestic alignments, when leading to national defeat and even

[13] Indicatively, Pignal, S., 2009. The Chastening of Belgian Finance. *Financial Times*, 12 March; Jackson, R., 2008. Letter from Iceland. *Financial Times*, 14 November, Forelle, Ch., 2008. The Isle that Rattled the world, *Wall Street Journal*, 27 December; Parker, I., 2009. Lost-After financial disaster Icelanders reassess their identity, *The New Yorker*, 9 March; Lewis, M., 2009.Wall Street on the Tundra, *Vanity Fair*, April; Stanage, N., 2009. Reality caught up with Iceland's boom, *Guardian*, 8 April.

the elimination of those groups that sponsored them in the first place, are produced by two elements: first the needs of cartels to logroll, so that they can effectively cohere, which causes an incremental but ultimately unsustainable strategy of military expansion. Second, the tendency of the broader social groups with which military, bureaucratic and business elites have aligned themselves, to overbid on these myths and ride the tiger of nationalism and territorial expansion in order to advance socio-politically and even overtake their original, more conservative and better entrenched, sponsors.

Another author (Narizny, 2007) contends that foreign policy is essentially the outcome of interest group aggregation, and their direct accommodation by the external environment (rather than a means to exaction of domestic socioeconomic resources), and as such liable to shift not because of changes in the international environment that would affect the security imperatives of a nation-state, but rather due to changes in the ruling coalition and the domestic interests that it represents. Narizny's level of analysis, in that respect is not class, but rather sectoral interest, either economic or bureaucratic (or more often a coalitional combination of both) favouring, as in the case of Great Britain in the 19th and 20th centuries, either an imperial strategy in favour of the periphery or a more rules-based one, in favour of core Western countries. Periphery and core are assumed to accommodate distinctive and conflicting coalitions of manufacturing and service industries as well as their administrative counterparts and political allies – the former, in the case of Great Britain, financiers and uncompetitive manufacturers, imperial administrators and military officials, and the latter efficient manufacturers capable of exporting in the markets of the core countries.

Drawn from a recent case study, Taiwan, Tian (2006) assumes a level of analysis similar to Narizny's but places his emphasis elsewhere, namely in security conscious governmental agencies which utilise strong state-society links in order to inhibit economic interdependence. In particular, SOE's and SCB's toe the government of Taiwan's policy of restricted engagement with China while privately-owned corporations, of smaller size, substantially ignore it. This causes the ire of those state agencies for which security and independence for China is of the utmost importance, a sentiment echoed by less privileged Taiwanese who do not benefit from globalisation and engagement with China, a coalition that accuses investors in China as unpatriotic. Concurrently, however, this policy of limiting interaction threatens the 'Taiwan First' effort whereby Taiwan pursues the objective of becoming a leading regional economic hub. It also undermines linkages between Taiwan's vibrant private sector and the SOE's and SCB's whose relationship with the former is essentially symbiotic as providers of commoditised inputs and financial services in the Taiwanese economy. The result is policy vacillation as economic relationships with China are constrained and subsequently loosened only to be constrained again.

Other scholars with a focus in the globalisation era (Solingen, 1998; Ben Porat, 2006), possibly in response to the more triumphant, 'end of history' claims of globalisation, have renewed the traction of Karl Polyani's (2001) seminal concept of the double movement, within the conflict and interdependence literature. Polyani asserted that the functioning of the market by its sheer impact on societal arrangements is bound to generate mitigating societal responses, either restricting its operations (as in labour legislation) or through the manipulation of market operations themselves (as in monetary management). This double movement can also shape, for Polyani, foreign policy responses ranging from the renewal of colonialism in the late 19^{th} century, in search of an expanded home market that can accommodate the socio-economic needs of the metropolis no longer addressed by free markets, or by externalising sheer reaction to the consequences of the market, as fascism did, in World War II.

According to these scholars market liberalisation, by its very nature, reanimates or creates a backlash coalition – an agglomeration of socioeconomic forces which are threatened with the diminution of their standing by globalisation. For instance Ben-Porat (2006, pp. 187-188), in his examination of the case of Israel, posits this dichotomy between de-territorialised elites advocating for a peace settlement with the Palestinians, and a territorialised coalition of groups unattached to Israel's international economy, rooted in national myths, strongly religious, and frustrated by its loss of status and de-validation, produced by Israel's increasingly modern and outward looking economy and society.

This backlash coalition can, and does, through the exploitation of latent or present international conflict, destabilise materially and symbolically market openness within a nation-state. It consequently has a significant bearing on the evolution of international conflict and disputes, with which the nation-state is engaged in. By the same token there is a coalition of pro-liberalisation forces, the internationalist coalition, which is biased in favour of amelioration, if not elimination, of these same disputes and/or conflicts: both for important external reasons, as in the maintenance of uninterrupted capital inflows, and for reasons of domestic legitimacy, which is necessary to consolidate market opening.

As a result of this cleavage the internationalist coalition has the motive to present the concerns of the backlash coalition in the international domain as retrograde, irrelevant, and potentially harmful, considering the promising vistas that have opened up by the new brave world of a globalised economy. By doing so it can dent the capacity of the backlash coalition to push towards the kind of international friction that would negate such claims. The internationalist coalition has the ability to do so, to the extent that market opening produces tangible benefits to an increasing number of economic actors and creates plausible expectations that such benefits will be shared even more widely in the future[14]. The backlash coalition, conversely, by presenting a world at odds with the one projected by the internationalist coalition, can cast doubts on the latter's claims, discredit its associated expectations, and, in extremis, derail market opening by generating a destabilising international crisis[15]. It has the motive to do so, because market opening threatens the material preferences of its constituent members as well as their social status and even sense of identity. It has the ability to do so, due to the fact that it can, under propitious circumstances, make national 'myths', those subjective interpretations of past collective experience, work for it by virtue of their unique mobilisation potential[16].

2. Economic Statecraft and Domestic Coalitions

As we will examine the acquisition of Finansbank by NBG, which required a positive decision by the Greek government, a decisive step towards economic interdependence with a strategic rival, it also behoves us to briefly review the scholarly discussion on economic statecraft. The definition that we will employ of economic statecraft is "the use of policy instruments to satisfy the core objectives of nation-states in the international system...[such use] involves the

[14]Solingen, E., 1998. *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy.* Princeton: Princeton University Press, p.32.

[15] Ibid., p.72
[16] Ibid., pp. 36-37

application and interplay of multiple instruments – military, economic, diplomatic and informational – to achieve the multiple objectives of states, including national security, economic prosperity and political prestige and influence"[17].

In examining economic statecraft, the relevant scholarship is highly attuned both to its properties as they become realised in an international context and, simultaneously, in a domestic context.

For Baldwin, a seminal author on the subject, "Economic statecraft does not restrict the range of goals that may be sought by economic means. It makes it conceptually possible to describe the empirically undeniable fact that policymakers sometimes use economic means to pursue a wide variety of noneconomic ends"[18]. Complementarily, for Baldwin (1985, p.15), economic statecraft should also be judged not in isolation but in view of the alternatives: for instance do policymakers deem it wise to, in case of confrontation, engage in military action or, for a variety of reasons would they prefer a less costly and risky option of economic sanctions?

Baldwin's key insight (1985, p. 108) is that for both domestic and international constituencies, be they allies, adversaries or bystanders, state-sponsored commercial intercourse is seen as accepting of the other party to it. Thus commercial intercourse is not compatible with, or will undermine the cohesion and mobilisation, domestic and international, necessary to sustain a relationship which policymakers judge that it should be adversarial. Importantly, from a domestic context, the purpose of economic statecraft, and of its intended consequences, must be seen through the prism of the values that inform the policy priorities of the nation-state that exercises it.

Skalnes (2000) and Mastanduno (1998, p.3) link economic statecraft with the intensity of a nation-state's security needs. A nation-state faced with a threatening adversary would tend to integrate the economic tools at its disposal, and indeed subordinate international economic exchange, which can one way or another control, to its security needs. Only absent, or in the process of being attenuated, such a major security threat, will foreign economic policy enjoy an independent existence mostly structured by domestic welfare, whether general or sectoral,

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[17] Mastanduno, M., 1998. Economics and Security in Statecraft and Scholarship, *International Organization* 52(4), 1998, p.826

[18] Baldwin, D.A., 1985. *Economic Statecraft*, NJ: Princeton University Press, p.40.

considerations. Crucially, for Skalnes (2000, p.196), economic interdependence is not created only by social actors but can also be, considering the state imperative for security, increased or decreased by state policy, at will, to serve such wider security purposes.

Skalnes, although he bases his premise on the capacity of states to arrive at such a determination through a strategic assessment undiluted by non-security concerns, admits that such dilution is possible. On particular occasions, this security assessment can be compromised by domestic economic groups in favour – or against – international commercial exchange, regardless of whether this is advisable on security grounds (Skalnes, 2000, pp.20-21). Papaioannou (1996, pp. 55-56) also finds that growing economic links between powerful economic groups in a status quo country, with the economy of revisionist nation-state, would induce reticence in forcefully deterring the revisionist state's foreign policy designs. This effect would be correspondingly more pronounced if the institutional structure is such that it affords access to these economic groups to the decision makers of the status quo state. Skalnes also accepts that evolving state-society links, particularly in the direction of deepening democratisation, affect a nation-state's ability to use foreign economic policy for national security purposes. This is due not only because domestic interests will make themselves felt with greater efficacy but also because the nature of either positive or negative economic sanctions would affect public sentiment, favourably or negatively, towards particular nation-states (Skalnes, 2000, p.159).

Mastanduno more explicitly (1991) introduces, in the examination of economic statecraft in the case of the US and Japan, domestic institutions and party-specific ideologies. Mastanduno looks at the inability of the Bush Administration to argue for an industrial policy to High Definition TV, to respond to Japan's lead in this technology. Such a policy would, despite the seeming merits of the case at the time, legitimise a philosophy of government intervention which President Bush himself had repudiated electorally and which his Democratic opponents had endorsed. He also points out the divergent perspectives of the Departments of State and Defence and those of Commerce, the former not wishing to upset a long-standing security-driven policy for reasons of industrial competition and the latter advocating a more restrictive policy stance towards the transfer of key aerospace technologies in Japan that would, in due course, make Japan a competitor in sectors where the US enjoyed a technological edge.

Finally Steil and Litan (2007, pp. 141-142) in their focus on financial statecraft apprise us, in a period of rising capital flows, of the exceptional importance that finance has in affecting the stability of economies of nation-states, whether allies or adversaries and, from a prescriptive point of view, of the need of foreign policy and economic policy makers to integrate their particular perspectives in order for policy at large to achieve coherence.

As we will examine in our two subsequent chapters all of these elements, that economic statecraft apprises us of, have a bearing on the creation of economic interdependence through state assent: The inherent ability of a nation-state to induce or discourage economic interdependence with another nation-state; the need of interdependency to conform with the predominant ideological dispensation at home and to sent a message abroad compatible with the overall international orientation of a nation-state; the relativity of security assessments, in view of which interdependency is being created, and the importance of access to policy making and policy makers of those corporate entities which actually create such interdependence.

Conclusion

Scholars of New Economic Nationalism assert that no matter how market liberalisation is effected and by whom, it is certain to involve a redefinition or at least the reworking of national purpose and identity. For scholars of New Economic Nationalism, within any nation-state that undergoes a significant transition in the organisation of its economic life, the central battleground will ultimately be the definition of national purpose and of national identity. This makes the outcome of this transition both contingent and analytically graspable through the examination of national purpose and national identity.

Large corporations in peripheral nation-states have been a decisive objective in this battleground. Their size and their past contribution in the developmental project of the peripheral nation-state ensure that this will be the case. National stakeholders, such as capital holders and employees, as well as publics, have a stake in the outcome of the market-led transformation of these corporations, as much as political parties and leaderships, which rise or fall by the nature of their relationship with these constituencies.

The internationalisation of these corporations further raises the stakes of their transformation, for all parties concerned, as it adds to their material significance, affects the critical issue of their control and confers national prestige generally and in relation to other nation-states, the relations with which has been constitutive, one way or another, of the peripheral nations-state's international orientation.

Concurrently with their market-led transformation and internationalisation, large corporations from the periphery inhabit a domestic context where the direction of the foreign policy of their home states is contested by opposing coalitions. For these coalitions, the international environment, suitably shaped by their foreign policy of choice, can either inhibit or advance their quest of domestic dominance. For the internationalist coalition, a foreign policy that contains or eliminates international friction can maintain international investment flows, help maintain the domestic stability that a market-friendly dispensation needs and maximise the opportunities to be had from economic interdependence with the economies of other nation-states. The benefits accruing to internationalising corporations from the periphery, in the period under consideration, of their home internationalist coalition being capable of pursuing its foreign policy of choice are obvious. The contribution of the corporations to such an outcome is less so, and this will be the subject matter of our investigations of the Greek case in the chapters to follow.

CHAPTER 3

Introduction

In this chapter we will focus on the role of state owned enterprises (SOE's) and state-controlled banks (SCB's) in Greece[19] in the country's evolving economic nationalism and their influence on Greece's foreign policy role and posture.

In the first section we will examine the critical role that SOE's and SCB's played, subsequent to the collapse of the dictatorship in 1974, in the Greek socialist party's (Pan-Hellenic Socialist Movement –PASOK) mobilisation strategy. SOE's and SCB's, we will argue, as vehicles of redistribution in the context of a statist-populist policy preference, became indispensable pillars of PASOK's backlash coalition. This coalition was, moreover, conceived and articulated on the basis of opposition to an international order which was seen as having betrayed Greek national interests and democratic aspirations.

In the second section, we will look at how the imperatives of EMU accession, led to the equitisations and/or privatisations, through listings at the Athens Stock Exchange (ASE), of these same SOE's and SCB's. Although this process was driven by PASOK's EMU strategy, it attached normative value on corporate efficiency and profitability, which went well beyond the marketisation policy's pragmatic, fiscally-driven, original intentions. Additionally, the subsequent internationalisation in the emerging markets of the Balkans of SOE's, SCB's and privately-owned corporations, was largely an outcome of Greece's market status and of Greece having undergone market reforms earlier than the transition countries. This process of corporate internationalisation was sponsored by the Ministry of Finance (MF) which lent credence to the notion of an ever expanding regional economic space where Greek corporations had assumed a leading role.

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[19] Initially entities like OTE, the telecoms monopoly and DEI, the energy monopoly, were not even incorporated as listed companies, the shares of which could be traded. State-controlled banks, were listed in the Athens Stock Exchange, and the state would exercise effective control either through its direct shareholdings or the holdings of pension and insurance funds, under the control of the Ministry of Finance. Subsequently, DEI and OTE, through their stock exchange listings, became state-controlled as opposed to state-owned corporations. For the sake of simplicity, however, we will refer, from now on, to all non-financial corporations as SOE's and financial corporations as SCB's, to the extent that the Greek state has retained a controlling stake in either.

In the third section we will examine how the Ministry of Foreign Affairs position (MFA), evolved in relation to corporate internationalisation. We will argue that bureaucratic competition, between the MFA and the MF, for the promotion of Greece's commercial interests in the region both underlined the increasing saliency of corporate internationalisation in Greek society and powerfully embedded it in Greece's policy making and institutional structure. The outcome of this competition – the MFA won the mandate to undertake foreign economic policy in the region – actually reflected the MF's stronger role as a trustee of key SOE's and SCB's, and ultimately the capital markets (i.e. it was a battle that the MF could well afford to lose) while also enabling the MFA, and its successive political leaderships, to identity with Greece's rising economic role in the region, encapsulated and actualised by its leading corporations. We will conclude this section by accessing how the positioning between key actors around corporate internationalisation – politicians and parties, the corporations themselves – was mediated in the public domain and produced a historisation of the corporate internationalisation process, further entrenching its legitimation.

Constructing a Backlash Coalition

1.PASOK's Hegemony

As Pagoulatos (2004) argues, what differentiated Greece from the other post-authoritarian European countries, namely Spain and Portugal, was that military defeat in Cyprus, in 1974, for which the US was presumed to be culpable, fuelled a generalised anti-Westernism which significantly delayed the adoption of Western European policy paradigms. In effect, the trauma of Cyprus both drove and facilitated PASOK's polemical relationship with the European Community, which Greece was to join in 1981, and facilitated a populism based on the promise of societal & national emancipation.

Diamandouros (1994, p.33) and Voulgaris (2001, p.88) further specify how the foreign policy positions of PASOK at the period, whether in opposition or in government, were indispensable to the political economy that it chose to adopt. They note the special contribution that the Cyprus debacle, and its corollary volatile and friction-laden bilateral relationships with Turkey, made to PASOK's foreign policy. The Cyprus debacle, and by extension Turkey, allowed for a synthesis and a subsequently an elision: From the dependency-theory intellectual framework of many of

PASOK's leading political figures (often expatriates from the US and with an affinity to Latin America) to the more popularly held assumptions on Turkey as Greece's major threat, with the United States as its Great Power enabler. Friction with Turkey, by keeping the US at the forefront of attention by policy makers, media and the public, enabled PASOK to continue devaluing European social democratic countries as supplicants to the US. The focus on the US and its assumed bias in favour of Turkey, in the context of the two countries' bilateral disputes, also sustained an absolutist emphasis on national sovereignty, and a suspicion of outsiders, ill-suited to an EC member country.

In turn this confrontational foreign policy stance towards the presumed 'centre' justified and grounded policies of boosting domestic demand and avoiding painful restructuring efforts that would have improved the international competitiveness of Greek firms. PASOK thus located Greece in the periphery, rather than as a, lagging to be sure, but still a European country and a member of the EEC, well on its way to join the core (Voulgaris, 2001, p.74).

Ironically it was EC transfers, until the late 1980's unconditional, that helped sustain PASOK's mobilisation strategies, framed by its nationalism, by enabling redistribution in the absence of adjustment (Alogoskoufis, 1995, p.173). In their absence, the PASOK government of the time would have probably been compelled to seek IMF assistance, undergoing structural reform under the auspices of an international actor much more closely associated with the US and therefore even less legitimate than the EC.

2.The Role of the SOE's and SCB's

PASOK, once in power, instead of learning from European social democracy the moderated adjustment that was necessitated by the market (Lavdas, 2005, pp. 311-312) it turned the radicalisation of its supporters against such a settlement - and in an assault on market actors and the financial sector without regard to consequences in terms of corporate performance. This preference assuaged the longing of trade unions and employees to acquire voice and participation, suppressed under Greece's authoritarian state that lasted from the end of World War II up until the collapse of the dictatorship in 1974. Command of the Greek economy's key assets, by a nationalist-populist government, also underlined popular sovereignty, seen as suborned by the collusion between the external factor and its favoured local elites (Lyrintzis, 1987). It also gave, as we will see below, critical distributional means to PASOK governments.

With the above in mind, we can identify two categories of large corporations in this period, lasting from 1981 to 1996. First, those corporations which grew to significant size in the post-war era under the high growth rates of Greece's economy, under post World War II reconstruction, but fell in distress from the 1970's onwards. Second, the SOE's and SCB's, which became firmly subordinated to PASOK's distributional imperatives.

Firms belonging to the first category were completely discredited, due to their privileged links within the political economy of authoritarian Greece and their inability to respond to the less favourable macro conditions, obtaining in Greece from the mid-1970's onwards. Not only did they lack the leverage to advocate for a policy regime that would allow them to restructure in this period; the weaker among them also fell victim to the policy of PASOK's first government, to encourage SCBs to convert their loans into equity and thus to become indirectly nationalised. In this new guise they essentially became vehicles of patronage and recyclers of government and/or bank cash injections.

SOE's and SCB's, our second category, were also completely subordinated to PASOK's distributional and patronage imperatives. PASOK's treatment of large SOE's and SCB's represented a qualitative leap in Greek clientelism. Both in terms of its magnitude and operationalisation, it acquired bureaucratic characteristics (Mavrokordatos, 1997, pp.17-18). It involved, in PASOK's first term of 1983-89, employee growth of 30-50 %, in such key corporations as NBG, Greece's leading commercial bank, and DEI, the electricity utility, and an overall expansion of the wider public sector from 500,000 in 1980 to 900,000 in 1989 (Kalyvas, 1997). This bureaucratic clientelism was operationalised mostly through the suspension of competitive entrance examinations and the parcelling out of clintelistic hirings between the party organisation, PASOK's members of parliament and PASKE, PASOK's trade union organisation (PASKE represents the PASOK affiliated factions in Greece's major trade unions where competing tickets, in trade union elections, come with party affiliations). It was no surprise that 89 % of those who joined PASOK since 1981, when PASOK was first elected government, were employed by the state sector (Kalyvas, 1997).

The mobilisation through systematised, bureaucratic clientelism was ensconced in PASOK's world view. It was legitimised by the widespread perception of decades-long socio-economic exclusion of the left from the authoritarian governments of the right. It spoke, in the case of strategic SOE's, of serving the 'the national interest and the social whole' (Papoulias and Lioukas, 1995, p.278), integrating SOE's in the wider struggle against Greece's domestic political and economic elite and its Western patrons.

Trade unionists, and in general employees in SOE's and SCB's, were natural subscribers to PASOK's world view. PASOK's stand-offish attitude towards the EC and the soft budget constraints that it legitimised accommodated their own claims on the public purse. Anti-Americanism, mediated through friction with Turkey, gave to their political patron, PASOK, the advantage over the ND party, still burdened by association with the dictatorship's disastrous tenure (Voulgaris, 2001). Furthermore, within the trade union movement, this world view was also historically informed, as the previous battles for associational rights were stymied by Greece's US-sponsored, post World War II circumscribed democracy and subsequently by the dictatorship. In the 1950's and the 1960's legitimate trade union demands, particularly in the state-owned utilities and the banks, were met, by Greece's authoritarian right wing governments, with repression and the charge of communist incitement. Consequently, trade unionists, radicalised, channelled their specific grievances and expectations to the wider opposition to the post World War II authoritarian state, adding their voices to the demand for democratisation and the abolition of the Greek monarchy. Thus, when the dictatorship fell in 1974, the trade union movement was already inculcated to align its associational advocacy with the world view that had historically legitimated and enabled the exercise of this advocacy (Seferiadis, 1998, pp.25-27).

Political clients, also needed this world view themselves to justify and exalt their client status (Diamanturos, 1994, pp.39-40; Pantazopoulos, 2001). As redress for past injustices, inflicted by a suborned by foreigners oligarchy, as the long-delayed ownership of the country and its key assets by its own majority, this world view justified opposition to a series of measures ranging from fiscal stabilisation to depoliticised meritocracy, and indeed technocracy, in the management of SOE's and SCB's.

Not surprisingly trade unions at SOE's and SCB's took the lead in breaking PASOK's first stabilisation program by the party's leading pro-European politician, the then minister of National Economy, Costas Simitis in 1988. They then contributed to the shortening of the ND tenure, in 1991-1993, under the reaction that the latter's effort to privatise OTE, the telecom monopoly, caused. In the OTE case, the threat of trade union rights were conflated with the compromise of national interest, were OTE to fall under foreign ownership, encapsulating the consensus that PASOK had forged with nationally-defined social actors. Such actions escaped the confines of the economic domain and postponed Greece's evolution as an orthodox participant in Europe and in wider internationalisation processes. Essentially trade unions at SOE's and SCB's, by forming a large part of the socioeconomic backbone of the so-called 'patriotic PASOK', not only transmitted their material-distributionist preferences to the party's leadership; they also helped keep alive the ideational framework that legitimised these preferences and informed Greece's comportment as an international actor.

3.Impact on Foreign Policy

Foreign policy and defence analysts (Couloumbis, 1993; Coufoudakis,1993; Iatrides, 1993) have noted that PASOK's first nine years in power (1981-1989) did not essentially overturn Greece's commitments and priorities set before its ascend to rule by the first democratic government, after 1974, of the centre-right New Democracy (Nea Dimokratia-ND). Greece, after all, under PASOK, remained a member of NATO and the EC and followed a policy of deterrence vis a vis Turkey while avoiding outright military conflict.

Nonetheless, the conduct of the two first PASOK governments internationally, even at the rhetorical and declaratory level, had real and substantive enough effects. It delayed familiarisation of the party and state policy apparatus with the EC and potentially like-minded European political forces (Verney, 1993). Indicatively, the first PASOK government officially confirmed that Greece will, after all, remain in the EC only at the end of its first tenure, in 1985 (PASOK had opposed the ND-led accession of Greece to the EC while in opposition). PASOK itself joined the Confederation of Socialist Parties at the end of its second tenure, in 1989, and only applied to join the Socialist International the same year.

Furthermore, it can be argued that the country's spoiler role in NATO, and insufficient socialisation and limited credibility within the EU, entrenched by this backlash coalition, and serving its own strategic interests, domestically, further exacerbated the country's response to the momentous events which followed in the wake of the collapse of the Eastern Bloc in 1989. Greece dealt with the disintegration of Yugoslavia, and the resulting creation of an independent Republic of Macedonia, distrustful of its key allies. Greece, not only did it overreact, but it lacked the depth of policy linkages, and ideological affinity, with leading actors in Europe – and those actors, in turn, lacked legitimacy within Greece -so that it could negotiate a reasonably smooth and rapid climb-down from the impossible position it got itself in, in its relationship with the Republic of Macedonia. Last but not least, this position not only damaged its international prestige but also its own supreme goal of regional stability.

The Internationalist Coalition's Nationalism

1.EMU and SOE's & SCB's

Pagoulatos (2004, pp.65-66) has analysed how by the late 1980's PASOK's exceptionalism came to be eroded by a confluence of factors. EU conditionality, in its transfer of funds, was being strengthened while the promise that PASOK introduced in the public domain was increasingly tarnished by corruption scandals and the general underperformance of its policy choices, be they industrial enterprises controlled by the state, state-owned banks or agricultural cooperatives set up to compete with private commodity merchants. Anti-westernism was also an increasingly spent force. Fifteen years after the fall of the dictatorship, ten years after joining the EU and being the beneficiaries of its largesse, and sustained exposure of Greece's policy and political elites to Brussels neutralised the hostility of earlier years.

The arrival of the EMU project thus found the country ready to renew its vows with Europe. Fiscal adjustment would have to be undertaken regardless of Greece's perilous macroeconomic imbalances. Paradoxically the country's weakness strengthened its need to secure its European vocation precisely at a time when this vocation acquired, through the EMU process, an altogether much greater scope. EU membership had now become such a constant that relegation to a second tier, which would have been made brutally clear by failure to enter into the EMU, became intolerable (Karzis, 2006, pp.88-89). And the process and costs of adjustment, necessary for

EMU accession, came with the promise of 'convergence' in the wider sense, of Greece coming closer to European levels of wealth and standards of living.

There is also a consensus, by Greek political economists, that the decision by the Greek government to pursue EMU entry was also spurred by wider foreign policy and security considerations as well as identity ones (Tsakalotos, 1998, p. 133; Kazakos, 2004, p.906). EMU accession was seen as a reaffirmation of the country's standing as an EC member, itself a status associated with the need to counterbalance Turkey's greater size and leverage vis a vis the United States.

In addition, entry into the EMU was seen as rendering credible, internally and externally, Greece's status as a member of the EU in the wider region of the Balkans, after intractable disputes with neighbours such as the Republic of Macedonia: as 'a European country in the Balkans rather than a Balkan country in Europe' (Simitis, 2005, pp.34, 39-40).

Thus the EMU effort grounded PM Simitis's formulation of a 'strong Greece', the formulation with which his tenure has been most strongly identified (and contested), on these multiple fronts, relating to economic, identity and security & international prestige issues (Spourdalakis and Tassis, 2006, p.504).

The most crucial and tangible corollary of the EMU entry process, for our purposes, was the need to raise revenue through the sale of state-owned participations in the capital markets and the concurrent decision to let go of state control, albeit gradually, of the banking sector. The then telecom monopoly's, OTE, initial and secondary public offerings (IPO's and SPO'S) provided depth to the Athens Stock Exchange (ASE), generating interest in Greek equities from foreign portfolio investors and spreading share ownership in Greece itself (Spanos and Papoulias, 2005, p.19). The management of NBG, appointed by PM Simitis, and mandated by him to restructure the bank, started disposing of its industrial participations and cleaned up its balance sheet, actions which signalled to domestic and international investors that the government will stick to its commitments (Pagoulatos, 2006).

The initial motive, behind the disposal of state assets or the sale of non-controlling shareholdings through IPO's and SPO's, was mainly the raising of revenue in the least painless way, in order to fulfill the EMU's Maastricht criteria, the alternatives being the raising of taxes and/or cuts in expenditure (Pagoulatos, 2005, p.360). But such was the breadth and scope of the growth of the capital market that it ended up being core to the governing party's strategy and its legitimation.

The recognition of the Government's reform efforts by international investors, the inclusion of an ever wider swathe of Greece's state owned and private corporations through capital markets, the generation of capital gains by an increasing number of Greek investors, led to the government's incorporation of capital market growth in its overall normative framework: of a strong Greece, increasingly capable of converging with Europe, on its way to EMU accession. Indeed, international investors themselves directed flows to Greek equities on the basis of the so-called 'convergence scenario', of the Greek economy and its leading corporations achieving sustainable growth due to EMU-anchored policy framework.

Cumulatively this led to the stock exchange being the 'pace setter of economic activity'[20], replacing the preeminence enjoyed by the state, previously, by its direct credit and monetary actions. A growing ASE also created a decisive political constituency in favour of market liberalization, composed of capital holders and the well-educated and highly skilled, who could expect satisfactory returns from their investment in money and labor in Greece's liberalized markets (Pagoulatos, 2003a). Thus corporate imperatives were aligned, through capital market growth, with national direction, as notions of profitability and shareholder value became incorporated in this wider EMU accession effort.

Once the internationalization of Greece's major corporations gathered pace, as we will see below, this also meant that notions of national strength and purpose shifted from EU specific processes, premised on state policy, to market actors projecting their power in Greece's surrounding region and further afield.

2.Corporate Restructuring and Internationalisation

Two of Greece's largest state-controlled corporations, OTE and NBG, became leading investors in the regional markets of the Balkans. As per Goldstein's (2007, pp. 67-73) sequential schema,

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[20] Pagoulatos, G., 2003a. *Greece's New Political Economy-State Finance and Growth from Post War to EMU.* London: Palgrave Macmillan, p. 170.

their market restructuring and /or equitisation facilitated the internationalization of their activities. Both NBG and OTE participated in privatizations undertaken by the transition states of the Balkans while also exporting in these countries the know-how acquired within their own home-based liberalized environment: most prominently mobile telephony in the case of OTE and retail banking in the case of NBG.

Importantly privately-owned corporations asserted themselves in regional markets, taking advantage of the same market liberalisation measures that benefited NBG and OTE and the capital market deepening that emerged due to the IPO's and SPO's initiated by the Greek state. Furthermore their capital market listings, their increasingly managerial culture and the widely-known brands that they had created, put them in the public domain, their corporate trajectories shared and acknowledged by an expanding circle of constituencies.

Greek FDI achieved second or third place in all key Balkan markets. This leadership has been mediated not only in the aggregate, in Greek public discourse, through quarterly, biannual and annual statistical results, but in almost daily announcements, in the Greek financial press, for over ten years, regarding FDI related decisions by Greek corporations (which must report them if they are listed at ASE). It has also been diffused in Greek society by the direct experiences, in the region, of thousands of Greek managers and entrepreneurs (approximately 10,000 managers have been estimated to be involved directly in operations of the more than 3,000 Greek firms active in the Balkans, most travelling and living there on a part times basis, out of which 3,000 are permanently based[21]).

In the period under consideration, global capital flows, particularly in equity markets, also have been increasingly prominent, in the case of Greece. The ratio of foreign ownership to ASE's total market capitalisation rose from 31.3 % in 2003 to 46.7 % in 2006, mostly concentrated at FT/ASE 20 shareholdings, Greece's most significant corporations. Typically foreign institutional investors got to own more than 30 % of the stock of Greece's big four banks, which

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[21] Pouleres, G.,2008. The 3,000 Greek managers in the Balkans, TA NEA, 6-7 September.

is also indicative of their importance in their approval of the regional strategy of Greece's financial sector.

In particular, from around 2001 onwards, the cumulative Greek FDI in the Balkans, together with the prospect of EU entry by the countries of the region, gave another strong reason for global investors to direct flows to Greece's key corporations, and most prominently in Greek financial sector stocks. Greece's four major banks, NBG, Eurobank, Alpha and Piraeus, had acquired, according to the international investment banks which would broker and promote these investment flows, sustainable market leadership in what was seen as a high-growth region (indicatively, O'Brien and Holle, 2004; Vinci, Santoni and Lanz, 2005; Tucker, 2006). In a feedback loop, the availability of capital, on the basis of sustainable profitability secured by regional expansion, further propelled Greek corporations to propagate and execute regional strategies of increasing magnitude and scope. Especially Greek banks communicated to the investment public in Greece and abroad, mostly in the City of London, business plans in unprecedented detail and ambitious scope, matching and reinforcing the expectations of global investors and international investment banks (see Alpha Bank, 2006; Eurobank, 2005; National Bank of Greece, 2005, 2007). The Greek business press has extensively reported both the articulation and implementation of these business strategies[22] and the approval that they have received by international financial institutions and media, the latter also being advertised by the Greek banks themselves[23]. Thus, this most stereotypical feature of globalization, international portfolio capital flows, both strengthened Greek corporate internationalization and provided external confirmation of its primacy in the region, particularly so in the case of Greek financial institutions.

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[22] The sampling of the following articles, and their titles, is indicative of the boosterism with which the Greek press has dealt with banks' expansion in the Balkans: Liamis, L., 2005. Banking War...for the Balkans, *Imerisia*, 28 April; Ziotis, Ch., 2005. Romanian Euphoria in Sophocleous, *Eleftherotypia*, 27 October; Papageorgiou, G.H., 2005. New Field of Glory for the banks in North Africa and the Middle East, *Eleftherotypia*, 6 November; Ioannou, Ch., 2005. National: Balkan profits with Greek recipe! *Eleftherotypia*, 10 July; Konstas, Ch., 2006. Greek Banking sweeps the Balkans, O Kosmos tou Ependyti, 9-10 December; Pefanis, D. & Kanellopoulos, G, 2006. The Turkish Dream of the Greek bankers, *TA NEA*, 2 December.

[23] euro2day, 2006. *Support' for Greek banks by Citigroup*. 24 April; Imerisia, 2007. *Dresdner:Greek banks are a "Defensive, growth story"*. 6 September; euro2day, *Businessweek: National represents value!*, 18 July; Imerisia, 2006. *A wave of reports for the banks*. 2 March; euro2day, 2007. *UBS: The prospects of Greek banks are brilliant.* 6 July.

3. The Ministry of Finance and Corporate Internationalisation

As it was mentioned above the initial imperative of SOE and SCB modernisation was that of repairing Greece's fiscal position, the latter goal becoming integral to Greece's EMU accession strategy. This policy, first initiated by a weak ND government, in the early 1990's, met significant constrains due to intra-governmental opposition fuelled by the rising political costs of the exercise (Pagoulatos, 2002, p.140). As the EMU accession process picked up speed, however, following the assumption of the premiership by Costas Simitis, in 1996, obstacles begun to fall by the wayside. The overwhelming legitimacy that this effort commanded made politically more acceptable, both to trade unions and ministers overseeing SOE's and SCB's, the privatisation and equitisations now undertaken by the PASOK government (Tsoukas and Papulias, 2005, p.86; Interview 5). The gradualist and pragmatic orientation of this approach – emphasizing retention of ultimate state control, or leaving the issue of control ambiguous, and underlining the continued strategic role of these enterprises, partly a code word for predictable relations between employees and other stakeholders – enabled PASOK to proceed without rupturing its relations with the trade unions.

As importantly, the growth in capital markets that the government's privatisation and equitisation programme facilitated, together with the societal legitimation that it engendered, increased the leverage of the MF over other Ministries, who were the direct 'owners' of these corporations and subsequently led them to share in the agenda of the MF.

While it has been noted above that the EMU factor has been decisive in reconciling trade unions and government Ministers and ruling party factions, at PASOK, to redefined governance arrangements at SOE's and SCB's this has not always been sufficient. Where market interest was absent, for sector-specific reasons, as in the case of the Olympic Airlines, what has been observed is governmental inability to impose corporate restructuring, unaltered industrial relations and limited involvement of the MF in the related privatization efforts, led by the Ministry of Transport – and this despite the joint will of the European Commission and the Greek Government to impose change at Olympic Airlines (Featherstone and Papadimitriou, 2007). A persistent loss maker, engaged in a much more problematic service sector than say finance, or telecoms, the IPOs and SPOs of which launched ASE's new era, Olympic Airlines could not access funds from the capital markets and could only with difficulty attract strategic investors. As a result management and government lacked the material incentives to co-opt, cajole or marginalise recalcitrant trade unions. By means of contrast, the privatisation of Ionian Bank, in itself a catalyst for the Government's privatisation program, and the ongoing restructuring of National Bank of Greece, were decisively helped by their growing share prices, as agreements had been struck for employees to acquire generous helpings of share options (Interviews 1,2,3 and 5). In effect, absent globalisation Greece failed to implement Europeanisation, in terms of SOE restructuring.

In effect the Minister of Finance, by steering the restructuring of those SOE's and SCB's that could be transformed into profit-seeking market actors, presided over a transformed distributional model. His predecessors, as we mentioned above, and their Ministerial colleagues, with responsibilities over SOE's and SCB's, would, through directed lending to favourable constituencies and clientelistic hires, boost their personal powers of patronage and collectively those of their party. Subsequently, the Minister would give up on the power and tools of patronage so that emancipated managements, at SOE's and SCB's, could restructure corporate operations and clean up corporate balance sheets. In exchange, these efforts would sustain a capital markets boom which would both facilitate Greece's EMU entry strategy, with enhanced fiscal proceeds, and expand the constituency of managers, capital holders but also employees, in favour of the government. Indicative of the distributional force of this model is that in 1985, at the height of PASOK's statism and clientelistic populism, the capitalisation of ASE accounted only for 2 % of Greek GDP whereas by 2000 it had reached 85 % of Greek GDP.

The Minister of Finance, throughout the period under consideration, managed and negotiated the external restraints, as they related to corporate governance, on the premise of which portfolio inflows were generated (Pagoulatos, 2005, pp.365-366). This exercise was liable to get upset due to ongoing clientelistic pressures, overreach on the part of ambitious managements, with regard to how much change trade unions would tolerate, and factionalist battles, at the Cabinet level, for influence, spilling over onto the SOE and SCB domain. On the other hand, the Minister would have to take into account managerial imperatives, at key SOE's and SCB's, in terms of accessing the capital markets and formulating and executing corporate strategies, supported by the latter. His became a balancing act which at its most successful would synthesize the following roles: as the capital markets cheerleader, domestically and abroad, in effect the nearest government catalyst of capital inflows to an increasingly extrovert national economy, and as the lead manager, on behalf of the government, of the mutually reinforcing alliance between corporate chieftains, managers and capital holders, the business press and the ruling party (Karakousis, 2006, pp.320-324). The only distinction, between the way this role was managed by PASOK Ministers and their ND successor, albeit an important one as we will see below, would be the one centred on the role of the trade unions.

More specifically, the Minister of Finance took the role of green-lighting both corporate consolidation and international expansion. This was a symbiotically concurrent step in terms of value creation that would benefit the Greek state, rising valuations of listed SOE and SCB stock which would benefit the government and continuous norm embeddedness that would consolidate the ruling party's hegemony. It was also integral to the exercise of managerial autonomy particularly at the time when capital markets rewarded both consolidation and internationalisation with higher capitalisations at ASE.

Prominent examples of this function were NBG's consolidation with its mortgage bank subsidiary, which spurred mortgage lending in Greece, the acquisition of Macedonian Thrace bank by Piraeus Bank, where NBG held a controlling stake, the acquisitions of the state-owned Bank of Crete and Ionian Bank by the privately controlled Piraeus and Eurobank respectively, the merger between the state-owned Hellenic Petroleum with the privately owned Petrola, the green-lighting of the merger between Alpha Bank with NBG (ultimately failed due to shareholding and management opposition) and the acquisition of the Turkish Finansbank by NBG (Pagoluatos, 205, pp. 374-375). These corporate transactions accompanied the tenure of three Ministers of Finance, namely Papantoniou, Hristodoulakis and Alogoskoufis, across a ten year period, during four electoral mandates, two for each of Greece's ruling parties, PASOK and ND. Progressively the Minister of Finance's role, as overseer of corporate consolidation and internationalisation, would assume ever greater material impact, as it would first encompass market leadership at the home market, and subsequently leadership within the ever expanding regional frontier where Greek corporations internationalised, reaching its peak point with the acquisition of Finansbank by NBG. Greek international expansion, as we will see in detail through the examination of NBG's trajectory in the next chapter, together with consolidation, would boost the capitalisation of ASE listed firms, would strengthen them against foreign predation, liable to upset delicate relations between the government and trade unions, and would also enable the government to claim 'ownership' for a Greece that was increasingly influential internationally due to the leading position that its key corporations had assumed in the region.

Bureaucratic Competition and Historisation

1.MF and MFA: Bureaucratic Competition

The arrival of the Simitis government, infused by its strategic purpose for Greece to become a member of the eurozone, and to be rehabilitated as a constructive EU member country, in all its facets, and certainly in its foreign policy conduct, coincided with increasing awareness, within Greece itself, of the commercial prominence achieved by its business community in the Balkans. In fact even before Simitis's arrival on the scene, Greece had initiated a policy of normalisation of relations in its surrounding region. The Interim Agreement with the Republic of Macedonia, which lifted the Greek trade embargo, in 1995, and the agreement to open an additional two border crossings with Bulgaria, in the same year, previously stalled for security reasons, both underlined this shift which was informed by the country's beneficial economic interdependence with its neighbours (Walden, 1999, pp. 94-95, 115).

By the mid-1990's the post-1989 transition dust had settled, Greece had become a leading exporter in the region while also starting to undertake meaningful FDI activities in the region. Sustained and rising export volumes impressed the fact that the Greek economic presence in the region was no flash in the pan and that Greece had much to gain economically by its growing internationalisation. This realisation, in turn, disseminated to the wider public the perception of the region as Greece's long-lost and now recovered economic hinterland (Tsardaninis and Karafotakis, 2000, p.4; Tsardanidis and Houliaras, 2006, p.472) no doubt alerting policy makers to the growing political benefits, party and personal, of being seen to facilitate Greek commercial interests in the region.

Beginning in 1993, at the initiative of then Alternate Minister of the MF Papantoniou, the Secretariat of International Relations, an MF division, started pondering initiatives that would enable the MF and its political leadership to be seen to be supportive of Greek commercial interests abroad (Tsardanidis and Houliaras, 2005, p.36; Interview 7). Two years later, in 1995, and subsequent to a meeting between then Minister of the MFA Papoulias and Greek businessmen, hosted on the initiative of then Commercial Bank of Greece Chairman Poulis, the MFA commenced the organisational effort necessary to support the activities of the Greek business community in the region (Interview 6). The initial outcome of this effort was to delegate to Greek ambassadors responsibility, at their countries of residence, for the domains of infrastructure, energy, banking and telecommunications, to the extent that in these domains Greek corporations would be capable and interested in playing a role. Commercial attaches under that scheme were to be left to manage the ordinary, recurrent bilateral economic relationships, mostly trade related. Not surprisingly the MFA's above mentioned initiative provoked the immediate reaction of the MF's Secretariat of International Relations, as an unwelcome intrusion in a well-established MF policy domain (Interview 6).

Subsequently under Alternate Minister of the MFA G.A. Papandreou's initiative, who subscribed to the notion that Greece should take an expanded perception of itself in the world and embrace its responsibilities, as a moderately affluent EU member country, Greece started developing its Official Development Assistance (ODA) program. By 1997 Greece, as a result of his efforts, committed to OECD to dedicate 0,1 of its GDP to international aid. In effect Greek regional economic performance both legitimised domestically the provision of Official Development Assistance (ODA) while enabling the Greek government to present Greece, on the basis of both private entrepreneurship and ODA, as a force of stability and prosperity in regional affairs.

Indicatively the first ODA initiative, the rebuilding of a war damaged hospital in Sarajevo's Muslim's district, was chosen so as to underline that Greece would no longer be indentified with Serbia's Milosevic regime in the region (interview 6). The Greek government also successfully lobbied for the location of the Organisation of Balkan Reconstruction to be located in Thessaloniki, Greece's second largest city, which harboured ambitions of reanimating its commercial leadership of old in the Balkans. Cumulatively the newly born Greek ODA and the hosting of EU-led reconstruction activities in the Western Balkans, aligned Greece with EU and NATO stabilisation and normalisation priorities in the region. These initiatives, undertaken under MFA leadership, bear evidence of the Greek government's wider international strategic direction and, in particular, its determination to closely align itself with its key European partners.

The climactic battle between the MF and MFA entailed which one of the ministries would assume responsibility for the management of Greece's reconstruction funds in the region, which were budgeted to be 550 million euros to be deployed from 2003-2007, according to the legislation that was eventually passed into law in 2002. The budgeted funds were allocated within the framework of ESOAV (which stands for the Hellenic Plan for the Reconstruction of the Balkans) which was actually designed by MF personnel on MF's initiative. Ironically this MF initiative was not only hijacked by the MFA but it also became the Trojan horse through which the MFA acquired the network of commercial attaches from the MF, the argument being that a vertical chain of command that would incorporate both the Ambassador and the Commercial attaché, under the ultimate supervision of the MFA, would provide for greater policy coherence and efficient implementation of the ESOAV (Interviews 5, 6, 7).

Ultimately this battle was decided on MFA's favour with PM Simitis himself deciding that it should manage ESOAV and that, furthermore, commercial attaches up until then employed by the MF would be transferred to the MFA. Importantly then Minister of the MF Papantoniou did not actively engage in this battle but rather left his Deputy Minister to fight it on his own. The outcome, and this relative lack of engagement at the very top of the MF, is explained by the fact that the MF simply had more important fish to fry – both in policy terms and in terms of the political priorities of its Ministerial head (Interview 5). As we described above the MF was deeply engaged, and exercised a formative influence over the substance of the process of corporate modernisation in Greece and subsequently corporate internationalisation. As such it was party to billions of euros of SPO's and equitisations and mergers and acquisitions and to the ebbs and flows of international capital to Greece's corporate sector through the capital market. In the end a half billion euro aid program, to be channelled through administrative measures to Greek corporations active in the Balkans, over a four year period, 2003-2007, was a rather insignificant activity from the MF, harking back to its pre-market liberalisation role as the distributor of subsidies to Greek firms. Indicatively, none of Mr Papantoniou's successors at the

MF, either at PASOK or at ND, sought to claw back or duplicate the policy domain that he so easily gave up.

For our purposes, what is of importance is that by 2001 the MFA had acquired, in the network of commercial attaches and in the management of ESOAV, an important institutional commitment to the advancement of Greek commercial interests in the region. It had also been associated, as a Ministry and through its Minister of the day, through these commitments, with particular perspective of Greek interests in the region, contoured by Greek commercial activity and Greek ODA.

2. MFA and MF: Conceptual Convergence around the Core & Periphery Axis

Already by 2000 not only Greek exports but also Greek FDI were increasingly assumed, by Greek observers, and the wider public, to have acquired a leading and sustainable position in the Balkans (Walden, 2004, p.141). By 2004, when ND had won the general elections, Greece's four major banks had acquired a leading presence in the Balkans and Greek FDI had reached top-5 rank in all the countries of the region. Furthermore, the global rise in the value of commodities and the growth of China, led Greek shipping in one of its most spectacular upward cycles. Thus it is not surprising that the ND government, while ridiculing PASOK's claims of a 'powerful Greece', by controversially casting doubt on Greek statistical and other macroeconomic reporting, that made possible Greece's entry into the EMU, adopted the very similar theme of an 'extrovert and gateway Greece' (for a typical presentation of this proposition, on the notion of extroversion being core to Greece's international identity see General Secretariat of Communication, 2006, and Livadas, 2007, while it is worth noting that G.A.Papandreou, his less Greek-centric approach on international aid notwithstanding, also presented Greece as an interface between global capital flows and the region, see Papandreou, 2001).

Henceforth, both ND's foreign and economic ministers would stress this 'banks and ships' motif, of an extrovert Greece, the economy of which is a global leader in maritime transport and a regional leader in finance. This outlook assumed by the ND government also bears testimony to the extension of the preferences, adopted by middle and upper income segments in favour of market liberalisation (Pagoulatos, 2003), to include this process's international aspect. This preference in effect anchored both PASOK and ND around the same outlook - indeed PASOK, while in opposition, as we will examine in greater detail in the following chapter, shared in the notion that Greek regional economic leadership is of strategic significance to Greece.

Minister of MFA Bakoyianni, a contender for the leadership of the governing ND party who assumed office at the MFA in 2006, has used the MFA economic diplomacy instruments, that we examined above, to connect herself to Greece's business community. She would emphasize that as Minister of MFA she is not only dealing with issues of 'national' significance (i.e. high politics), but of distant importance to Greece's business community, but rather she is an effective advocate of their objectives and that, in this capacity, her Ministry would now qualifies as a 'productive' one (Bakoyianni, 2007a, in Greek political parlance a 'paragogiko' productive ministry means one with a role in economic life, such as that of MF, Ministry of Development etc). As a knowledgeable insider has noted Mrs Bakoyianni has been exceptional, in her Ministerial capacity, in her understanding both of the policy and the political importance of instruments of economic diplomacy (Interview 6).

Minister Bakoyianni has also further developed the policy instruments of economic diplomacy, for instance by deciding, in the revamped MFA personnel organisation structure that she introduced, that all newly hired diplomats must first serve under a commercial attaché office, and has identified herself with the policy to an unprecedented degree (Bakoyianni, 2008). As we have noted above this approach of hers has been coterminous with what might be seen in retrospect as the apogee of Greek corporate internationalisation, and certainly during a period of continuous and frenetic corporate internationalisation (the 2008 worldwide financial crisis has negatively affected both Greek banking operations in the Balkans and Greek shipping).

It is also illuminating that while ODA remained as a policy of the MFA it was with economic diplomacy that Minister Bakoyianni has chosen to most closely associate herself. It is economic diplomacy that has been seen by the Greek press as her signature policy[24] . Typically, the promotion of economic diplomacy, and through it of Minister Bakoyianni herself, has involved

[24] Indicatively, Tsiodras, D., 2006. Minister of External Economy, *Eleftherotypia*, 19 March; Imerisia, *Emphasis in Economic Diplomacy*. 10 January; Bourdaras, G.S.,2007. The new goals of Economic Diplomacy, *Kathimerini*, 20 January.

high impact presentations in impressive venues in Athens and Thessaloniki with businessmen, ND MP's and prefects, in attendance and in coordination with such leading employers associations as the Associations of Greek Industries or the Association of Greek exporters[25].

This emphasis on the promotion of the more narrowly defined Greek commercial interests in the region, and by extension of Greek economic preponderance thereof, has also been noted by policy analysts and scholars. As an observer of Greek ODA has argued, the more Greek ODA becomes disengaged from the region where Greek economic interests have developed, not least due to the fact that Balkan countries no longer qualify for assistance due to their EU accession status, the less politically compelling ODA becomes for Greek policy makers (Gropas, 2008, p.12). Additionally, it has been posited that Greek foreign economic policy in the region, in spirit and in content, actually (i) reflects and reproduces the notion of Greek economic primacy rather than incorporating a holistic, sophisticated perspective of the region's needs and pursuing a set of policies of manifestly mutual benefit and (ii) has a commensurably bilateral focus rather than being informed by EU policies, such as those of the Lisbon Treaty, for which Greece could provide leadership (Monastiriotis and Tsamis, 2007, pp. 19-23).

These critical observations must be placed in the context of the convergence between the MF and MFA in their joint presentation of Greece, internally and externally, as an interface of an ever more ambitious, in geographic and population terms, domain. At both ministries the political leadership would ask Greece's ambassadorial corps to disseminate this role of Greece to external audiences as a matter of official policy (see Alogoskoufis, 2006; Stylianidis, 2006) while also doing so themselves. The same policy makers would expand the limits of Greece's core region, starting with a population of 70 million (Greece and the Balkans), moving to 120-160 million (Greece, the Balkans and Turkey, Alogoskoufis, 2005; Sakellaris, 2005) and ultimately resting at a 250 million-strong region (Greece, Balkans, Turkey and the Middle East)[26].

Such claims might seem outlandish but they actually reflected, in the period under consideration, global liquidity conditions that underpinned Greek corporate internationalisation,

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[25] Palikaris, E.,2008. Demonstration of Political Power in Thessaloniki-Dora returns to ...Greece, *Imerisia*,19-20 April.
[26] Kathimerini,2007. *G.Alogoskoufis: "Greece is the economic and business centre of South East Europe"*. 29 January.

with Greek corporations accessing first flows from the West (Europe and North America) and subsequently from the Middle East to finance their regional gambit. Indicatively NBG engaged in a capital raise of 3 billion euros, the largest ever for a Greek corporation, to complete its acquisition of Finansbank in Turkey, only to be overtaken by Marfin Group which completed a capital raise of 5.2 billion euros, mostly sourced from Middle Eastern investors and Greek ship-owners, with the explicit mandate to acquire assets in Greece and the region, which it proceeded to do so[27].

As we noted this periphery extension also included Turkey, as an economic entity equal to the rest of the Balkans and as a country which was increasingly becoming a recipient of Greek exports and FDI (Stylianidis, 2006; Skylakakis, 2006; Bakoyianni: 2007b). Minister Bakoyianni's quick embrace of this position occurred despite the fact that the Finansbank acquisition was decided prior to her assumption of duties and without her knowledge and of course consent (Interviews 2, 6).

In sum, Greek policy makers, in the period under consideration, embraced a process of corporate internationalisation of significant scope, compatible with Greek comparative advantages in the region and financed, to a significant degree, by international providers of capital. Furthermore, this process was a hierarchical one in terms of Greece's corporations substantiating a core periphery relationship. While the hierarchical nature of Greek corporate internationalisation was integrated by Greek policy makers as a positional good, in their interactions with domestic, international and regional constituencies (i.e. as a good possessed by Greece and not by its regional neighbours), this positional good also accepted and incorporated economic interdependence with Greece's main strategic rival, Turkey. Last but not least, as the momentum of Greek corporate internationalisation accelerated, the MFA's political leadership shifted its emphasis from ODA, and EU-led reconstruction efforts in the Western Balkans, to economic diplomacy, which allowed it to identify itself more visibly with Greek commercial leadership in the region.

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[27] Kerr, S., 2007. Gulf Money not only heading for UK, *Financial Times*, 21 May; Arnold M. & Hope, K., 2007, Marfin enters final stages of 5.2 bn euro share offering, *Financial Times*, 28 June.

3. Historising Core Periphery Perspectives

The identification of Greek policy makers with Greek corporate internationalisation has run in tandem with the growing visibility of the latter both in actual fact and in public debate. It has also been refracted, from the very beginning, through the lenses of Hellenism's past experience.

The collapse of Soviet Communism, arguably the single most important event that has given birth to the globalisation thesis, by opening up regional markets to Greek entrepreneurs and corporations, has also converted the Balkans from impenetrable borderlands to a Greek hinterland (Huliaras and Tsardanidis, 2006, pp.472-75; Rasku, 2007, p.88). The Balkans as hinterland, as a privileged domain for Greek action, is a concept which is naturally linked with Greek historicity and its commercial, intellectual and political referents. This historicity is informed by Hellenism's commercial dominance in the Ottoman Empire, its role as a conduit of transfiguring concepts for the region such as nationalism, and its status as the first independent nation-state to emerge out of the Ottoman Empire under European Great Power sponsorship (Ioakimidis, 2007, pp.17-21). It recognises the strategic role that Greece's commercial Diaspora played in facilitating the ability of Greek political leadership to be attuned to and make use of international developments with a bearing in the region (Diamantouros, 1994, pp.25-26). It recovers past schemes to escape the conundrum of creating a nation-state smaller than the extended geographic space in which the Diaspora has thrived: multinational governance schemes ranging from the Balkan confederation hatched by the Greek intellectual and revolutionary Rigas Feraios (Ozkirimli and Sofos, 2008, pp.18-19) to a reformed, democratised Ottoman Empire co-managed by Greeks and Turks (Veremis, 1989, pp.143-144).

Is this historisation a well-founded representation of long duree comparative advantages or the reinvention of an 'imagined past'? A seminal work on commerce in the Ottoman Empire has noted how merchant communities of diverse ethnic origin appropriated Greek culture and language as the most suitable medium of commercial exchange across the liberalised imperial space (Stoinavovich, 1960, p.291). This appropriation was induced by the presence of the Greek-speaking Ecumenical Patriarchate, which exercised both religious and part-civil authority over the Empire's Eastern Orthodox populations. For the ethnically diverse Orthodox commercial elites, Hellenisation by providing access to the Ecumenical Patriarchate, it enabled them to advance their commercial interests via political means and ultimately exercise political and social power via this alignment. Additionally, Greece's geography, and in particular its access to the sea, has conferred to it a durable advantage, compared to its neighbours, in relating and benefiting from economic internationalisation (see Dertilis, 2005, p.196).

There are therefore, in the case of Greece, diverse 'grand pasts' (Rasku, 2007) which can render plausible a variety of perspectives in terms of Greece's interaction with the region. In the case of corporate internationalisation the relevant past inheres in past schemes for Greek primacy in the region, in scholarly perspectives on Greek commercial primacy and in Greek elite and mass opinion which has assimilated this knowledge through inculcation and education. As importantly, this past has been transmitted directly, through family history and by living memory, as the Greek regional Diaspora was destroyed in the spate of 30-40 years, from the 1920's to the 1950's. If we take the decision-making age cohort, of 40-60 years of age, a fifty year old man or woman might well have been raised by grandparents who became refugees in late childhood or adolescence and thus bearers of the family record of commercial life in four empires and their dependencies: The Hapsburg, the Ottoman, the Russian and the British.

Indicatively, Greece's leading personalities in the financial sector have situated their own strategic choices in this past in all stages of Greek corporate internationalisation, at the initiation stage, at its culmination point and at amidst crisis threatening corporate internationalisation with retrenchment. The chairman of National Bank of Greece in advance of the implementation of the bank's regional expansion (Karatzas, 1996); his successor while defending in Greek parliament his choice of acquiring Finansbank in Turkey (Arapoglou, 2006); and the chairman of Alpha Bank when underlying what is at stake, in terms of the maintenance of the Greek banking presence in the region, despite the global liquidity crisis that has threatened the viability of that presence[28]. The Greek press has echoed these themes linking the present Greek commercial leadership with the past and bringing back into circulation terms, such as that of the Great Idea

[28] Kathimerini, 2008. *Interview to Kostas Kallitsis-Alpha Bank will be the first to be included in the [bank recapitalisation] plan.* 16 November.

(i.e. of a Greater Greece, encompassing Asia Minor), that had been thought long buried, after Greek territorial expansionism met with military defeat by Kemal Ataturk in 1922[29].

As this historisation is framed by the assumption of Greek regional leadership it has strengthened, through its reanimation, the impression of superiority, even triumphalism over neighbours, so much so that Greek opinion makers as well as market actors, have been implored to eschew language that is humiliating to Greece's surrounding nation-states, such as 'economic penetration'; instead, it has been argued that they should see their present role as investors in the region as a transient one, ultimately leading to a relationship of political and economic equality, not least through accession to the EU of Greece's neighbours (Valden, 2004, pp. 182-88).

From our perspective the issue at hand is not whether such prescriptive criticisms are valid or not. Rather, their significance lies in substantiating that in Greece corporate internationalisation has been perceived by a dominant array of groups in nationalist, even triumphantly so, terms. As importantly, as the internationalization of Greece's major corporations gathered pace, this has also meant that notions of national strength and purpose have shifted from EU specific processes, premised on state policy, such as EMU-entry, and subsequently EU enlargement, to market actors projecting their power in Greece's surrounding region and further afield. Furthermore these corporate actors have become historical signifiers that are unique to the Greek nation and long predate Greece's relation with the European Union.

It would be an unrealistic observer who would disregard the influence of similarly historicised foreign policy disputes on public culture, and thus on the range of foreign policy choices available to policy makers, in any country, let alone Greece. But in the case of corporate internationalisation in the Balkans, it is not interstate friction that has been historicised in the Greek polity – but rather regional economic integration and economic interdependence. This inherent ability of Greek corporate internationalisation to relate with Greek historicity has also made it that more attractive for Greek politicians and policy makers to identify with it.

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[29] Indicatively, Nikolaou, N., 2006. Hegemony in the Balkans, *Kathimerini*, 11 November; Giogezas, D., 2006. The Bankers and the vision of 'Greater Greece', *AXIA*, 9 December; Konstantaras, N.,2009. The Distant Horizons of the Greeks. *Kathimerini*, 12 April.

Conclusion

A backlash coalition comprised by PASOK and trade unions in SOE's and SCB's ruled Greece in the 1980's, its alliance legitimised by an anti-Westernism which itself was fuelled by defeat by Turkey in Cyprus.

The deteriorating credibility of that coalition together with the need for Greece not to undermine its increasingly attractive European vocation facilitated Greece's EMU strategy. The implementation of this EMU strategy meant that, for primarily fiscal reasons, key SOE's and SCB's had to be restructured, listed in capital markets and have their managerial prerogatives restored.

The PASOK government that masterminded Greece's EMU entry fell by accident in a new distributional and legitimation model, underwritten by improved corporate performance and the inflow of capital flows to the listed stocks of SOE's, SCB's and major private corporations. This model came to incorporate rising volumes of Greek FDI in the surrounding region, including Turkey.

The MF was the key facilitator of the process of corporate modernisation, consolidation and internationalization, initially due to its status as a pillar of its EMU strategy and subsequently in order to further associate the ruling PASOK party with a boisterous capital market and a confident and assertive business class with which a growing segment of Greeks could identify with. The MFA also identified with corporate internationalization, in order to underline, together with the newly adopted ODA policy, Greece's constructive role in the stability in the region, and increasingly so that it could reinforce the links of its political leadership with Greece's commercial pre-eminence in the region and those critical socio-economic constituencies and opinion shapers vested in it.

This elevation by these two key Ministries of corporate internationalization as a strategic goal for Greece was accelerated by the way corporate internationalisation has been disseminated in public debate and in particular through the incessant reporting of corporate action, especially of listed corporations. Furthermore it has been progressively enveloped by a reanimated version of Greek historicity that is based on the past commercial performance of Hellenism in the region which ended within living memory.

CHAPTER 4

Introduction

In this chapter we will focus on a single corporation, NBG, and its representative status, as a leading corporate actor who has performed key tasks in the past, of wider national and socio-economic relevance, and is called upon to do so again under a reconfigured Greek political economy.

First, we will trace the evolution of NBG's emblematic status from the statist clientelist to the market liberalisation era. We will analyse how the transformation of NBG was based on a negotiated alliance between management and trade unionists, sustained by material and normative goods that NBG's altered status, as a market actor, could provide to its employees. We will argue that this alliance sustained the links between NBG's trade union leadership and the ruling PASOK party, further embedding PASOK's shift towards market reforms. We will also explore the strategies of key actors – NBG's trade union and its management, ruling and opposition parties – during the attempted merger between NBG and Alpha Bank at 2001, one of Greece's leading privately-owned banks. Despite its failure, the merger, as we will see, became a template for the concept of the 'national champion', a template which framed the strategies and interests of important social and political actors. The aborted merger, in that capacity, also became the single most important event to signal a re-grounding of the national project, until then framed by PASOK's EMU accession strategy, on Greek corporate internationalisation in the region.

Secondly, we will trace the continuities between PASOK and ND, the opposition centre right party, which succeeded PASOK in power in 2004, exhibited by the contestation that NBG's, this time successful, acquisition of a Turkish bank, Finansbank, generated. We will establish the manner in which NBG's corporate imperative for international expansion in Turkey was integrated in the positions of both the ND government and those of PASOK, aligning both Greece's two major parties behind the resulting economic interdependence with Turkey.

In the third and concluding section of this chapter, we will trace the extension of Greece's corporate internationalisation from the Balkans to Turkey. We will then examine the credentials of the green lighting of the Finansbank acquisition as an inextricably foreign policy decision. We will conclude by relating the acquisition to threats and opportunities for Greek foreign policy in the region.

"To Change a Company You Need to Change a Country"

1.A State-Political Firm

NBG is Greece's most historic financial institution, having been established in 1841, only twenty years after the break out of the Greek revolution in the Ottoman Empire. Both a commercial bank and the bank of issue until 1927, NBG has crystallised each succeeding phase of Greece's political economy (Pagoulatos, 2006, p.482).

In the developmentalist phase of the 1950's and 1960's the bank directed lending to Greece's nascent manufacturing sector and to key SOE's, such as the telephone and energy monopoly, entrusted with the modernisation of Greece's infrastructure. In the 1980's the bank propped up declining enterprises in order to support the then PASOK's government's policy of maintaining employment at all costs, while also itself being a key agent of the party's clientelism, through a significant expansion of its payroll (Pagoulatos, 2006, p.390). Up until 1995 NBG was also used explicitly as an adjunct to the government's monetary policy, its chairman proudly extolling the bank's role, in his letter to the shareholders, in defending the drachma through its own market operations. Throughout each succeeding phase NBG's top management was politically well-connected, or even originated from the summit of the political world. Furthermore, it made use of the bank's superior technical expertise and leadership continuity, relative to the state bureaucrats with which it would negotiate, to advance its positions as much as that would be possible (Pagoulatos, 2006, p192)..

Importantly, during PASOK's first phase, NBG's trade union SYETE enjoyed symbiotic primacy with NBG itself, within PASOK'S statist, clientelist paradigm[30]. Ex-Presidents of

[30] SYETE Presidents, who have run with a PASOK affiliated ticket, since the restoration of democracy in Greece in 1974, have been mostly in office. From 1978 to 2009, PASOK affiliated tickets, led by 5 altogether individuals,

SYETE would become Presidents of OTOE, the sectoral banking union and, in an economy dominated by small and medium enterprises, the most formidable sectoral trade union. Presidents of OTOE would then become PASOK MP's and members of cabinet. SYETE's bargaining with NBG would also set the tone for the collective bargaining between OTOE and the Hellenic Banks Associations and, by extension, have an impact on the government's national incomes policy. NBG's status, as an adjunct of the government's monetary management and lender to Greece's loss-making enterprises, was also endorsed by SYETE as NBG's emblematic status justified commensurable claims of SYETE.

Tsoukas and Papoulias (2005) in their examination of the transformation of two Greek SOE's, DEI and OTE, which they term 'state-political firms', encapsulate their analysis in the statement that to 'change a company you need to change a country'[31]. It is a formulation that certainly suits NBG, as we have briefly portrayed it above. Corporations that are deserving of such description, previous to their transformation, exhibit characteristics such as: 'closed systems' whereby their employees and management are not accountable to external actors such as shareholders and customers; long-established social roles whereby profitability or even efficiency are of marginal or even no importance; heavy-handed patronage by the state and sustained exposure to clientelistic practices. Conversely, transforming such companies requires: extensive changes in their legal status, and in particular their conversion into PLC's and shareholding entities; changes in the regulatory environment that governs their role as market actors or even the creation, ad nihilo, of a regulatory environment and, by extension, of a competitive market; meritocratic as opposed to politicised selection of personnel and exposure to such personnel to clients and their feedback; performance based compensation systems, negotiated with management, as opposed to compensation systems that bear greater relation to their leverage with the ruling party rather than the performance of the corporation in the market

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have led SYETE for 22 out of 28 years. Out of these 5 PASOK affiliated SYETE Presidents: three have gone to become Presidents of OTOE, the umbrella union of all bank employees, one has become President of GSEE, the umbrella trade union of private sector employees, two have become PASOK MPs and one has also become a Minister in a PASOK government (source: SYETE).

[31] Tsoukas, H. & Papoulias D.B.. 2005. Managing Third-Order Change: The Case of the Public Power Corporation in Greece, *Long Range Planning*, 38 (1), p. 82.

place; the articulation of business plans by management, the execution through which the transformed company is held accountable to its shareholders.

Such corporate transformation opens up, for Tsoukas and Papulias, what they term as a discursive space where the new 'template' establishes itself and replaces the old. Such a discursive space is delineated by: the creation and/or development of capital markets as the IPO's and SPO's of these corporations are what deepen previously immature capital markets and at the same time reconfigure their status; the enunciation of business plans which define transformed corporate missions which are acceptable to a corporation's shareholders and thus confirm the obsolescence of the previous mission; the undertaking of major corporate action, such as mergers and acquisitions, which are mediated through capital markets and which substantiate radically transformed priorities.

While we share the above insight on the nature of corporate transformation we also want to identify those elements that makes this process not only one of binary opposites but also of change effectuated through continuity. Lavelle (2004), as we have examined above, emphasised how the process of equitisation of SOE's did not mean that these corporations were liberated from the entrenched societal and political assumption that they would continue to play a role of a wider import – an assumption that led governments to continue to be active, albeit indirectly, in these corporations contribution to potentially altered but still socially and / or nationally defined goals.

What should be the role of the state shorn of direct control of such key corporations? How is the purpose of social democratic party as PASOK redefined when the country's leading corporations, on PASOK's own initiative no less, become accountable to market forces and actors? What is to guarantee to trade unions security of employment and adequate compensation, when they now have to negotiate with emancipated managements, accountable to profit-driven shareholders? How can the ongoing process of corporate transformation, with its inevitable impact on capital markets and the wider public, be integrated in PASOK's own political strategy? Responses to these questions would affect the normative identity of a leading political party such as PASOK, its strategically significant relationship with trade unions and ultimately its viability as a ruling party. By the same token, these responses would also be integrated into the strategizing of the management of a corporation such as NBG. NBG management, or the management of any corporation like NBG, as it seeks to advance the transformed interests of a transformed corporation, would also seek to maintain in a healthy state its relationship with the government which appointed it and even seek to strengthen, by its actions, this government, the tenure of which is coterminous with its own.

As we saw in the previous chapter NBG together with other SOE's and SCB's was integral, from the mid-1990's onwards, to PASOK's reversal of direction towards market liberalisation, in terms of rationalising its group operations, cleaning up its balance sheet and being the flag ship of Greece's resurgent capital markets. This transformation also facilitated NBG's internationalisation in the region where it became the flagship of the Greek business community and financial sector. As such, NBG led the process whereby Greece became a constructive player in South East Europe and its international influence and prestige became vested in the commercial pre-eminence, achieved by key Greek corporations in the region. In the pages below we trace how this operational transformation of NBG grounded a redefinition of its nationally significant mission not least by carrying with it the bank's political stakeholders and their relational underpinnings: PASOK, SYETE, and the alliance between PASOK and SOE and SCB trade unions.

2.Management and Unions under Corporate Restructuring at NBG

Participants agree that NBG's management, appointed by Prime Minister Simitis almost immediately after the assumption of his duties in January 1996, devoted significant time and effort to securing peaceful industrial relations while engaging in the restructuring of the bank (Interviews 1, 2 and 3). This strategy incorporated in its execution the following: (i) being aware of NBG's main trade union SYETE's limits in what it could 'sell' to its membership and not exceeding these limits (ii) granting to SYETE representatives generous access, and the opportunity for feedback, to all major corporate restructuring and rationalisation efforts.

Important as this style and manner of management was, it was backed up by extensive benefits, material and social, conferred to SYETE'S membership, due to the transformation of NBG under benign market conditions. Cumulatively, these benefits actually increased the vote of SYETE's

PASKE faction from 30-35 % to 50-53 % per cent during the tenure of the Karatzas administration (SYETE elections take place every three years).

First, NBG's management granted to all personnel stock options which appreciated significantly in the period under consideration. According to SYETE's ex-leader, the drachma devaluation of the PASOK government in 1998, ahead of the EMU entry, created despondency in his PASKE ticket, as it coincided with impending SYETE elections (devaluation being considered an anti-low and middle income measure due to its effect on consumer prices in a trade deficit country like Greece). However, such was the appreciation of NBG stock, that these fears were not only disproved but on the contrary, due to the effect of the NBG stock rise in the 'pocket' of NBG employees, the PASKE ticket actually increased its votes to 53 %. Additionally SYETE's leadership effectively wagered on the stock's rise by offering, with trade union funds, to buy the stock options of any NBG employee who wanted to sell them, thus obtaining massive capital gains to employee health and insurance funds – further boosting the credibility of the leadership.

Secondly, the 35/58 measure (employees getting retired at age 58 after 35 years of service instead of age 63, as it was previously the case) backed up by a sweetener (the undertaking of a last entry exam, to the bank, open only to employee's children) consolidated PASKE's dominance in the increasing, numerically, younger cohort of NBG ranks, which saw their prospects for faster career advancement dramatically improve[32]. Not incidentally, this was the cohort that, in terms of market friendly ethos and skills, was to replace the politicised, low skilled appointees of PASOK's earlier clientelistic period.

Thirdly, the restoration of NBG's primacy in the Greek financial sector (from the previous decade, 1987-1996, when NBG was in constant retreat, in the face of competition from multiplying private sector, nimbler rivals), in a client-centric banking system, restored the employee's esprit de corps, which also is judged to have reflected well on SYETE'S leadership and legitimised its conciliatory-minded bargaining with management (Interviews 1 and 2).

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[32]SYETE, 2002. The Indispensable Role of SYETE in the developments that shape NBG, *Announcement 84*, 18 July. This text is the seal of approval of SYETE on the 35/58 agreement. The implications of this agreement for SYETE's control by PASKE were pointed to me by its President at the time.

It is impossible, we would argue, to disentangle these interactions that involve material benefits and their normative underpinnings, generational change and altered work experiences and social roles. They form a whole in shifting an alignment of a body of employees from one mode of governance to another. Furthermore, and looking beyond the individual attitudes that might inhere in anyone of the 15,000 employees of an organisation like NBG, once this whole is internalised and coheres within a trade union, it shapes the latter's role and identity in the public domain. Outlook, and its articulation, acquires a particular institutional home which is denied to a competing worldview: a zero-sum gain whereby politico-institutional terrain is captured by a particular outlook and lost to its competitor.

3.An Aborted Merger

The proposed merger between NBG and Alpha, Greece's most prestigious privately-owned bank, first announced at November 2001, met with the active support of NBG's trade union, SYETE. This support represented the culmination of six years of consensual industrial relations at the Bank, which we examined above, led by PASOK- PM Simitis's appointed Karatzas administration, (the tenure of the Karatzas administration, 1996-2004, was co-terminus with that of PM Simitis himself).

The proposed merger with Alpha Bank, Greece's most prestigious privately-owned financial institution, was presented by NBG's management as confirming NBG's restored status, beyond any reasonable doubt, by reaffirming its leadership position within Greece, conferring to it a size commensurable to the financial sector consolidation taking place in the Eurozone, and making it a regional leader in the Balkans. It represented NBG's management response to the challenges of consolidation and internationalisation in an increasingly open and competitive European market space as well as the desire to respond to these challenges in such a way as to secure managerial autonomy both from the Greek state and from a potential predator from abroad.

In very practical terms what led SYETE to support the merger was its belief that it would create a size for NBG that would make it resistant to predation from abroad thus securing its stable and predictable relationship with management[33]. It had the added benefit, in the event of PASOK's losing power, of making NBG's management more resistant to direct government intervention but still accountable to Greek pension and social insurance funds (Interviews 1 and 3) which would continue to be NBG's key shareholders. Crucially, as we examined above, the merger was seen through the prism of a successful partnership between management and trade union, and in the context of an ongoing restructuring effort which had conferred significant benefits, at minimum cost, to NBG's employees.

SYETE accepted the principle of competitive European markets within which NBG needed to survive and supported NBG's accelerated regional expansion, not least through the merger with Alpha Bank. Alpha had a strong presence in Romania, whereas NBG was strong in Bulgaria, so their merger at the time would transform the merged entity into the leading financial institution in the region. Essentially, SYETE took the norms of efficiency, modernisation, market leadership and internationalisation and attached them to an argument on the enduring saliency of NBG's contribution to national purpose[34]. It was precisely because NBG had so effectively changed in the market liberalisation era, and could become a regional market leader, that it had to remain the same, in its capacity as a corporation of wider social and economic significance which must remain under national control.

Interestingly enough NBG's management carefully calibrated formulation, of one of the merger's main goals, retaining the decision making centre in Athens (NBG and Alpha Bank, 2001)- a formulation chosen so as not to provoke the European Commission's competition action (Interview 2) - was replaced, in public debate, by the more resonant term of creating 'a national champion'. Public debate, in that respect, underlined even more the legitimation imperatives of the key players than NBG's own choice of words.

For the PASOK government, and its new post-EMU accession finance minister (Greece formally entered the EMU in 2001), the merger also commented itself. It could potentially revive sentiment in the ASE, badly mauled after the bursting of the stock market bubble which took

[33]SYETE, 2001.The securing of the rights of employees, prerequisite for the success of the merger, *Announcement No59*, 8 November. This text links NBG's modernisation and leadership with the stability of employee management & relationships and its continued national control, facilitated by its greater size, an outcome of the proposed merger.
[34] Ibid.

place in 1999 (Interview 2). This was not a forlorn hope. NBG's previous merger with its own subsidiary, National Mortgage Bank of Greece, in 1996, had led to the liberalisation of the mortgage market and spurred the consolidation of Greece's financial sector, making a major contribution to the stock market boom of the 1990's (Interview 4). NBG's proposed merger with Alpha was now expected to accelerate both further financial sector consolidation and overall corporate internationalisation in the Balkans, generating positive expectations, at ASE, on the basis of the projected gains of these twin processes.

Much as with SYETE, the ruling party's practical considerations carried normative baggage. Henceforth its theme of a 'strong Greece', would acquire a distinct corporate face, associated with such core market processes as corporate internationalisation. PASOK too, the more it changed the more it could argue that it stayed the same. As a social democratic party, and with one of its pillar constituencies being the SOE and SCB trade unions, PASOK could not simply accede to the primacy of market actors. Rather, it had to posit the premise that, under PASOK's direction, leading market actors would lead the Greek business community and national economy to new directions beneficial for the nation's welfare and prowess.

We must see SYETE's and PASOK's strategies as mutually reinforcing. The national championship thesis acted as a bridge facilitating PASOK's transition, in material and ideological terms, to the market liberalisation era, not least by satisfying key demands and assuaging the fears of its social partners, trade unions in SOE's and SCB's such as NBG. The thesis and its corporate governance implications sustained the alliance between PASOK and its trade union supporters. It updated PASOK's linkages with an increasingly liberalised Greek economy while maintaining a distinctive enough ideological profile vis a vis its political competitors[35]. It also boosted PASOK's pro-market faction's own nationalist credentials in its constant struggle with the still powerful, populist-nationalist faction, the so-called 'patriotic PASOK' of 1981-1989 vintage.

The merger itself failed essentially for market reasons. There was a shareholder and management revolt at Alpha Bank. Important Alpha shareholders thought than an auction

[35] For a cogent articulation of PASOK's motives and differentiation from ND on this issue see Hristodoulakis, N., 2006. Why powerful Greek groups are needed, *To Vima*, 2 April.

process, that would generate interest from other potential acquirers of Alpha Bank, from abroad as well, would help them realise greater capital gains than those promised by the exclusive merger negotiations with NBG. Alpha's management team was also threatened by the loss of authority to NBG's management entity in the merged entity. Less importantly, there was ferocious opposition by ND, nominally on competition grounds, but in reality because ND precisely feared what PASOK had hoped: the revival of the latter's credibility as a steward of the Greek economy and the reinforcement of its links with the economically active middle-upper strata and the country's corporate chieftains. NBG's management survived the failed merger, not least due to SYETE's organising a strong show of support, and continued to lead the bank until 2004 when a victorious ND appointed a new chief executive officer[36].

From a Strong to an Extrovert Greece

1.Corporate Motivation and a Completed Acquisition

NBG's new management, appointed by ND upon its assumption of power in 2004, did not follow the same consensual style of management with SYETE which it almost saw as tantamount to co-determination (Interview 2). Nonetheless, and on its own admission, it built on its predecessor's strategy of emphasizing regional markets as the key to the bank's future growth. In its business plan it stressed its strategy of exiting low-yield markets where NBG had a presence and reinforcing its operations in the high-yield, emerging markets of the Balkans (NBG, 2005a). NBG's new management also parlayed the credibility build by its predecessors, with the bank's shareholders, over previous bank acquisitions in the region, and in particular that of UBB in Bulgaria, to establish its fitness for undertaking this new significant commitment.

International portfolio investors, at a period of benign global liquidity conditions, were judged to have conferred an extra 20-30 % premium to the NBG stock on the promise of its further

[36] Theodore Karatzas, the Governor of NBG, died one day before ND's election victory. SYETE honoured him for 'respecting the character, history and special culture of the National Bank' vowing to guard his inspiration for a 'big, modern, competitive and regional bank', a marker, even more than an obituary, for the trade union's future stance with the new management which was to be appointed by the incoming ND government, SYETE, 2004. The Governor of NBG has died. *Announcement 33*, 3 March.

dynamic expansion in the region[37]. Furthermore, the new chairman of NBG had made it a key plank of his strategy to increase the participation of foreign institutional investors to NBG's shareholding, devoting skilful attention to explicating the bank's strategy to them and securing their backing[38]. It also build on the previous management priority of making a high share price contingent on foreign institutional shareholders in order to deter unwanted interference to the bank's management by the Greek state.

As we noted in the previous chapter, NBG was no exception, within the Greek financial sector and the larger Greek blue chip cohort, in courting foreign institutional investors and having its regional expansion strategy and related business plans validated by optimistic reports issued by international investment banks. These pressures has been captured most acutely, by one Greek reporter, at the point when global liquidity conditions worsened, from the mid-2007 onwards, and Greek financial institutions were caught between the rock of their previous commitments to growth, to international investors and shareholders, and the hard place of a rapidly transformed market sentiment which started punishing the strategies that only just recently it was rewarding[39].

NBG's decision, in the spring of 2006, to acquire Turkey's fourth largest privately-owned bank, Finansbank, for the vertiginous sum, for Greek corporate standards, of 5 billion Euros, led to the highest ever capital raise at that time by a Greek corporation of 3 billion Euros and simply could not have been neither intelligible nor possible, absent the pressure and approval of the bank's strategy, of international expansion, by its international shareholders.

With acquisition targets running out in Romania and Turkey[40], and the only remaining regional market of note being the far away Russia, NBG management, by 2006, faced the prospect of

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[37] Based on an estimate by the then head of National Brokerage, NBG's brokerage subsidiary, communicated to the author in the spring of 2006. National Brokerage is one of Greece's largest stock brokers and intimately aware with the trends and pressures affecting its parent's stock.
[38] Ibid.
[39] Dr Money, 2008. The new story that Sophocleous 'wants'. *euro2day*, 1 July; Dr Money, 2008. Banks: The message that they do not receive. *euro2day*, 16 September; Dr Money, 2008. Banks: The threat of the Balkans, *euro2day*, 20 October.
[40] NBG had considered acquiring a bank, Dis, half the size of Finans, in 2005, which was eventually acquired by the Belgian-Dutch Fortis. Subsequent to the acquisition of Finans, there was only one sizeable financial institution left, approximately the size of Dis Bank, which NBG could acquire, Deniz Bank which was acquired by Dexia. OYAK Bank, owned by the Turkish Armed Forces Pension Fund was sold to ING, but would never have been offered to a Greek financial institution. AK Bank, Turkey's equivalent of NBG, sold 20 % of its shares to Citi Group. Because

either a significant fall in its share price or a stock buy-back or extra dividend which it had promised to its shareholders[41], both highly embarrassing options for the ND government. The NBG chairman was the personal choice of the Greek Minister of Finance, his appointment approved by the Prime Minister. His tenure was inevitably compared with that of his predecessor appointed by PASOK, Theodore Karatzas, and acknowledged as highly successful, particularly in having set the course of NBG's regional primacy. The pressure was certainly there for NBG to do something significant, in terms of its regional strategy. Regardless of what the calculus of the ND Government ended up being, unfavourable comparisons between the NBG record during PASOK and NBG's record during ND's rule, were bound to be unfavourable comparisons between the two governments as well.

In sum, both NBG's international investors and the ND government were biased in favour of NBG's international expansion while the regional acquisitions of NBG, implemented prior to the appointment of its new management by ND, made Turkey the next logical step, and one of the few available countries, where this expansion could continue.

As we can see from the information provided in the tables below the acquisition of Finansbank has not led to foreign institutional investors abandoning the stock of NBG – their participation at the end of 2009 stood higher than it did in 2005 – while Finansbank's contribution to NBG's profitability steadily grew throughout the period. Indeed during the late 2009 - early 2010 period, investment banking analysts have seen NBG, due to its Finansbank acquisition, as a rare bright spot in a Greek financial sector which has been ravaged by Greece's sovereign credit crisis (indicatively, Luz, H., Vinci, D., Kalia, M., Cheung, J., 2010). This suggests that the acquisition has addressed NBG's strategic needs, as the bank understood them, and the expectations of key players, such as international investors.

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of its stature, it would also be highly unlikely that its parent, Sabanci Holding, would have partnered with a Greek financial institution.

[41] National Bank of Greece, Business Plan 2005-2007, March 2005, p.33.

National Bank of Greece Profile		
Year of Foundation	1841	
Ownership Composition end of 2005	International Ins./Rt. Investors	38.79 %
	Private. Domestic Investors	23.20%
	Other Domestic Institutionals	15.80%
	Pension Funds & Public Sector Entities	22.19%
	NBG Subsidiaries	0.02%
Ownership Composition end of 2009	International Institutionals and Retail Investors	47.72%
	Domestic Retail Investors	23.41%
	Pension Funds supervised by the Greek State	12.31 %
	Foundations, Legacies	4.13%
	Pension Funds not Supervised by the Greek State	4.18%
	Domestic Institutional Investors	2.14%
	Church of Greece	1.56%
	Domestic Private Sector Companies	2.83%
	Other	1.73%
Management Board Composition	Non-Executive Chairman of the Board: V.Rapanos Managing Director:A.Tamvakakis Non-Executive Members:I.Giannidis, A.Stavrou, I.Pamagopoulos (employee representative) Non-Executive Independent Members: Metropolitan Theoklitos, S.Vavalidis, G.Zanias, V.Konstantakopoulos, A.Papalexopoulou-Benopoulou, P.Sabatakakis, M.Sklavenitou, A.Makridis	
Market Capitalisation end of 2009	11,330 mn euro	

Source: NBG

Finansbank Profile		
Year of Foundation		1987
Ownership Composition end of 2005	Fiba Holding A.Fi.	33,20%
	Fina Holding	15,01%
	Giriflim Factoring A.fi.	4.20%
	Fiba Factoring Hizmetleri A.fi.	3.27%
	Free Float	44.32%
Ownership Composition end of 2009	National Bank of Greece	77.22%
	NBG Holdings	7.90%
	International Finance Corp.	5.00%
	NBG Finance	9.68%
	Others	0,21%
Board of Directors Composition	Chairman of the Board:H.Ozyegin Vice Chairman and Group CEO:O.Aras Members of the Board of Directors:M.Aysan, D.Lefakis, E.Nasim, A.Thomopoulos, P.Mylonas, D.Anagnostopoulos, Y.Dincem, S.Sahinbas,	
Market Capitalisation end of 2009	4,447 mn euro	

Source: Finansbank

National Bank of Greece key metrics (mn USD)	**2005**	**2006**	**2007**	**2008**	**2009**
Total Assets	82,067.15	103,547.24	124,399.14	139,290.45	

Net Income	720.61	1,093.93	1,803.60	1,078.69	
Personnel	21,718	24,187	33,373	35,860	
Borrowings			625mn USD, 1,367 mn USD (matures 2013), 1,367 mn USD (matures 2014)		2,050.58 mn USD

Source: NBG Group, Finansbank

Finansbank key metrics (mn USD)	**2005**	**2006**	**2007**	**2008**
Total Assets	11,723.55	13,053.89	15,874.81	19,802.99
Net Income	276.62	214.86	400.61	311.75
Personnel	7,746	7,756	9,056	9,986
Borrowings			425 mn USD	

Source: NBG Group, Finasbank

Just prior and subsequent to the announcement of the acquisition investment banks and brokerages, in this environment of ample global liquidity, took a charitable view in their analysis, on both the generic risk attendant to investing in Turkey and to the specific risk of NBG, as a Greek financial institution, entering the Turkish market[42]. The need of NBG to

[42] Indicatively, Ghose R., Mukuru, K. & Dawes, G., 2006. National Bank of Greece-Turkish Delight? *Citigroup*, 13 March; Vinci, D. & Lanz, G., 2006. National Bank of Greece-Breaking new ground. *Goldman Sachs*, April 4;

expand was acknowledged, the prospects of growth of the Turkish market were seen as positive and NBG management assurances that the deal was devoid of substantial political risk were accepted. NBG's past track record in the Balkans, and in Bulgaria in particular, where the bank had made its most successful acquisition in the region, was seen as auguring well for its acquisition of Finansbank.

This favourable outlook was critical both for the completion of the acquisition and for the subsequent capital raise that the acquisition necessitated. While many of these market actors had a vested interest in presenting the transaction in flattering terms – acting as advisers to NBG and later as underwriters of its capital raise – they could not have done so had an environment of gloom and doom prevailed in international markets. Emerging market equities, on the basis of the Morgan Stanley Capital International (MSCI) Emerging Markets Index, where Turkey has a 2 % weighting, appreciated more than 100 percent from mid-2003 to mid-2006, reflecting an accelerating trend of private capital flows to developing economies such as Turkey[43].

In effect, so strong has been the global market sentiment, in the period under consideration, that it has enabled Turkey to be treated, by foreign investors, as a viable EU accession candidate despite accumulating evidence to the contrary. When NBG acquired Finansbank, in the summer of 2006, a year had already passed after the voting down by the Dutch and French electorates of the European constitution, a major setback for European enlargement in general and Turkey's EU accession process in particular, the implications of which had been noted by market actors[44]. Turkey's efforts to adjust to accession strictures had also visibly flagged since 2004, when it formally became an accession country[45]. To top it all, a majority of Greek Cypriots had voted

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Tucker, P., 2006. Greeks Bearing Gifts. *Merrill Lynch,* 4 April; Haralabopoulos, D., 2006. National Bank of Greece - Gunaydin Turkey. *Alpha Finance*, 12 April.

[43] World Bank, 2006. *Global Development Finance-Development Potential of Surging Capital Flows.*Washington DC.

[44] Indicatively, Simsek, M., et al., 2005. Turkey-EU Update: France and Netherlands' 'No', Votes Clouds Turkey's EU Membership Prospects. *Merrill Lynch*, 2 June; Carkoglou, A. & O. Gokler, 2005. EU-Turkey Relations in the Aftermath of French and Dutch Referenda, *Kocyatirim*,10 June; Kelezoglou H. & B. Candemir, 2005. "Nee, Non, Nee, Non...". *EFG Istanbul Securities*, 10 June ; Robertson, Ch. and A. Urbanska, 2006. EU and Eurozone enlargement-A disappointing lack of vision. *ING Wholesale Banking*, 3 May.

[45] Economist, 2006. *Turkey-Flying in the wrong direction*, May 6; Economist, 2006. *Turkey's wobble-A crescent that could also wane*. 1 April.

down the Annan Plan, in 2004, for the re-unification of the island, on the instigation of their President Papadopoulos, a decision which set the stage for recurrent friction between the EU and Turkey, generated by demands of the Republic of Cyprus, in its capacity as a new member state. The rejection of the Annan Plan was also seen as a negative for Turkey's EU membership negotiations, by market participants, both before and after it came to pass, let alone for Greek-Turkish bilateral relations[46]. These setbacks in its EU accession process notwithstanding, Turkey was increasingly seen and, indeed, became a compelling investment destination[47].

2.Political Players and a Prevailing Template

The magnitude of NBG's acquisition in Turkey, two years after ND's rise to power, and conceived and executed by the management that it had appointed, confirmed ND's fealty to its own 'extrovert Greece' thesis. Similarly, the initially positive response of PASOK's leader to the announced acquisition illuminated the continued adherence of the opposition party to the 'strong Greece' thesis - George Papandreou himself by leading, while in government, the rapprochement with Turkey, was also identified with this concept which was premised on Greece exerting its particular brand of strength in a pacific, friction-free regional environment[48]. SYETE also gave it its guarded approval, reaffirming the link between NBG's regional position and its 'character', i.e., its continued link with the Greek state[49].

Subsequently a series of events and motives resulted in the reversal of this positive response, by PASOK and SYETE. The general deterioration of relations between NBG's management and the still PASKE-controlled SYETE engendered suspicion by the latter of management's initiatives. Furthermore, the initial refusal of NBG's chairman, subsequently reversed, not to

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[46] Candemir, B., 2003. Turkey's EU trajectory crosses Cyprus, *HC Istanbul*, 14 November; Avci, H., 2004. Raymond James / Strateji / GfK Referendum Survey Results, *Raymond James Securities*, 19 March; Elicin G.A.& Korcan, O.B., 2005. Cyprus Election and Threreafter, Ekspres Invest, 14 February; Gulkan, M., 2004. Comments on the Cyprus Referendum Results, Bender, 26 April.
[47] Global Business Policy Council, 2005. 2005 FDI Confidence Index, *AT Kearney* ; Kouyoumdjian M. & Volland E., 2005. Turkish Banking Sector Growth Potential Leads to Significant Foreign Investment from the West, *Standard and Poor's,* 1 January; ATA Invest, 2006. Turkish Banking after 2005: "Too early or Too Late for Market Entry", January; Altug, O., 2006. Watch Out!!! – FDI avalanche.., *Raymond James Securities* ,7 April.
[48] In April of 2006, and a few days after the announcement of the Finans acquisition, the Greek PM and George Papandreou gave, in a business conference, nearly identical endorsements of the Greek commercial pre-eminence abroad, see Nikolaou, N., 2006. National Strategy and petty party competition, *Kathimerini*, 7 April.
[49]SYETE, 2006. Speech of the President of SYETE Mr Stavros Kukos to the Annual General Meeting of NBG's shareholders, *Announcement*, 26 April.

appear in the Greek Parliament's Economic Affairs Committee, to explain his decision to acquire Finansbank, on the grounds that he cannot disclose market sensitive information to any other body than NBG's shareholders, severely insulted prevailing political ethos, and PASOK's *amour propre*. PASOK strongly pushed PASKE-controlled SYETE to increase the pressure on NBG's management (Interviews 1, 2 and 3). Consequently SYETE aggressively questioned the acquisition's business premises and consequences, both with regard to NBG's assumption of a risk of that magnitude and the implications of the capital raise for its corporate governance[50].

Despite the controversy, neither SYETE nor PASOK questioned the desirability of the acquisition in principle. On the contrary they reaffirmed their support of NBG's continued international expansion, in Turkey included. Indeed, SYETE's request to the government to allow for participation of insurance and pension funds in the capital raise to be undertaken, for the purpose of acquiring Finansbank, while seemingly contradictory with its opposition to the acquisition, demonstrated the fealty of the union to the original conception of NBG: of the bank as a leading regional player under the control of Greek shareholders and ultimate supervision of the Greek government itself.

As we can see below the PASKE-PASOK affiliated ticket of DI.SI.E maintained its dominance at SYETE in the period leading up to and subsequent to the Finansbank acquisition[51]. It was this PASOK-affiliated leadership that in tandem with PASOK itself criticised the particulars but not the principle of the Finansbank acquisition. Strike action during that same period, which is also presented in the tables below, was focused primarily on sector-wide issues – the withdrawal of the Association of Hellenic Banks (AHB) from collective bargaining which NBG's management and the ND government endorsed – and less so on firm-specific reasons. This was the case, according to a SYETE source (Interview 9), due to the need to focus on the collective bargaining issue as strikes on NBG-related issues, of which there were many at the time, would have exacted a heavy price on NBG employees, due to additional loss of income. Indicative of the resilience of the PASOK – SYETE consensus on NBG's international role was the statement

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[50]SYETE, 2006. Where NBG is being led after the acquisition of the Turkish Finansbank, *Announcement 126*, 16 May; SYETE, 2006., 14 Questions of SYETE for the acquisition of Finansbank, *Announcement 127*, 29 May.

[51] Indicatively in 2009 the total population of NBG in Greece was 12,997, SYETE had 10,331 members, out of which 8,018 voted in the elections of that year (Source: SYETE).

communicated to the author (Interview 3) by the then head of SYETE, and presently head of OTOE, that he would have been willing to retract his criticism of the Finansbank acquisition, acknowledging its strategic validity, had the CEO of NBG, Takis Arapoglou, in his capacity as President of AHB, conceded to engage in collective bargaining with OTOE.

SYETE Elections and Results	**2006**	**2009**
DI.SI.E	4,439	4,142
DAKE DAKE ALLILEGII	2,451	1,534 142
DAS	1,041	931
ENOIEA	625	613
DIMOKRATIKI ENOTITA	188	
PROTASI PROOPTIKIS	111	172
AGONISTIKI PAREMVASI	106	126
INDEPENDENT		41

Source: SYETE

SYETE Elections and Management Board Seat Representation	2006	2009
DI.SI.E	26	28
DAKE DAKE ALLILEGII	14	10 -

DAS	6	6
ENOIEA	4	4
DIMOKRATIKI ENOTITA	-	
PROTASI PROOPTIKIS	-	2
AGONISTIKI PAREMVASI	-	-

Source: SYETE

SYETE Industrial Action	**2005**	**2006**	**2007**	**2008**	**2009**
Number of Strikes	14	10	4	12	3

Source:SYETE (only Greece-wide strikes included)

SYETE Industrial Action	2005	2006	2007	2008	2009
Days & Hours Lost	22 days	9 days and 4 hours	3 days and 3 hours	11 days and 8 hours	3 days

Source: SYETE (only days and hours lost in Greece-wide strikes included)

As importantly, NBG's chairman, forced to defend the acquisition, this time in Parliament as well as elsewhere, defended it in terms identical to the ones on which the NBG & Alpha merger was defended by his PASOK-appointed predecessor: (i) to secure NBG's autonomous growth (ii) maintain its decision making centre in Greece and (iii) to create a powerful regional bank[52].

As with the aborted Alpha merger, which led to the coinage of the 'national champion' term, so did the Finansbank acquisition compel NBG's management to ground this major corporate action in nationalist terms. Both the chairman of NBG, in his parliamentary testimony, and subsequent commentary, defended the acquisition as an act of extroversion, the latter quality being integral to Hellenism's distinguished past[53]. Likewise, NBG's internationalisation, by extending to Turkey, signalled and validated Greece's international position and role, to the wider public – indeed as has been the case in other previously peripheral countries, which we referred to above, the major corporations of which had undertaken acquisitions of similar scope. In a poll conducted in Greece after the announcement of the Finansbank acquisition, 73.4 % of those polled supported the acquisition while 68.2 % opposed the eventuality of a Turkish bank buying a Greek one: a demonstration of the nationalist content increasingly inhering in market actors and in the way they are seen by the general public (Kappa Research, 2006).

ND, by giving the green light to the management of NBG, to make the largest ever corporate acquisition in Turkey, challenged decades-long assumptions, held at the elite and mass level, shaping Greek-Turkish relations (exhibiting a proto-Realist attitude, many Greeks would justify refusing to travel to Turkey in order not to make a contribution, no matter how miniscule, to the economy of their antagonist).

As far as the opposition was concerned, PASOK saw value, through the Finansbank confrontation, to render even more explicit its perception of corporate internationalisation as having the status of a national interest, deserving of purposeful state action. It did so in its party platform of the elections of 2007 and in prior consultation with SYETE's leadership (PASOK, 2007; Interview 3). Since then, it is a position that it has reasserted by opposing the negotiations of the ND government with Deutsche Telecom as a strategic investor at OTE, the telecoms

[52] Arapoglou, T., 2006. NBG's Strategy, *Testimony to the Parliamentary Committee of Economic Affairs*, Athens, 30 May.

[53] Indicatively, Nikolaou, N., 2006. The jump into Turkey. *Kathimerini*, 4 April; Konstantaras N.,2006. Merchants and border guards. *Kathimerini*, April.

operator, and in concessions conferred by DEI, the energy utility, to RWE, the German energy corporation[54]. Both with DEI and OTE, as with NBG, their perceived success in modernising, and in the case of OTE internationalising in the Balkans, under national control and management, have been marshalled by PASOK as sufficient evidence that their future both can, and indeed must be, a national one[55].

PASOK's continuous adherence to the national championship thesis has indeed enabled it to launch scathing attacks on ND's Minister of Finance while maintaining a policy profile compatible with its privileged relationships with the trade union movement and the wider middle class constituency that is in favour of corporate restructuring and internationalisation. Thus PASOK's reaffirmed adherence to the national championship thesis, spurred by the contestation that the Finansbank acquisition generated, has anchored PASOK, as an opposition party, to its previous allegiance as a government to an essentially benign perspective on the international order and the way it structures developments in the region.

3.The Finansbank Acquisition and Greek Institutions

A critic, within ND, of the Government's decision to give the green light to the Finansbank acquisition, has argued that by doing so the government has accepted the risk of the acquisition going wrong, either due to a future economic crisis in Turkey, or due to the Turkish Government's turning against Finansbank, in the event of a bilateral foreign policy crisis (Interview 8). In actual fact, both of these risks were underlined when, weeks after the announcement of the Finansbank acquisition, a speculative attack on the Turkish lira and subsequently a mid-air collision between a Greek and Turkish fighter jet, gave grounds to renewed criticism by PASOK and the opposition press, of ND's acceding to the Finansbank acquisition[56]. The benefits, this critic has argued, to the Government, if the acquisition proves successful over time, are by comparison miniscule. He explains the decision, despite this imbalanced cost-benefit evaluation, to a generally lackadaisical attitude of the Government, in its

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[54] PASOK, 2008. *The sale of OTE is a tremendous scandal*, 15 April.
[55] Indicatively Karakusis, A., 2008. Auctioneers and Creators, *To Vima*, 7 August; Papoulias, D.B., 2008. OTE, DEI and German Saviours, *To Vima*, 13 April.
[56] Politis, G.,2006 *Black Tuesday in the Aegean. TA NEA*, 24 May 2006; Karakusis, A., 2006. *The Aegean, the collision and National* [NBG]. *TA NEA*, 24 May; Karakusis, A.,2006. *At the mercy of the markets. TA NEA*, 16 May.

evaluation of its own political risks, in situations such as that of the Finansbank acquisition. These reservation notwithstanding, we have noted above, how the Finansbank acquisition fitted immediately with both the Ministers of Finance and Foreign Affairs policy stance of (i) promoting the role of Greece, internationally, as the interface of an ever expanding region and (ii) identifying their Ministerial mission, and indeed their political persona and signature policy initiatives, particularly so in the case of the Minister of Foreign Affairs, with Greece's commercial leadership.

According to a leading diplomat (Interview 6) NBG's management was asked to confirm that the NBG investment in Turkey would neither put the bank in a position whereby it, and by extension the Greek government, could be blackmailed by Turkish authorities nor would it undermine the soundness of the bank. In actual fact NBG's management, despite providing assurances on both these grounds, was not really in a position to do so. First, as a financial institution NBG's international branches and subsidiaries ultimately exist on sufferance of the authorities, regulatory and administrative, of the domicile in which they operate. Second, considering the size of the Turkish market and that of Finansbank, the more successful NBG's operations would be there, the more the overall soundness of the bank would be depended on developments in the Turkish economic and political life. This formulaic green-lighting of the Finansbank acquisition by the Ministry of Foreign Affairs policy makers further argues that this decision was grounded in the political calculus that we have analysed. These assurances only paid lip service to the twin risks of Turkey's leverage over Greece being increased as opposed to being decreased and the possibility of NBG's investment hurting the Greek economy: both legitimate concerns from the perspective of Greek national security and welfare. But the request and granting of such assurances at best did not generate the level of scrutiny that could put a stop at the acquisition. At worst they amounted to a feeble attempt, on the part of the political and policy making machinery, to shift the blame to NBG's management, were the Finansbank acquisition to go wrong in the future. They make it possible for an ND minister to say in the future 'well, NBG management assured us that everything would be ok!'.

Foreign Policy Implications

1.Greek Corporate Internationalisation in Turkey

By acceding to the Finansbank acquisition the succeeding, to PASOK, ND government enhanced the credibility of the Turkish government which also accepted the transaction; made it possible for a shot of the arm to be given to the Turkish economy at a sensitive time; introduced into Greek foreign policy calculus the rising stakes of the Greek economy in the Turkish economy; tied itself, within Greece, to an optimistic view of the future evolution of the bilateral relationship.

That it found it politically acceptable and desirable to do so, speaks precisely of the saliency of corporate internationalisation, and its nationalist grounding as evinced by the polling that evaluated public reactions to the event, in Greece. The saliency and robustness of the internationalising coalition also made itself felt in PASOK's, and its most relevant social partner SYETE, which accepted it in principle. At the same time the ferocity with which the Finansbank acquisition was contested by PASOK, on the narrower technical grounds of Finansbank's valuation, as much as that of the merger of NBG with Alpha, is also powerful evidence of the political benefits that the opposition saw, in both cases, as we have described them, accruing to the ruling party which green-lighted them. Essentially the contestation attendant to both the aborted merger with Alpha, and the successful acquisition of Finansbank, bears testimony to Greece's two major parties fighting over the same ground, one which is demarcated by corporate internationalisation, the only difference being that in the case of Finansbank this ground has been extended from the Balkans, to include commercial primacy in Turkey.

Furthermore, the alacrity with which the key Ministries of Finance and Foreign Affairs not only green-lighted the acquisition but also, as we noted previously, incorporated it in their projection of Greece as an interface between the international economy and ever enlarged region, illustrates how corporate internationalisation has become a key plank of the Greek government's strategy. The greatest the reach of corporate internationalisation the more able have Greek policy makers been to (i) impress upon international constituencies the weight and influence of the country internationally (ii) attract investment inflows to the Greek economy in the context of a continued, fiscally driven privatisation effort. In turn these efforts have (i) cemented the link between the ruling party and leading politicians with Greece's more dynamic socioeconomic elements and (ii) enhanced the prestige of the government, domestically, as a steward of Greece's international role and influence, with which these elements identify themselves.

2.A Foreign Policy Decision

State-enabled FDI, in effect state-sponsored fraternisation, in a country which was up until very recently considered a military threat (and still is viewed as such by a significant segment of the Greek population as well as of its intellectual and administrative elites), and which justifies high levels of military expenditure and a large conscript army, is a foreign policy decision - or to reframe it, it is a decision that has substantial implications in terms of the priorities and assumptions of a foreign policy.

Strictly speaking, the Greek government merely allowed the structural power of a leading Greek corporate actor, and of the latter's own compelling logic for further regional expansion, to express itself. NBG's acquisition of Finansbank was made possible by a capital raise to which private entities, international portfolio investors in the main, contributed. It was also induced by the need of NBG's management to seek further expansion in the region in an environment characterised by excess global liquidity and foreign portfolio investors pushing for, and rewarding, expansion-related risk taking. Low politics initiatives such as the singing of agreements on trade and tourism and the encouragement by the two governments of growing affiliations between non-state actors, initially undertaken in the late 1990's, had either not registered, petered out or never really factored in the decision making of NBG's management.

The political reality is, however, that by acceding to the acquisition the Greek Government, and the ruling ND party, shared into the risks and opportunities of a corporate actor, NBG. ND shared in the opportunities first of all because the acquisition of Finansbank lent credence to its own favoured formulation of an 'extrovert Greece'. ND incorporated NBG's investment in Turkey, not by asserting that nationality and the nation are no longer important - either generally speaking or, specifically, in terms of the largest, most historic Greek financial institution, completing the biggest ever acquisition, and single investment in Greek corporate history, in Turkey of all places. Rather it did so by asserting – or rather reconfirming an assertion already made by PASOK - that nationality is paramount but a very particular type of nationality: an extrovert one which is capable of exercising its economic influence on a regional scale, incorporating even Turkey.

This nationalist claim was not weakened but rather strengthened by the global trends that determined the magnitude of the Finansbank acquisition. The ample global liquidity that enabled the acquisition has been of a size that diminishes even the largest of national economies and economic actors. The diverse destinations to which this liquidity has been channelled – from US real estate to so-called frontier economies in Africa - speaks almost of the chilling impersonality of force majeure. Still, global liquidity courses, one way or another, through national space and ends up being mediated and filtered through national contexts.

After all, it was due to the magnitude of the acquisition that once it did take place, it reinforced Greece's role and identity in the region, as a leader in its pacific transformation into an area of ever increasing economic opportunity. It has also raised, commensurably, the 'audience' costs[57] of a potential undermining of this role, through Greece's own foreign and national security policy actions[58]. The higher you get, the harder you risk falling: Greece, precisely because it has consolidated its international identity as a responsible stakeholder in the region, were it to regress to a conduct reminiscent of the 1980's, it would attract opprobrium and disappointment rather than the weary resignation that this previous period elicited.

The political risk and opportunities are also commensurate with the corporate ones. On the assets side of the political ledger, the size of the NBG acquisition – 5 billion euros, 7 % market share in one of the most dynamic markets of the world - send a very compelling signal domestically and abroad of Greece's position in the region. On the potential liabilities side of this same ledger, it exposed Greece's largest financial institution to the sentiments of the Turkish public as well as to Turkish regulatory and other state authorities; and tied the fate of Greece's

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[57] Audience costs in that respect can be generated by distinct international and domestic constituencies which however can differentially affect each other, in their respective reactions, (see Lohmann, 2003)

[58] The acquisition of Finans by NBG was lauded by international media. Indicatively, Economist, 2006. *Delightful- An Unprecedented alliance between Greeks and Turks*. 8 April; Editorial, 2006. Old Foes Eschew Nationalism in South-east European Banking Deal, *Banker*,1 May; Hill A., 2006. A Greek Quest, *Financial Times*, 10 May.

largest stock, and consequently market sentiment at the Athens Stock Exchange (ASE), to the vagaries of a volatile Turkish economy and of an equally volatile bilateral relationship[59].

Both risks, as we mentioned above, were underlined by a remarkable coincidence, during the acquisition of Finansbank by NBG, when the Turkish lira fell and a Greek fighter jet crashed in a mid-air collision with a Turkish fighter jet.

Minister of Finance Alogoskoufis did attempt, in responding to parliamentary critics of the Finansbank acquisition, to assert that NBG's management is the only actor qualified to assess the risks and opportunities involved in its Turkish foray, and, by extension, ultimately responsible for its outcome[60]. But the intensity of the party-led contestation attendant to the acquisition, its significance for Greece's leading bank and the fact that the chairman of NBG was both appointed by the government and considered to be, in the wider sense, a partisan player as much so as his PASOK appointed predecessor, belied this assertion[61]. As with NBG's assurances to the Ministry of Foreign Affairs, this political attempt to 'have your cake and eat it too' would hardly be expected to survive a genuine crisis engulfing NBG in Turkey.

To paraphrase a saying 'you enable it, you own it'. The ND government, and by extension the Greek state, by enabling the Finansbank acquisition, by enabling substantial economic interdependence with Turkey, it also came to 'own it'.

3.Disregarding a Threat in Order to Pursue an Opportunity

NBG's acquisition of Finansbank, reduced to its essentials speaks of the Greek government's decision to pursue a foreign policy opportunity by disregarding a foreign policy threat.

The opportunity is comprised of the enhancement of national welfare and international prestige by the incorporation of Turkey into the core region where Greek corporations can achieve a leading position. The threat is constituted by the commensurate ability of Turkey to enhance is

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[59] NBG is the most important stock in the FT/ASE 20 Index so developments in Turkey, since the acquisition of Finans, have exhibited the ability to affect sentiment at ASE either negatively or positively (for NBG's weight on the FT/ASE Index see Fillipas and Vagena, 2008).

[60] Papakonstantinou, D.G., 2006. "We are not investment advisors"-Mr G.Alogoskoufis underlined that National's [NBG] acquisition in Turkey was decided on business criteria. *Kathimerini,* 26 May.

[61] Karakousis, A., 2006. Arapoglou's misconceptions, *TA NEA*, 5 May.

leverage over Greece, precisely due to this exposure of Greek corporate actors to Turkish state and regulatory action. Thus, Turkey, from denying, or constituting a threat to deny key national goals, became instrumental to fulfilling one of them.

This novel status of Turkey, as instrumental to Greek national goal-fulfilment, brought about by state-sponsored corporate internationalisation, is starkly illuminated by the reversal of what obtained in the early 1990's in Greece's interaction with the wider region. At that time, as we noted in our introductory chapter, Greek fears of Turkish encirclement had further 'contaminated' the Balkans, consolidating the impression that, post-1989, the region had become a space of increasing instability and multiplying threats due to revived, and dangerously revisionist, as far as Greece was concerned, nationalisms which were perceived as being aligned with Turkey's geopolitical ambitions. By contrast, approximately fifteen years later, the acquisition of Finansbank by NBG, was seen as a culminating point of Greece's advantageous extension of its commercial leadership in the region.

In effect, the accumulated leadership position build over a ten year period by the Greek financial sector in the region, and by other FTSE/ASE corporations, not only facilitated the acquisition of Finansbank, as the limit of the possible was extended after each subsequent significant FDI transaction in the region, but also enabled the Finansbank acquisition to be incorporated in this larger narrative of the seemingly unstoppable reassertion of Greek commercial dominance in the region.

In that respect the lifting of operational hurdles, imposed by the limited experience of internationalisation and accessing of capital prior to internationalisation, has been coterminous with the lifting of conceptual hurdles as the redefinition of the Balkans as a marketplace eventually encompassed Turkey too. In the same vein, the long unfolding of the process of corporate internationalisation also embedded the Finansbank acquisition in the historisation of the process, rendering it even more legitimate and robust. Consequently, whereas Turkey had 'contaminated' and 'characterised' the Balkans now the Balkans had facilitated, sufficiently enough to allow for economic interdependence, the 'decontamination' and 'de-characterisation' of Turkey.

The Finansbank acquisition has also been commensurate, to goal attainment, to threat disregard, namely that of 'Finlandisation', of Greece being placed in a position of being blackmailed by Turkey into diluting its sovereign rights.

Prior to the acquisition, this 'Finlandisation' ability of Turkey was premised on its superior in number armed forces, the implicit threat of a military conflict in which Greece would emerge defeated being presumed as extracting, or threatening to extract, concessions from Greece. Subsequent to the acquisition, Turkey enhanced this ability by virtue of the size of its marketplace. It was the size of the Turkish market place which commanded an acquisition price of 5billion euros for Finansbank, equal to 50 % of all Greek FDI in the Balkans up until that point and 30 % subsequent to it. This 'Finlandisation' ability of Turkey must also be assumed to grow in a dynamic fashion both because over time NBG's exposure to the Turkish market will grow, due to the further development of the operations of Finansbank in Turkey, and because the investment itself, as we will see below, acted as a powerful signal to other Greek SOE's and non-SOE corporations to invest in Turkey.

Both the poll results that we referred to above and the public debate attendant to the Finansbank acquisition demonstrated that goal attainment – regional commercial primacy consolidated and confirmed by NBG's expansion of operations in Turkey – overwhelmed reservations on this threat increase – Greece's leading financial sector corporation, and the Greek economy itself, being beholden to the intent of the Turkish state and the ups and downs of the bilateral relationship.

Conclusion

The market-led transformation of NBG and its attendant role in the consolidation and the internationalisation of the Greek financial sector re-energised the bank's trade unions links with PASOK instead of attenuating them. The ability of NBG in this new role, as a profit-seeking corporation, to distribute resources to its personnel bought their loyalty, its market primacy restored their pride and its status as the leader of a resurgent Greek corporate sector assuaged their fears that the bank might one day become a subsidiary of an international financial institution. Furthermore, NBG's actions in the marketplace were integrated in PASOK's own political strategy, premised on a successful capital market, the winning over of Greece's new class of managers and capital holders and a redefined nationalism under which PASOK, through its benign guidance, would facilitate the coming of age of an aggressive internationalised Greek corporate sector.

The succeeding ND did not enjoy, nor was it realistic to try to replace PASOK's privileged links with NBG's trade unions, let alone use NBG as a template for such a relationship with other SCB and SOE trade unions. However, it found it useful to let NBG point the way in the ongoing internationalisation of Greece's corporations by acceding to the Finansbank acquisition. In that respect ND shared the same material and prestige benefits that PASOK did as a steward of an internationalised corporate cohort, generously financed by ample global liquidity flows and in an international order which applauded such a mode of interaction between Greece and its neighbours. ND however, via its appointed management at NBG, was compelled to accept PASOK's formulation of the latter's nationally significantly role, underlined by the commitment that the bank would continue to be controlled by national stakeholders – and indeed its ongoing internationalisation was an indispensable means to secure this goal. The confirmation of national control, in turn, underlined the acquisition of Finansbank as an event that is, and will continue to be, associated with Greek goals and a redefined Greek identity, premised on Greek commercial leadership in the region.

The driving forces leading to the Finansbank acquisition and the contestation attendant to it made Turkey instrumental to national goal attainment for Greece – commercial leadership in the region -while also at the same time marginalising the threat that, in actual fact, it increased – the ability of Turkey to blackmail Greece.

CHAPTER 5

Introduction

In the first section of our concluding chapter we will first assess the impact of the Finansbank acquisition on Greece's strategic rivalry with Turkey, and in particular from the viewpoint of the three key features, according to strategic rivalry literature, of goal attainment, mistrust and of domestic groups vested in a relationship of rivalry. Secondly, we will relate our findings, on the Finansbank acquisition, to the literature on the Greek strategic rivalry prior and subsequent to the Finansbank acquisition.

In our second section, we will relate our findings to the scholarly debates that have informed our interpretation of the Finansbank acquisition, principally that of NEN, and complementary those of corporate internationalisation from the periphery, coalition building in relation to foreign policy conduct and economic statecraft.

In our third section, we will examine how our NEN-informed hypothesis fares in relation to the competing schools of thought that we have identified, namely those of Liberal Institutionalism, Realism, and Europeanisation.

The Acquisition of Finansbank by NBG and Greece's Strategic Rivalry with Turkey

1.The Finansbank Acquisition through the Strategic Rivalry Lenses

As a decisive step towards economic interdependence with a strategic rival in what terms, conformable with the strategic rivalry analysis, can we characterise the acquisition of Finansbank by NBG? We focus on three factors underlined by the strategic rivalry analysis (Colaresi, Rasler and Thompson, 2007, pp.23-28): national goal attainment, mistrust and cognitive rigidities, domestic groups and leaderships. Strategic rivalry analysis notes that the strategic rival is seen as a major obstacle to the attainment of key goals (or the negation of those goals already achieved) by a nation-state. This perception gains currency by a stream of conflictive events, between the rivals over time, which engenders mistrust among both publics and policy makers, towards the rival. This generalised mistrust, in turn, facilitates the escalatory potential that incidents of friction have between two rivals, as the cognition, through which the rival is perceived, becomes rigid and conflict-prone. The duration of the strategic rivalry also means that important domestic groups have anchored their interests and identities in the rivalry and that policy-makers are being selected, or compelled to conform, according to the conflict-prone templates established by the strategic rivalry.

The acquisition of Finansbank qualifies as the reverse of goal denial or goal compromise by a strategic rival. The acquisition of Finansbank qualifies as a cooperative act (after all it could not have taken place without the consent of the Turkish state and regulatory authorities) that facilitates, as opposed to denying, a key Greek national goal: the growing internationalisation of Greece's major corporations in the region and the consolidation of Greek regional economic primacy, with all that it entails in terms of the country's international prestige and welfare benefits.

As a financial sector investment the acquisition was – and will continue to be as long as NBG maintains ownership of Finansbank – extra sensitive to any act by the Turkish regulatory authorities that could undermine client confidence in Turkey in Finansbank itself, or investor confidence worldwide in the stock of NBG, were Finansbank to be destabilised by the Turkish government. The fact that such obvious considerations were overridden thus defines the event of the acquisition as a major act of trust. The signalling effect of the acquisition can also engender trust in key constituencies in a virtuous circle – just as mistrust can be generated in a vicious one, of conflictive events – by emboldening other Greek corporate actors to follow in NBG's footsteps. Eurobank and Alpha Bank, two out of three of NBG's major Greek competitors, subsequent to the Finansbank acquisition announced copycat acquisitions in Turkey, of Tekfen Bank and Alternatif Bank, respectively[62]. OPAP, Greece's lottery monopoly, has felt comfortable enough to bid to acquire the state-owned lottery Milly Piango[63] in an auction staged

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[62] See, Kathimerini- English Edition, 2006. *Eurobank's Turkish buy*, 9 May; Kathimerini-English Edition,2007 *Turk 'no' to Alpha Bank deal*, 9 August. The Turkish regulatory authorities blocked the Alpha acquisition, as the referenced article's title suggests, few months before general elections were held in Turkey – a sign of precisely the national content of corporate internationalisation, this time in the recipient country. Although Alternatif Bank, Alpha's acquisition target, is tiny compared to Finans, the symbolism of one Turkish bank after another being taken over by Greek banks was apparently too much to stomach for the Turkish government, particularly on the eve of electoral battle.

[63]The auction was eventually not concluded due to the Turkish state's higher valuation expectations. However, the fact that both parties, OPAP and the Turkish government, seriously entertained the acquisition by the former of Milli

by the Turkish Privatisation agency. These are all tangible signs of trust extension and entrenchment.

The acquisition also bears evidence of domestic groups and leaderships in Greece, and even the public, moving away from the strategic rivalry template to an explicitly cooperative mode of conduct. Implemented by a corporate leadership at the very pinnacle of Greece's business community; accepted, in principle, by the trade union of one of Greece's most important employers and by Greece's main opposition party; approved by the Greek government's leadership from the Prime Minister downwards; hailed by a significant majority of Greeks polled: all these facts bear evidence to the acquisition's status as an event which alters if not all, at least several, of the key drivers that have sustained in the past Greece's strategic rivalry with Turkey.

Putting the acquisition of Finansbank by NBG in the context of the overall trade and investment relationship of the two countries (see tables below) we can suggest the following: The acquisition propelled Greece to top three position in terms of overrall FDI in Turkey, in the period 2005-2008, clearly a sign of the transaction's significance not only in absolute terms but also relative to FDI patterns in Turkey. Greece's recent crisis has also highlighted that interdependence is a two-way street, with argument raging on whether Greece's neighbours, Turkey included, might suffer from a contagion effect, Greece's regionalizing banks (in our case NBG) being a conduit of instability (indicatively, Keller, Ch., 2010, Deliveli, E., 2010) On the other hand, the acquisition has not seemed to have had a noticeable impact on a steadily growing trading relationship between the two countries which is still, however, not in the top five category, for either country and in either imports and exports. A particularly pronounced decline in Turkish exports to Greece, from 2008-2009, is in accordance with the pattern of Turkish exports declining in its surrounding region due to the economic crisis and its impact on the domestic demand of neighbouring markets (Anatolia News Agency, 2010). Finally, Turkish FDI in Greece has been negligible throughout the post-acquisition period. The establishment of state-controlled Ziraat Bank branches in Greece's Western Thrace region, where there is a

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Piango, which as a national lottery monopoly, with unique links to lower socioeconomic groups which would tend to acquire lottery tickets, possesses unsurpassed symbolic and brand power, is telling.

significant Muslim minority, and in Athens, subsequent to the acquisition of Finansbank, was a very small investment, and took place, according to knowledgeable observers, in order to address Turkish amour propre and to test the Greek Government's willingness to accept a reciprocal Turkish banking presence in Greece as a matter of principle (Interview 2).

Figures in mn USD	**2005**	**2006**	**2007**	**2008**	***2009 11months***
Greek Exports to Turkey	728	1,045	950	1,151	*994*
Turkish Exports to Greece	*1,127*	*1,603*	*2,263*	*2,430*	*1,505*

Source: EFG Istanbul Securities

Figures in mn USD	**2004**	**2005**	**2006**	**2007**	**2008**
Greek FDI in Turkey	38	11	2,791	2,360	775

Source: Central Bank of the Republic of Turkey

Figures in mn EUR	**France**	**Germany**	**UK**	**Belgium & Luxembourg**	**Italy**
Top five – in country of origin terms - in FDI in Greece in 2005-2007	3,787	3,432	2,011	1,145	839

Source: Invest in Greece

Figures in mn USD	Netherlands	USA	Greece	Belgium	France
Top five – in country of origin terms - in FDI in Turkey in 2005-2008	12,268	6,011	5,937	5,453	3,593

Source: Central Bank of the Republic of Turkey

Top Five Exporters to Greece (2005-2009)	Top Five Importers of Greece (2005-2009)
1.Germany	1. Germany
2. Italy	2. Italy
3. Russia	3. Bulgaria
4. France	4. Cyprus
5. Netherlands	5. UK

Source: National PK Brokerage Research

Top Five Exporters to Turkey (2005-2009)	Top Five Importers of Turkey (2005-2009)
1.Russia	1. Germany
2. Germany	2. France
3. Italy	3. Italy
4. USA	4. UK
5. France	5. USA

Source:EFG Istanbul Securities

2. Domestic Coalitions and Collective Beliefs

Subsequent accounts to the Finansbank acquisition by NBG (Anastasakis, 2007, pp.14-15; Papadopoulos, 2008, pp.33-34) have stressed, accurately enough, that despite accelerating economic interdependence, most impressively highlighted by NBG's expansion in Turkey, all major issues bedevilling bilateral relationships between Turkey and Greece remain outstanding: a solution to the Cyprus problem, the delimitation of the continental self of Greece's islands, disputes over territorial waters and air space (generating periodically military incidents), treatment of respective minorities etc.

These accounts, however, fail to consider domestic coalitions, and the dominant beliefs that make them cohere, as factors behind the dynamic nature of strategic rivalries and whether these coalitions and their beliefs, at any given time, produce rivalry intensification or rivalry decline.

In particular, such static perspectives ascribe independent variable status to these classic 'high politics' disputes, without taking into consideration the extent to which they have come into existence, and have maintained their importance, not least because of the imperatives inhering in domestic groups vested in the rivalry. The literature on strategic rivalries is, however, sensitive to how such rivalries develop over time vested domestic interests in their continuation (Colaresi, Rasler and Thompson, 2007, p. 28). On this basis we argue that attention paid to evolving strengths and weaknesses of those domestic groups vested in the strategic rivalry, and those in overcoming it or at least attenuating, is relevant to the status of the strategic rivalry itself: is it intensifying over time or declining? The answer must be the latter, when we consider the array and prominence of domestic groups, policy makers and political parties which have committed themselves, through the acquisition of Finansbank, to interdependence with Turkey.

As we recall, from our introductory chapter, in the 1950's and 1960's a diverse array of groups, ranging from the Greek church and irredentist, right wing organisations to the Greek left, trade unions and student organisations, identified with an uncompromising policy on the Cyprus issue. Subsequently, in the 1980's the co-management between the ruling PASOK party and its affiliated trade unions, in key SCB's and SOE's, was a major plank in PASOK's notion of securing national sovereignty and social justice. This stance was legitimised by enmity towards the West and primarily the US, which was assumed to have favoured Turkey over Greece, and Hellenism at large, in relation to the Cyprus issue.

Consequently, the conversion of some of these same social actors in the cause of corporate internationalisation carries a highly significant 'Nixon in China' weight, undercutting and marginalising continuous adherence to the precedent variant of nationalism, by other actors and forces which remain steadfast in their enmity towards Turkey. Indicative of the marginalisation of the latter, was the objection of the representative of the Greek Orthodox Church, one of NBG's largest and oldest shareholders, at NBG's Managing Board, to the Finansbank acquisition, when it was submitted for Board approval, who wished to the management of NBG that it fails to complete the acquisition, for the sake of the bank's own future (Interview 2). What we thus see in the Finansbank case is the splintering of the anti-Turkish front. Importantly, the majority of the Church's faithful flock, which originates from low socioeconomic origins, lacks institutionalised voice in Greek politics, in contrast to actors such as SYETE with its privileged relationship with PASOK.

The emergence of this coalition, in favour of economic interdependence with Turkey, was also facilitated by an alternative reading of Greek history which privileged Hellenism's pre-World War I commercial dominance over several imperial spaces. The Finansbank acquisition did not create this alternative historisation that legitimised interdependence with Turkey but rather extended it to Turkey, as it had already been diffused by more than ten years of corporate internationalisation in the Balkans.

As we mentioned in our introduction, the competing historisation, incorporated the strong conviction that Turkish policy makers, as well as the Turkish public, will not tolerate Greek economic influence ever again materializing in Turkey. This understanding, which was a constitutive element in the accumulated distrust blocking Greek-Turkish cooperative behavior, also thoroughly exercised NBG's management, prior to the acquisition of Finansbank[64].

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[64] Both the PASOK and ND appointed management of NBG discussed thoroughly the political risk attendant to an investment in Turkey, the former focusing on operative discriminatory policies towards the remnants of the Greek Istanbul minority and the latter commissioning a poll and focus group research, conducted by TNS-Pinar, a Turkish market research organisation, to discover Turkish attitudes to such an eventuality (see NBG Istanbul Representative

The re-entry of Greek capital in Turkish economic life, signalled by the Finansbank acquisition, was thus an event that went to the heart of the very collective experiences and beliefs that have driven the Greek-Turkish strategic rivalry. It challenged assumptions and attitudes, on Turkish intent with regard to patterns of cooperation and economic interdependence with Greece[65] which have been constitutive of their strategic rivalry itself.

In effect, the Finansbank acquisition was first facilitated by the resonance of this earlier historical paradigm, and the collective experiences which rendered it plausible, on the presence of the Greek element in the region, premised on its ability to operate unhindered in non-national space. Once it took place it both extended and further entrenched this paradigm. By doing so it has contested the dominant historisation, which fuelled the strategic rivalry with Turkey, on the basis of which Turkey is an implacable rival best dealt with through impregnable, as opposed to permeable, national frontiers.

3. Political Leaderships and Ministries

The strategizing, that we examined, of powerful politicians sitting atop the Ministries of Finance and Foreign Affairs, in relation to corporate internationalisation in general and the Finansbank acquisition in particular highlights the reversal of what obtained from the 1950's to the 1980's: ambitious politicians would up the rivalry ante with Turkey in order to propel their careers and cement their links with those socioeconomic groups that similarly used the rivalry to accelerate their integration in Greece's political system. Presently, equally prominent political figures, and certainly the Ministers at the helm of the Greek Ministry of Foreign Affairs and at the Ministry of Finance, have identified themselves with Greece's economic interdependence on a regional scale, Turkey included, using this identification to establish themselves as privileged interlocutors with those dominant or aspirational socioeconomic groups that have prospered, or

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Office, 2005. *Specific Risk*, Spring and TNS-Pinar, 2005. *Market Survey of Attitudes Towards a Greek Acquisition in the Turkish Financial Sector*, Summer).

[65] These assumptions and attitudes were seemingly confirmed by the polling research, conducted by TNS – Pinar, which found that a substantially higher percentage of Turks viewed the prospect of a Greek investment in the Turkish financial sector with disquiet compared to an investment by financial institutions by other EU member countries. In actual fact, however, subsequent to its acquisition by NBG, Finans has expanded its client base (Interview 2).

believe that they can prosper, through the liberal economic dispensation and the economic interdependence that it has engendered.

We also mentioned in chapter 4 the audience costs, generated internationally, were there to be a substantial regression in the bilateral relationship with Turkey, subsequent to the Finansbank acquisition. Internally also, it would be a blow to the ND government's domestic credibility, were such a deterioration to threaten the Greek economic stakes in Turkey, that governmental encouragement allowed to materialise in the first place, through the Finansbank acquisition. Naturally such internationally and domestically generated audience costs would be borne disproportionally by those leading political personalities that have identified themselves the most with corporate internationalisation. We refer to such audience costs because they render tangible how vested dominant political personalities have become to interdependence with Turkey and how commensurately motivated they are to maintain the relationship on an even keel.

Lack of institutionalisation, at the Greek Ministry of Foreign Affairs, remains a legitimate concern from a policy prescriptive point of view, as the Finansbank acquisition received perfunctory examination in terms of its wider implications for Greek national interests. Such weakness, as we see through our case study examination, does not so much bias foreign policy towards a particular direction (e.g. intransigence towards Turkey) but rather does not filter the decisions pursued by the political masters of the Ministry, either moderating their direction or improving their execution, with sophisticated analysis and expertise. In the case of Finansbank, Greece's political leadership proved capable of executing a shift in favour of interdependence with Turkey in alignment both with the preferences of its international allies and interlocutors and with a critical component of its domestic coalition. Under-institutionalisation in the Ministry of Foreign Affairs proved a negligible factor either in hindering or accelerating that shift.

This could also be a critique adopted by those Greek Realists who are dubious of the prospect of a sustainably improved relationship between the two countries. They could argue that the Greek state, and political class, on this occasion as well, succumbed to pressure, this time from domestic Greek constituencies, without taking into account that Greek national interests would be undermined by growing economic interdependency with Turkey. These analysts would not concede that such interdependence can be a strategic goal of the Greek state, albeit one that needs to be pursued in a way that would cause minimal impact on national security concerns, let alone that this goal is one on which a redefined national identity should be anchored at.

From our perspective, however, just as precedent scholarship has established how state-society links in the post World War II era, and at least up until the late 1980's, entrenched the Greek-Turkish strategic rivalry, our period under consideration suggests that the reverse is now the case in the domain of economic interdependence with Turkey – with the Greek Ministry of Foreign Affairs being rather marginal in terms of its influence on both trends.

4. Confusing Means with Ends

Last but not least, sceptics of the impact of the Finansbank acquisition on Greece's strategic rivalry with Turkey have failed to notice the elision from low to high politics, that this event has created, the transition from means to ends. In that respect we find that the earlier accounts of the low politics initiatives that Greek foreign policy makers undertook in the late 1990's, that we referred to in our introductory chapter, have conceptually limited the Greek analysts that have examined the Finansbank acquisition, from an International Relations, strategic rivalry perspective. A level of economic interdependence with Turkey which has a significant bearing on Greece's material welfare, and has become constitutive of its international prestige (the audience costs mentioned above are, at the end, intrinsically commensurate to this prestige), can no longer be considered as merely a subordinate instrument, to some other foreign policy considerations, but rather as a key foreign policy goal on its own right, albeit of course not the only one. Indeed as we saw in our process tracing of the Finansbank acquisition it was an event that took place not because, or at least not only, due to foreign policy considerations, <u>external to it,</u> which willed it into being; rather it was an event that materialised largely because of its own intrinsic value: as a signifier of Greek commercial leadership, internally and externally, and as a not-to-be missed opportunity for Greece's leading corporate actor.

This elision, from means to ends, also explains in our view the capacity of the paradigm established by the Greek corporate internationalisation in the Balkans to extend itself to Turkey and thus reverse the long standing order whereby it is Turkey that colours Greece's relationship with the Balkans and not the opposite. In our view the Balkans, by conferring a track record of regional commercial leadership, attested by the size of Greek FDI, and further validated by its historisation, constituted the process of corporate internationalisation as an end in and by itself and much less so as a means of improving bilateral relationships with neighbouring states. Precisely because of this status as a goal on its own right, it was made politically possible and desirable to extent corporate internationalisation to Turkey, the amelioration of the Greek-Turkish strategic rivalry being substantially a by-product as opposed to an end goal.

Our NEN Hypothesis and Complementary Explanations

Our Research Question has been the following:

How does corporate internationalisation, undertaken from the economies of nation-states at the European and global periphery, ameliorate their long-standing strategic rivalries?

Our resulting hypothesis has posited, in the case of Greece, that:

For a state in the semi-periphery, the large-scale acquisition by a domestic firm of a foreign enterprise, reconfigures conceptions of economic nationalism. This is especially the case where the enterprise acquired is located in a state with which there is a long-term and significant foreign policy rivalry. The interests and strategies of key domestic socioeconomic actors are reconfigured within the new nationalism, with incentives to support and sustain such corporate internationalization.

1.NEN

We find that our Greek case broadly confirms key NEN findings. Commercial primacy in the region, engendered by liberal market reforms in Greece, is an example of the capacity of economic nationalism to be identified with, and underpin a range of economic transformations, including those associated with market opening and corporate internationalisation. Superior economic performance, whether in the aggregate as in Greek FDI totals in the region, or in the market leadership of a particular sector, and leading firms within it, in our case the Greek financial sector and NBG respectively, can define and establish notions of national superiority which are, by definition, relational, up to and including a nation's strategic rival, in our case Turkey.

Economic nationalism also illuminates the variety of the goals inhering in a nation, not all of which are compatible, something that is also confirmed by our case study. Growing interdependence with Turkey certainly complicates the management of this relationship, potentially even to the point of policy confusion and incoherence. Economic nationalism is certainly capable of introducing major new goals to the nation, which is not the same as saying that these new goals are now the only ones and are not conflicting with past objectives and priorities which have not been extinguished.

In terms of the directionality that past historical experience can set for the nation, as an economic entity, we would introduce a qualifier to Abdelal's (2001) insight. A nation's history is constituted by diverse collective experiences capable of justifying and embedding a variety of economic choices and interstate relationships. The resonance and plausibility of past historical experience in the present, together with the concurrent benefits accruing though the direction that a nation is called upon to pursue, can effect a change in a nation's directionality. Greece's regional commercial primacy, a centuries-long process which was terminated in the spate of less than forty years, from the 1920's to the 1950's, which is to say within living memory, certainly has been a factor in grounding Greek corporate internationalisation in Greek national identity and purpose in the period we have examined. However, alternative historical experiences which have not been vanquished, can still pull the national community in another, opposite direction. It is thus not only the nation's foreign policy goals that can be conflicting but also the histories that render these goals prominent in political contestation and policy making. Abdelal admits of such diversity, in collective understandings of the past, but accounts for it through his analysis of regional and ethnic cleavages within a nation-state. In the small and rather homogeneous country that Greece is we would be better advised to look at socioeconomic indicators, in order to evaluate the saliency and power of each contesting and contestable historically informed understanding of the nation.

We also find, in our Greek case, that economic experience itself can produce a particular variant of nationalism even if that variant concurrently is historically informed and validated. For a generation of Greek managers, entrepreneurs and capital holders, their formative experience has been one of ever increasing primacy on a regional scale, facilitated by the accessing of financial resources of previously unimaginable magnitude. Inevitably, as historical beings, the members of this cohort will seek the past collective experiences that is most relevant to their own. But even were they to be a-historical, and if they would inhabit an a-historical community, still their experience would engender a collective feeling of internationally-relevant strength and regionally applied superiority.

Finally, economic nationalism, and the goals that it projects, can be relevant to wider constituencies not necessarily directly involved or affected by the pursuit of these goals. The poll conducted, the fiery editorials launched, the demand of the Greek Parliament to ask for an explanation, this contestation of the Finansbank acquisition by NBG, of course speaks of the political calculus and coalitional dynamics as we have analysed them; but it also speaks of the demand of the national community, filtered to be sure by its political and intellectual representatives, to be consulted and have a say. By definition economic nationalism renders resonant a certain understanding of the nation with which a wide array of its constituent members can converse with. As scholars of NEN have argued, it can do so because the structure of economic life and its orientation is inextricably linked with collective perspectives of what the national community is or should become. It cannot thus has as its referents issues of deracinated and impenetrable technocratic concern which are relevant, in our case of NBG, only to a tiny minority of managers and capital holders, politicians and policy makers. The case of NBG proves that the nation will both claim and exercise its perceived right to root for the home team even it is not out there playing in the field or fails to grasp the ins and outs of the coach's strategy. Inevitably, there will also be another group booing at the very fact that such a game is played at all. What is not an option, for those who consider themselves members of the national community, is ignorance or indifference to the event itself.

2.Corporate Internationalisation from the Periphery

NBG is a typical example of a corporation in the periphery, its role determined by the developmental mission of the Greek state from the 1950's to the 1970's, and subsequently by PASOK's distributionist & statist policies. While these two phases are distinct, the first one has informed the other, by producing ongoing legitimisation to the Greek state – and more specifically to a coalition between the bank's trade union and the ruling PASOK party – so that it could go on defining the bank's role in the Greek economy. NBG, in other words, because it has served the national welfare in the past could serve it in the future.

This is so even if the concept of this national welfare has been redefined, to the extent that present intentions question the foundational assumptions of past performance and roles. In the case for NBG, and of the larger category to which it belongs, of Greek SOE's and SCB's, PASOK's redefinition of the national welfare integrated the experience of trade union suppression in the preceding era with Greece's alignment with the West and heavy handed intervention in Greek domestic politics by the US. Thus the relationship between PASOK and the trade unions of SCB's and SOE'S, in Greece's reconfigured political economy of the 1980's, was consecrated by a vigorous anti-Western, anti-Turkish foreign policy. Managerial prerogatives, and the technocratic principles on which they were based, in NBG and elsewhere, were conflated with external imposition and national humiliation, and thus suffered correspondingly in terms of their legitimation and their exercise.

The Greek case, as we have presented it, amends Lipson's (1985) scheme of property rights attached to FDI emanating from the countries of the Western core, which were undermined due to the peripheral state's assumption of the mission of national development. Foreign owned utilities in Greece, in electricity and transport in the main, were expropriated and consolidated in the 1950's, without causing any rupture in the country's western alignment (Spanos and Papoulias, 2005, p.11; Tsoukas and Papoulias, 2005, p.85) . These utilities also received extensive western assistance in terms of their internal organisation and technology inputs. The suppression of associational rights, however, together with the generalised collusion of Greece's large privately owned corporations with the authoritarian right wing state, meant that as a whole, private and public enterprises were identified with the country's Western, and later to be discredited due to the Greek dictatorship and military defeat in Cyprus, orientation. With the time lag of more than twenty years, in terms of state-driven developmentalism in the periphery, this identification was serviceable enough for PASOK to suborn these large corporations to its ditsributionist and clientelistic imperatives, albeit under the guise of a national strategy of domestic development premised on demand primping. As such, SOE's and SCB's like NBG, by forming one of key terrains in which national sovereignty and national development were supposed to be fulfilled, they became vehicles of social advancement for PASOK's clients, providing in due course the party, through their trade unions, with leading cadres.

Market liberalisation and subsequent internationalisation, initiated under Greece's EMU driven fiscal strategy transformed the status of these enterprises, restoring to a greater or lesser degree the managerial prerogative, listing them in the stock exchange if they were not already listed, and making them the leading stocks in a now active capital market capable of attracting investment flows both from domestic and international portfolio investors. This transformation in general, and particularly so in the case of NBG, fits well Lavelle's (2004) analysis, as it entailed addressing both the requirements of new stakeholders, most prominently international portfolio shareholders, but also bringing along the already existing ones, namely trade unions with their privileged links with PASOK.

This alignment of new and old stakeholders was seen most clearly when, under the imperatives of consolidation and internationalisation, corporate decisions that had a bearing on NBG's control, namely the merger with Alpha Bank, and the acquisition of Finansbank, first produced contestation and subsequently reaffirmed the bank's ownership arrangements whereby the Greek state remained as its ultimate caring shareholder. This was achieved by linking these decisions with NBG's continued mission of national import, in the market liberalisation era, the mission now being defined as NBG leading, in its capacity as the flagship of the Greek business community, the Greek economy towards commercial pre-eminence in the region. The twin reconfiguration and reaffirmation of NBG's national mission has been endorsed by its trade union and PASOK, which is to say two actors that represent the hegemonic version of Greek nationalism that was established after the collapse of the Greek dictatorship in 1974. Furthermore, NBG's status as a publicly listed corporation has meant that all of its major decisions, and certainly the two seminal ones that we have examined, have been presented and fought over in the public domain, through press conferences, extraordinary general meetings, analysts reports, public commentary etc.

Rather than the two-level game that Lavelle utilised to interpret the effort of peripheral governments to satisfy both external shareholders and domestic stakeholders, NBG represents a coincidence of purpose whereby internationalisation accords with both constituencies. In particular foreign portfolio shareholders could rest content, in a benign global liquidity environment and conversing with a credible NBG management, not too delve too deeply into the finer points of NBG's corporate governance.

As we noted above NBG's internationalisation, as well as that of OTE, the state controlled telecommunications monopoly, in the Balkans, fits well the sequentiality dynamic explored by Goldstein (2007) whereby a head-start in market liberalisation is leveraged through international expansion in other peripheral markets. Internationalisation as a process beneficial to the national economy and as a means of retaining national control on key corporate actors, a point made by other authors (Sally, 1994; Guillen, 2005), also accords with the NBG experience. NBG management has used, and defended publicly, internationalisation as a means for the bank to acquire such a size that would make it a predator as opposed to a prey in a consolidating European financial sector. On the other hand, maintaining national control through internationalisation, by definition involves other stakeholders such as political parties and trade unions, as they are the key constituent parts of this national control. The strategic decisions induced by internationalisation required political approval and generated political contestation while both approval and contestation activated the links between ruling and opposition parties and NBG's trade union. Institutional and political links, activated by NBG's strategy, in turn, engendered public discourse, on NBG's strategic direction, and extended its duration and intensity. Thus the interaction of national control and internationalisation, linked the fortunes of a corporation like NBG with the wider discussion, and contestation, of national reach, so critical from a NEN perspective on national purpose and identity.

The very nature of the corporate internationalisation process also generated additional links with the Greek state, and in particular with the MF and the MFA that carried significant normative weight. MF responsibility over the strategic decisions that this process brought forward, as the representative of the Greek state which was the caring shareholder of NBG, created ownership and ownership meant that corporate internationalisation was integrated in the policy and political goals of the MF: such as the country's international prestige, its ability to access international capital flows and the government's domestic reputation as an effective steward of this process. If ownership was thrust upon the MF it was actively sought by the MFA, not least because its political leadership wanted to share in the reputational gains to be had, for the country and itself, by being seen as an exponent and facilitator of this process. Thus the set of policies implemented, under the rubric of economic diplomacy, which anchored the MFA and its Minister, in the goal of rising economic interdependence with the region, Turley included.

Both market rankings in the region and the use of global liquidity for international expansion made NBG a marker of Greek commercial superiority, vis a vis its neighbours, which also are its historical rivals, the most prominent one being Turkey. This marker became even more resonant due to its linkage with an earlier chapter in Greek history, before the collapse of Europe's empires after World War I, when Hellenism enjoyed commercial primacy in South East Europe and parts of the Middle East, Egypt in particular. Equally, it was NBG' status as such a marker that made it politically feasible for the bank to expand to Greece's strategic rival Turkey, through the Finansbank acquisition, inducing in the process unprecedented economic interdependence between the two countries. This experience of NBG also accords with accounts of Spanish corporations expanding in Latin America where, although they did not involve strategic rivalries, they have enjoyed popular legitimacy due to their perceived benefits for the Spanish economy and their contribution to Spain's international status. The latter was refracted, as with the case of Greek corporate internationalisation, through Spain's historical experience: as the coloniser of South America and even the comeback of Spain as the hegemonic power in the southern hemisphere challenging the US's leadership position.

3.NEN and the Internationalist Coalition

The SYETE and PASOK interaction, particularly as it culminated at the attempted but ultimately failed merger between Alpha Bank and NBG, substantiates the saliency of the analysis of New Economic Nationalism, in PASOK's internationalist coalition of the 1990's onwards. The national champion thesis, which sustained the links between PASOK and one of its key trade union allies, SYETE, in the case of NBG, bears evidence to the continuous need to ground major economic transformations - in this case the twin processes of the consolidation and internationalisation of the Greek financial sector - in a particular idea of the nation and of national interest. The national champion thesis both legitimated within PASOK Greece's transition to a more open and competitive market environment while legitimising, within this environment, continuous, albeit much more light-handed involvement of the state with NBG.

This conversion of socioeconomic and political actors, under nationalism, to market reform and liberalisation, carries particular weight and credibility precisely due to the past membership of these actors in a much more vociferous and aggressive variant of nationalism. Conversely, it anchors these leading social and political actors to the notion that national strength lies in economic interdependence with Greece's neighbours, and in particular through its leading corporations assuming a leading role in the economies of the region. Importantly, for our purposes, it also aligns the strategies of governing parties and policy makers with the corporate strategies driven by the imperatives of consolidation and internationalisation as the latter confer material and ideational resources that can be distributed to constitutive, for the Greek political order, domestic and international stakeholders.

We thus find Narizny's (2007) analysis too restrictive in its material focus, as he does not account for the resources, in terms of credibility and legitimacy, that particular social actors bring to bear to a coalition in favour of interdependence with strategic rival - and the way these resources can be applied to a national audience, under contestation, which is not itself directly engaged with this interdependence.

SYETE's interaction, with PASOK, also introduces a qualifier to Solingen's (1998) perspective on coalitional contest which must ultimately be integrated within the perspective of New Economic Nationalism. Solingen does underline the capacity of the internationalist coalition, as it expands the remit of its reforms, to enlarge its range of supporters, by distributing an increasing volume of benefits to an increasing number of constituencies. However, Solingen does not focus on how this process inherently incorporates members of the backlash coalition, thus converting them to the ranks of the internationalist coalition. We say inherently, because the corporations underpinning the backlash coalition, depending on the nature of their operations, can very well acquire an even more formidable distributive capacity under market liberalisation than under state protection. Material benefits accruing through market liberalisation and internationalisation (rising share prices and corporate profitability) can be distributed to the employees of a corporation regardless of rank, through stock options, salary raises, and cash injections in pension and health funds. This capacity also qualifies Ben Porat's (2006) distinction between elite socioeconomic strata and less privileged ones for which a benign interaction in the international domain, underwritten by the promise of the benefits of interdependence, forms a dividing line rather than a point of agreement. As we can see in the case of SYETE and PASOK, NBG's internationalisation, by re-grounding and thus re-legitimising NBG's existing corporate governance arrangements (i.e., the preservation of effective control by Greek stakeholders and ultimately by the Greek state) it could provide security to employees, the vast majority of SYETE's membership, who are neither skilled nor high ranking enough to be directly engaged in this process.

In turn, the conversion of members of the backlash coalition enhances the nationalist credentials of the internationalist coalition, as those ex-backlash constituents bring to the table their historically established credibility as fiery exponents of nationalism. What is thus under-determined in the above analyses of coalitional construction is the capacity of the internationalist coalition to appropriate for itself specific versions of national identity in its combat with the backlash coalition - indeed of the inevitability of doing so, from the perspective of scholars of New Economic Nationalism. From this perspective the resiliency and success of internationalising coalitions is both contingent and analytically graspable, only on the basis of the production of a rival version of nationalism and national identity; rival, that is, to the nationalism and national identity produced by the backlash coalition.

Similarly underexplored are these qualities of specific nationalisms and nations that might hinder or facilitate the identification of the internationalist coalition with nationalism itself, a major concern of scholars of NEN as we saw above. For instance, in Ben-Porat's Israel the issue of how cleavages along religious and origin lines (i.e. observant versus reform Jews, Ashkenazi versus Mizrahi and new Russian-Jewish immigrants) from the perspective of their potential impact as impediments in the participation of these groups in Israel's modern economy and their, by extension, capacity to affiliate even if only by plausible aspiration with the Israel posited by this experience of successful commercial interaction with the international economy, is substantially ignored. We also note that although Ben-Porat mentions the Zionist origins of the Israeli business personalities, and their constituencies, and their desire to renew their national leadership role under present day Israel, he leaves underexplored this aspect of their advocacy mission, as well as how the nature of their corporate success might have renewed their claims to national leadership.

We also believe that our analysis accords more fully with Polyani's (2001) perspective which has informed Solingen and Ben Porat's work. Polyani did not simply pose a binary position, an action-reaction dynamic between market and society. He also argued that the more the market becomes pervasive, the more it becomes embedded in society and becomes itself a societal priority: in the sense that its maintenance and evolution become central to a society's capability to reproduce itself and to secure its distinctive, if evolving, cultural attributes and societal roles. We would argue that, from Polyani's perspective, the fact that internationalising corporations in peripheral countries may anchor a redefined national identity and purpose, does not speak only, or even most importantly, of their unique influence, at this particular juncture – rather it speaks of their inherent capacity, as organisations integrated in the larger social entity of the nation and nation-state, to be mutually constituted with them. This is the conclusion that we draw from NBG's corporate restructuring and internationalisation, which was effected in such a way as to align its employees with the bank's redefined role in Greece's economy.

In terms of the level of specificity of the links between particular corporations and the state machinery that Tian (2006) has introduced to our work, we note our findings that the Greek MFA felt compelled to simulate – if not capable of really emulating – the MF's relationship with internationalising corporations, an indication, in our Greek case, of the saliency achieved by the corporate internationalisation process. By doing so, the MFA had no choice but to endorse the penultimate event, in this process, NBG's acquisition of Finansbank, ironically the corporate event that it was most qualified to take exception to, or at least actively partake in the deliberations that led to its green-lighting, due to its impact on the Greek-Turkish relationship. The Ministry of Defence, to our knowledge had no input and surely no influence in the decision taken. Were it to do so, it would need to question what had become one of the organising principles of the Greek nation's economic life. Instead, in the period under consideration, the Defence Ministry has mostly stuck to its traditional policy position, to the effect that Turkey still represents Greece's major security threat.

From the prism of Tian's analysis of Taiwan, we could say that Greece's two contesting nationalist perspectives, the one premised on interdependence, the other on the strategic rivalry, did not meet head to head on this occasion. The links, between the government and SOE's and SCB's, have been as important in both Taiwan and Greece. This is an indication that the level of intensity of the rivalry is relevant to our hypothesis, as the hugely greater disparity in size, between China and Taiwan, and China's stated goal of eventual reunification with Taiwan, are prima facie evidence of a substantially higher degree of intensity obtaining between the two rivalries. On the other hand, the claim that our research would make, to an analysis like Tian's, is that it would be desirable to further investigate the nationalist content of the coalition fighting for unhindered interdependence with China and the way such content fares with the opposing version of nationalism which argues in favour of limited economic inter-linkages between the two countries.

4.Corporate Internationalisation from the Periphery and Economic Statecraft

By looking to the acquisition of Finansbank by NBG we do confirm Skalnes' analysis (2000) that economic interdependence is not created only by social actors but can also be increased or decreased by states to serve wider purposes.

However, we differ with the part of the analysis that emphasizes solely the possibility that grand strategy, by attempting to enlist foreign economic policy tools to the pursuit of its overarching goals, it can always risk generating interdependencies which the state will not be able to control, i.e. whereby there will be state capture by essentially private interests. We, on the contrary, do not think that our examination demonstrates state capture: rather it represents conjoined action by a corporate actor and a government, underpinned by jointly constituted, and thus mutually constrained, interests. This is not to say that state capture cannot occur. It simply means that conjoined action between policy makers and corporate actors is a distinct and important in-between category, which represents neither state capture by corporate interest nor the state, at will, inducing economic interdependence through its direction or manipulation of corporate actors.

Sceptics of the effects of the Finansbank acquisition on the Greek-Turkish strategic rivalry also fail to consider how encouragement by the Greek government of economic interdependence with

Turkey can also act as a surrogate for politically more painful compromises on the Cyprus and Aegean-related disputes. ND has pursued a more risk-averse version of the rapprochement with Turkey that PASOK did, which has exposed to it to some criticism (see Kerr-Lindsay, 2007, p.243). By sharing the risks of amelioration, of the strategic rivalry with Turkey, with Greek corporate actors the ND government could manage to prove its goodwill to its international partners and parry international and domestic criticisms of passivity in the international domain. This has also been suggested by one of our interviewees (Interview 6) who has said that the government has given a green light for economic interdependence while consciously avoiding any major decisions on those issues that have traditionally defined the Greek-Turkish strategic rivalry. If this indeed the case, then the Finansbank acquisition falls well within the seminal analysis of economic statecraft by Baldwin according to which economic sanctions, whether positive or negative, should not be judged in their own right but also seen from the point of view of ancillary objectives, potentially even more important than the more obvious ones, that they can attain. In the case of NBG the status of the Finansbank acquisition as a signalling device, i.e. as means, it should be noted, is not incompatible bur rather it is also based on its status as a goal, in terms of generating national prestige. It has worked as a signal, and could be made to work as a signal, precisely because its positive connotations generated abroad and reflected back home, also produced national prestige.

The point made by students of economic statecraft to the effect that its measures, particularly in a democratic society, must be compatible with public sentiment or with the overall ideological posture of the governing party that implements them, has also been proven to be relevant to our analysis (Baldwin, 1985; Mastanduno, 1991; Skalnes, 2000).

Certainly, and even if ipso facto (we are not aware that the Greek government conducted any polls prior to the acquisition to test public reactions), the intense contestation that the acquisition generated attests to the fact that economic statecraft is not exercised in a vacuum, particularly so in democratic societies. We would only speculate that had the ND government reason to believe that the acquisition of Finansbank would be greeted by popular outrage in Greece (say, 70 % disapproving instead of the opposite that turned out be the case) it might well not have allowed NBG's management to go ahead with it.

In terms of the political parties involved, and their ideological baggage, both ND and PASOK have been in concert by identifying corporate internationalisation with national power and prestige. Where they have differed is in PASOK's insistence, originating in its privileged relationship with trade unions at SOE's and SCB's, that this reason necessitates Greek control of major internationalising corporations, a position that was endorsed by NBG's management, one assumes with the government's consent, but which the government reversed when it sold a controlling stake of OTE to Deutsche Telecom.

This brings as to the last issue that we wanted to address, namely the observation that the integration of economic statecraft with other tools of foreign policy, in relation to a state which is considered to be a national security threat, is an indication of the heightened status of this threat. Absent such a heightened status, economic interdependence would let go to its merry way and be treated on its own – economic – merits. The Finansbank acquisition, in this sense, is evidence of the decline of the intensity of the rivalry prior to its occurrence – which is not to say that, once it did take place, for the reasons we argued that it did, it did not further accelerate that decline. Equally, however, it could represent evidence that the integrity of Greek policy makers' security assessment of Turkey has been compromised by the conjoined action between NBG and the Greek Government which we have described. In both cases, what we could say is that it is much easier for a security assessment of a strategic rival to be downgraded when the rivalry is relatively quiescent, for whatever reason, even if this quiescence is proven in retrospect to have been transitory.

Competing Explanations

1.The Liberal Institutionalist Explanation

Moving to the alternative to our hypothesis explanations, there is no doubt that there is significant overlap between the Liberal Institutionalist account and our own. By definition corporate internationalization, if it is not to be a process of marginal importance, it must generate substantial material benefits to those who undertake it and the sociopolitical forces that align themselves with it. Such benefits have been noted above and do have a very substantial bearing in generating the consensus formed behind economic interdependence, even with a strategic rival such as Turkey. Still as we have seen this interdependence has, every step of the way, being accosted by nationalism. In particular, it has been accosted by nationalism's ability both to structure relationships of particular social and political actors, be they trade unions and political parties, and to align the general public with the idea that specific forms of interdependence can be integral to a reconfigured national role and identity.

Ironically, examining corporate internationalization at the firm level, in our case NBG, which is Milner's (1998) perspective, underlines even more the saliency of NEN. Our case study demonstrates that an emblematic firm, such as NBG, can be a template of the relationship between the corporation and the nation which also has paradigmatic significance, for relations between trade unions and a leading party, PASOK, that structure Greece's polity. NBG enabled PASOK to propose that leading Greek corporations, under the guidance and approval of the nation's elected representatives, will become instruments of managing the market, as opposed to letting the market manage the nation, in order to achieve key national goals. PASOK had the narrow motive to do so in order to renew its relationships between SOE and SCB trade unions, instead of hurting these relationships, a distinct possibility in a period of fast paced and threatening corporate transformations. It had the broader motive, in the sense that such a proposal both reaffirmed, while updating, its own robust nationalism while also going with the grain of public sentiment in a country where the state has historically been pervasive. This twin appeal to a class of employees, and to the national community, through NBG's emblematic status, subverts Milner's (1998) analysis, as it demonstrates that the lower we bring down the level of analysis the more enlarged we must make the context on which the outcomes of this analysis are relevant. The fact that the renewal of the PASOK relationship with the trade unions, through corporate internationalization, relates to both (i) governance arrangements at the corporate level that have either nothing to do with the mutlinationality of the SOE's and SCB's involved or might constrain multinationality by inhibiting managerial prerogatives within Greece, which is the headquarter country of these corporations (ii) and to SOE's with diverse or very limited capacities for multinationality, ranging from the energy utility DEH to Greek railways OSE, further underlines our point.

Going beyond these particular state-society interactions and looking at the acquisition from a materially disinterested perspective, the embracing of interdependence, through corporate internationalization, both at the elite and mass level, because it is perceived as conferring prestige to the nation and affirms superiority over a traditional rival, has itself no material value. In other words, the impact of corporate internationalization on strategic rivalries, while being contingent on material developments, it also enjoys a significant measure of autonomy from them.

We are driven to the conclusion that corporate internationalization also has an impact on strategic rivalries because it inevitably impinges on factors that are, strictly speaking, extraneous to its specific instantiations. Counterintuitive as it might be, it is because a strategic rivalry is driven by factors that go beyond specific corporate interests that corporate internationalization can affect it. To the extent that it redefines and strengthens national prestige, corporate internationalisation assists in a construction of a national identity that is ameliorative of the strategic rivalry. This identity is, further more, assumed by political forces and socioeconomic groupings involved only tangentially or not at all in corporate internationalisation. Corporate internationalization, consequently, from our strategic rivalry perspective, cannot be its own cause. Its very materiality, in that regard, by underpinning what is seen as the national ascend in the international hierarchy, legitimises a historicised interdependence with the strategic rival. Internationalising corporations can certainly make use of this fact to advance their own narrow interests but the process in which they are engaged in is such that, once initiated, is appropriated well beyond its own immediate boundaries.

In our case, the political contestation engendered by corporate internationalization, fuelled by coalitional strategizing and the animated involvement that the process itself generated to the national community, when it involved a country like Turkey, spread its influence further away from corporate intent itself. It is not coincidental, in this sense, that the initial attempt of NBG's corporate leadership to define its choices in narrower corporate grounds, in the Alpha merger and subsequently Finansbank acquisition, were immediately overtaken by everyone else's determination to define these choices in national terms. It is this boundary-escaping capacity that not only makes corporate internationalization possible but renders it with the national meaning that brings to bear its inevitable influence on Greece's strategic rivalry with Turkey.

Last but not least interdependence with a strategic rival is both made feasible due to nationalism and can be only be sustained through an inevitably national – and ultimately nationalist as well - perspective. It was a nationalist perspective that rendered the Finansbank acquisition both legitimate and desirable politically in Greece. Nationalism, having thus facilitated interdependence with Turkey, also conferred to subsequent Greek investors in Turkey an improved perception of risk-taking, by proving that Greek economic stakes in Turkey are acceptable in both countries. This is to say that a Greek investor in Turkey – whether an individual, small scale businessman or the management team of a publicly listed corporation – will always look at Turkey through Greek lenses (as well, of course, as through the lenses of the generic foreign investor). Consequently, it is the dominant variant of Greek nationalism, collaborative of conflictive, which will determine how the Greek investor would look at Turkey, as an inviting opportunity or as a forbidding risk, respectively. This is a particularly resonant factor, in the time frame under consideration, considering that Greek and Turkish nationalisms are historically informed by the manner and the reason through which the Greek minority in the Ottoman Empire was eliminated, shaping collective perceptions, in both nations, on the feasibility and desirability of economic interdependence between them.

2.The Realist Explanation

A formative influence, in terms of the capacity of Greek internationalization, particularly in the Greek financial sector, has been the EMU accession process. As Realists would have it, the EMU accession was undertaken not on the instigation of social and economic actors, but of a Greek government keen, through EMU, to renew Greece's status as an EU member state: a goal which was of strategic significance as it was seen as counterbalancing Turkey's privileged relationship with the US.

The fact that the magnitude of EMU-spurred corporate internationalization, up to and including its penultimate event ,the Finansbank acquisition by NBG, was the unintended consequence of state action does not mean that Realism cannot, at least partly, accommodate our account. The Finansbank acquisition by confirming Greek commercial preeminence in the region raised the international prestige of Greece. The permission of the Greek government to let it happen projected an image of conciliation towards Turkey, to the country's international partners, putting in a more positive light its reluctance to take major political risks to advance solutions to high politics issues such as Cyprus and the Aegean. Facilitating corporate internationalization can also be said to be a long term investment in Greek welfare, and thus ultimately power, as the Greek economy is boosted by the returns of Greek capital invested in the region.

Having said that, the Finansbank acquisition has come about as the outcome of intense state-society interactions that escape the confines of the purposeful, substantially independent of society, Realist state. The acquisition came about by the need of a particular corporate actor, NBG, to expand its operations in order to secure its future growth and satisfy the high expectations of its shareholders. NBG's strategy of international expansion has not only been approved by Greek policy makers during both PASOK and ND rule for reasons of state – national economic welfare, international prestige – but also so for domestic reasons of maintaining a vibrant capital market and distributing, via this market, to domestic constituencies, international capital flows attracted by Greek corporate internationalization.

In tandem, the corporate and domestic imperative, throughout NBG's internationalisation's trajectory, have consolidated the legitimacy of both PASOK and ND rule, through a nationalism defined by Greece's regional commercial dominance, at a period of globalization – and have assisted them against domestic critics, whether intra-party or at the other opposition parties, which have represented the older-vintage variant of Greek nationalism and socio-economic groups which have been diminished by market liberalization and its offshoot, corporate internationalization. As the high point of Greek corporate internationalization, the Finansbank acquisition is driven by the need of particular social and political actors to reproduce themselves, and their dominance inside Greece, a dominance which is also premised in the projection of a particular international role and identity of Greece outside its borders.

The security assessment of the Greek state, of the state of the strategic rivalry with Turkey, might have been biased by all these actors but that does not speak of capture by corporate interests of the former; it speaks of a broader realignment encompassing societal and political actors and indeed the majority feeling in a nation in favor of interdependence, when this interdependence is seen as integral to national wealth, prestige and identity. In that respect much as a security assessment can be ramped up and exaggerate the threat posed by the strategic rival, for reasons not intrinsic to the threat itself, so it can be lowered down for equally extraneous factors.

3.The Europeanisation Explanation

Our starting point must be that Turkey's accession process, itself made possible by the expectations of Greek foreign policy makers that it can confer leverage to Greece over Turkey, and normalize the bilateral relationship, must have had a major impact on the Finansbank acquisition. As one of the interviewees (Interview 8) has noted the Greek government, prior to the acquisition, certainly did not entertain a premonition "that we are in the year 1913" (i.e., that a belle époque, driven by peace and interdependence, is about to give its place to war and economic catastrophe). By 2006, the year the acquisition was completed, the EU enlargement process had become a fact not a hypothesis and Turkey could be seen, if not on its way to full membership, at least anchored in the EU dispensation, in a solidly constructed PAX EUROPEANA.

Having said that, we have seen how ample global liquidity propelled corporate internationalization globally, in Greece in particularly and in the case of NBG indispensably. The force of this liquidity has been such that well-grounded fears, particularly after the rejection of the European constitution, on the political viability of Turkey eventually becoming a member, had been either ignored or effectively discounted. A process, FDI in Turkey, initially articulated and defended in the context of convergence play dynamics attributable to Turkey's EU accession status, had been, by 2006, completely overtaken by the search for returns of global capital through a combination of portfolio flows or the provision of strategic capital to corporations such as NBG. In other words, by 2006 a strategic investor contemplating a significant commitment in the Turkish market, could plausibly adopt either 'the glass is half full' perspective or its opposite, 'the glass is half empty', in terms of the viability of Turkey's EU accession process. Global liquidity, however, would definitely privilege the former answer.

This factor is particularly pertinent as the Greek government did not make use of Turkey's accession process to resolve long standing disputes that would have ameliorated its rivalry with Turkey, by using long advocated arbitration mechanisms such as the International Court of Justice (Tzimitras, 2009). On top of this factor, Cyprus, as a new member state, emerged as one of the key stumbling blocks of Turkey's accession process, threatening to disrupt it in at least three major occasions, in 2004, 2005 and 2206 (Ker-Lindsay, 2009). So, not only Europeanisation was a declining force, in the years leading to the Finansbank acquisition, but the deterioration of its influence on Turkey could be, partly, linked either to Greek inaction or to the foreign policy of another member state, namely Cyprus, the bilateral relations of which, with Turkey, are inextricably connected and indeed have demonstrated to have driven the strategic rivalry of Greece with Turkey. In sum, the Greek government because of the potential political costs involved in international arbitration, and Cyprus because of its hard-line stance, in some measure derivative of its insufficient Europeanisation as a new accession state (Kerr-Lindsay, 2008), failed to employ 'Europe' as a catalyst for the elimination or reduction in the salience of all these disputes which frame and activate the Greek-Turkish strategic rivalry. Turkish scholars also provide a useful corrective to the perceived benefits of 'Europe' in the bilateral relationship, before and after the initiation of Turkey's EU accession process, by arguing that Turkish policy makers both dreaded this newly-won Greek leverage and pointing out at its destabilizing, for the Greek-Turkish relationship, potential (Aydin, 2004, p. 37; Aybet, 2009). Greek corporate internationalization thus took place in environment where Turkey's EU accession process itself had either failed to make any substantial dent on the most prominent elements constitutive of the Greek-Turkish strategic rivalry or, through Cyprus, threatened to drag Greece in the final derailment of Turkey's European aspirations.

Concurrently, as we showed above, Greek corporate internationalization increasingly escaped the confines or Europeanisation-related positive sum calculations and acquired an increasingly nationalist hue premised on Greek commercial leadership in the region. This nationalist hue was incorporated in the policy instruments of economic diplomacy, was underlined by the global capital flows that conferred magnitude to corporate internationalisation and conceptualised in the notion of Greece as an interface with an ever growing region, all these three elements increasingly unmoored from the country's European vocation. It was this hue, as we have argued, that coloured the contestation attendant to the Finansbank acquisition, legitimating it in the end and rendering it possible.

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ANNEX 1: LIST OF INTERVIEWS

1: Pantalakis Th., ex-NBG Chief Operating Officer (interview, April 2008).

2: Leopoulos A., Head of NBG's International Division, ex- Chief of Staff of the Governor of the National Bank of Greece, Athens, (interview, April 2008).

3: Koukos S., ex-SYETE President (interview, April 2008).

4:Karakousis A., ex-financial journalist of To Vima, (interview, April 2008).

5:Papantoniou G., Ex-Minister of Finance, PASOK (interview, March 2009).

6:Platis D., ex-Ambassador, Ministry of Foreign Affairs (interview, March 2009).

7:Michalopoulos A. and Charokopos M., B2 Directorate for Economic Relations with South East Europe, Ministry of Foreign Affairs (interview, March 2009).

8:Hajiemmanuil Ch., Adviser to the Greek Prime Minister, of the ruling ND party (interview, May 2008).

9:Gianakopoulos G., President of SYETE (interview, January 2010).