There are studies for the construction of a refinery at the Black Sea coast of Turkey with Soviet aid, and this is believed to be closely connected to the off-shore oil surveys conducted jointly by the Soviet Union and Rumania in the Black Sea.

During recent months, there has also been a rapid improvement of relations over economic cooperation with the other socialist countries.

At the end of last year, a delegation headed by Deputy Prime Minister Necmettin Erbakan visited the German Democratic Republic to work out the details of a Technical and economic cooperation agreement. A DDR trade delegation has also been to Turkey. Trade between Turkey and Poland has increased 85 percent in 1976, and an agricultural cooperation agreement has been signed with Yugoslavia.

Turkey has been simultaneously engaged in negotiations for a series of deals with Japan and Italy. This, too, has a definite relationship to the other engagements with the socialist and Arab countries. For example, it has been rumored in Ankara that Soviet Premier Kosygin encouraged Demirel to contract with Japan for a steel plant project. In fact, a consortium led by Japan's Nippon Kokan and Nippon Steel has been contracted recently for the steel complex in eastern Anatolia. Two other Japanese companies, Mitsubishi and Mitsui, have also made deals to handle units of a petrochemical complex of the Turkish State Petrochemical Corporation.

In December, another delegation led by Erbakan visited Italy and an economic cooperation agreement was signed. The Italians have agreed to extend assistance to Turkey for its fourth Five Year Plan, including coooperation in chemical, machinery, and electronics industries.

Turkish Oil Supplies Set

The supply of oil is not a major problem for Turkey. Most of its oil is imported from the Arab countries through bilateral deals. Turkey's own crude production totalled 3 million tons last year, and it imported an additional 11 million tons. Libya has a standing agreement with Turkey to supply 3 million tons annually. With the opening of the Iraqi-Turkish pipeline, Turkey has solved a substantial portion of its crude consumption needs, since it will be able to buy over 11 million tons crude annually from the pipeline.

Greece: Military Budget, Political Pressure Hamper Greek Drive For Expanded Trade

GREECE

At the present time, the quite considerable industrial and agricultural development potentials of Greece are not yet certain to be realized. Greek Premier Constantine Karmanlis has devised the appropriate development policies, and Greece's Comecon and Third World trading partners have offered all the opportunities needed for their fruition. But Greek development hinges on the settlement of political questions inside the nation as much as on the campaign for a new world economic order.

Since Karamanlis came to power in the summer of 1974, he has sought to foster and expand state-owned industrial enterprises, spread mechanization in the country's dominant agricultural sector, exert government influence and, on occasion, outright control over private-sector investment and employment decisions, and generally undo the work of the 1967-74 military junta which subjected Greece to the effects of enormous profit repatriation by monetarist raw-material multinationals who continue to account for over 40 percent of investment in the country. In an economy largely dependent on agricultural exports but rich in mineral resources, Karamanlis has strengthened development ties to both Third World and socialist bloc nations, on whose trade and cooperation the actual development of the country's resources will most immediately depend.

In pursuing such policies, however, he has faced both heavy-handed foreign manipulation and a powerful opposition among right-wing business factions and their allies within his own government. These elements worked closely with the former military junta in auctioning off the country's productive capacities to foreign raw materials' interests with no objective of national development. Karamanlis, while committed to that objective, has actually strengthened his opponents in bloated military expenditure and in a quest for full membership in the European Economic Community rather than forthrightly aligning his nation with the policies of the developing sector.

Trade and Cooperation

Since 1975, Karamanlis has been actively seeking to expand trade ties to the neighboring Balkan socialist countries. It was Karamanlis who initiated the first Balkan Conference on Economic Cooperation and Security, in which Bulgaria, Rumania and Yugoslavia participated. A second Balkan Conference, after extensive diplomatic efforts by Yugoslavian President Tito, will be convened this year in Istanbul with Turkey a significant new participant.

A Chamber of Commerce delegation toured Arab countries in late 1976, after which the government announced a new policy of "openings" toward the Arab world. At the end of February, the Greek press announced the establishment of a Greek-Arab bank in Athens which would finance industrial projects in Greece, the Middle East, and North Africa. Libya, Kuwait and Bahrein will provide 60 percent of the capital. Karamanlis plans an official visit to Libya, Saudi Arabia, Syria and Tunisia this year to broaden cooperation.

Already, the Middle East and North Africa have become major markets for Greek exports, which were only $43 million in 1970 but are now approaching $400 million. Greek exports to this region have increased from 6.7 percent to 18.3 percent during the 1970-75 period, raising the Middle East and Africa from fifth to second place among importers of Greek goods, with Libya importing one third of these.

Another boost to trade is expected as a result of the Greek-Syrian agreement signed last month which provides for the first direct, regular ferry route between Greece and the Middle East. The ferry will operate between the harbors of Volos in Greece, and Latakia or Tartus in Syria and will be used extensively by European countries as well. A complementary land transport plan was agreed upon by the two nations and similar agreements are expected with Iraq and Iran.

As part of this effort the Karamanlis government is establishing an Arab-Greek Mediterranean Studies Center, to develop "traditional cultural ties" between the Arabs and the Greeks.

Trade

(US $ MILLION)

	1974	1975	1976
I. BALANCE OF TRADE	-2,888	-3,050	-3,224
IMPORTS	4,691	5,070	5,552
EXPORTS	1,802	2,029	2,227
II. BALANCE OF INVISIBLES	1,676	1,972	2,261
INVISIBLE RECEIPTS	2,360	2,650	3,030
III. BALANCE OF CURRENT A/C	-1,211	-1,077	-1,063
IV. NET MOVEMENT OF CAPITAL	1,068	1,330	1,147
V. FOREIGN EXCHANGE RESERVES	749	762	787*
TOTAL RESERVES	936	931	954

*OCTOBER

The Comecon sector has exhibited a similar potential regarding the future of the Greek economy. When Greek Socialist leader Andreas Papandreou returned from a recent visit to Bulgaria, he delivered a message to Karamanlis from Bulgarian President Zhivkov proposing that Bulgaria absorb 50 percent of Greek agricultural exports. Other offers from the socialist bloc include proposed joint enterprises for industrial development: joint energy development projects with Bulgaria, expanded sales of industrial equipment and farm machinery by Rumania, joint electricity and transportation ventures with Yugoslavia and many others.

In December 1976 an agreement was signed between the Greek Public Power Corporation, the Soviets and a West German consortium for an electric power project which will be constructed in Ptolemais. The Soviets will provide investment and industrial equipment, and West Germany the technology. Approximately 80 percent of the Soviet investment is to be paid for by Greek agricultural exports to the USSR.

Late last year, the Soviet Union also made a proposal for a joint aluminum plant, including Bulgarian participation. To have been built in Greece, the plant's cost was put at $250 million, with Greece providing the bauxite, the Soviets financing and equipment, and Bulgaria cheap electrical energy.

The deal's failure is instructive of Karamanlis problems. While the Hellenic Bank for Industrial Development was in negotiations with the Soviets, David Rockefeller's Chase Manhattan bank intervened to pressure for cancellation of the deal. Karamanlis did cancel, by announcing that Chase had made an offer for a similar plant at $200 million. In reality, the plant has not and will not be built. Recent government reports now say that Chase Manhattan's revised cost estimates have risen to $310 million, while the price of aluminum on the world market has fallen.

Such sabotage by the Rockefellers and the like is neither isolated nor always so direct. Related domestic business interests which benefitted from their alliance with the defunct military junta but have not benefitted from Karamanlis' policies, have attacked his overtures toward the Soviet bloc as "socialistic" and "radical." They apply the same terms to his domestic policies.

Government Intervention and Opposition

In 1975, the Karamanlis government introduced an amendment to the Greek constitution whereby certain domestic and foreign economic contracts arranged by the military junta could be disregarded as "running counter to the constitution and the laws" or "detrimental to the interest of the state, the consumers, or the national economy." The provision gave the government the power to exert direct control over foreign business to prevent profit repatriation.

The same powers were levelled at domestic corporations. Accusing right-wing businesses of violating Greek monetary or other regulations as a part of contracts signed with the military junta, the Karamanlis government began to intervene against the speculative corporate empires of Greece, most notoriously, the interests of Stratis Andreadis. Andreadis' commercial bank was placed under a government-appointed management which, as the nation's second largest bank, also brought control over four smaller banks, the second largest Greek shipyard in Eleusis, four insurance companies, a fertilizer plant, a plastics plant and others.

A similar policy was adopted toward petroleum magnate and shipowner Niarchos. At the end of 1976, the government nationalized the nation's biggest oil refinery in Aspropyrgos, two thirds of which was owned by Niarchos (one third by the state). Niarchos, under a treaty with the junta, had had the exclusive right to buy and market the majority of Greek crude oil imports — an exercise he operated on behalf of the Rockefeller-dominated "Seven Sisters" cartel. Karamanlis put an end to this, forcing Niarchos to sell his share in the Aspropyrgos facility for $12 million. The nationalization was followed by an announcement that the government would henceforth be regulating the price of all petroleum products and restricting the domestic pricing power of the "Seven Sisters."

The government has not only nationalized but founded new state-sector industries and corporations. In 1975 the state-owned Public Petroleum Enterprises (PPE) was established to explore for oil in Greece. Its success has been such as to permit government promises that Greece will be self-sufficient in oil by 1980. The government has also created a banking consortium to finance the development of mining, minerals, hydrocarbons, and chemicals — those sectors which, according to Karamanlis' "mixed economy" formula, are not adequately covered by the private sector. The banking consortium initiated by Minister of Planning and Coordination P. Papaligouras, was modeled on the Italian state IRI consortium, with the name Hellenic Industrial and Mining Investment Company and a principal shareholder in the National Bank of Greece, which now controls 60 percent of the country's banking activity.

The potential in such state consortiums is enormous. Greece has significant stores of valuable minerals, the most important of which is lignite, critical to electric power production. There is also a vast amount of bauxite, 50 percent of whose 3 million ton annual output is exported with the remainder employed for alumina and aluminum. There are also iron ores, pyrites, magnesites, manganese ores, sulphur, and others. "Eighty percent of the Greek sub-soil has not been explored," according to the governor of the Bank of Greece, and what has been explored in private sector ventures has led only to fast extraction for export as cheap, unprocessed raw materials. The object of the state-sector ventures in this field will be to turn an increasing portion of extracted mineral wealth to the benefit of developing domestic processing industries, with bauxite a primary target.

Bauxite deposits in Greece are estimated at between 120 and 150 million tons, which would last 40 years at present rates of exploitation. Government officials have pointed out that the current 1.5 million tons annually

Greece: Gross Domestic Product And National Income

(AT CONSTANT 1970 PRICES)

(BIL. DRACHMAI)

BRANCHES	1973	1974	1975	%
MANUFACTURING	69.3	67.3	70.2	20.4
AGRICULTURE	49.5	55.1	56.8	16.5
TRADE	41.7	40.8	50.2	14.6
PUBLIC ADMINISTRATION/ DEFENSE	25.7	28.5	29.3	8.5
HOUSING	26.3	27.9	28.9	8.4
TRANSPORTS-COMMUNICATION	27.0	27.0	28.4	8.3
CONSTRUCTION	31.9	22.1	23.0	6.7
HEALTH-EDUCATION	13.8	14.5	15.0	4.4
MINING	5.1	4.8	4.9	1.4
ELECTRICITY-GAS	7.9	7.6	8.0	2.3
MISCELLANEOUS SERVICES	21.5	20.0	21.5	6.3
A. GDP	327.4	324.2	336.2	
B. NET INCOME FROM ABROAD	9.8	8.8	7.7	2.2
C. GROSS NATIONAL INCOME	337.2	333.1	344.0	
D. DEPRECIATIONS (-)	22.4	23.8	26.5	
E. NET NATIONAL INCOME	314.8	309.2	317.5	

exported would be sufficient to feed domestic processing industries capable of turning out 680,000 tons of alumina per year (over and above current production of alumina at 460,000 tons annually), or alternatively, 340 tons of aluminum. Either development option would lead to returns well in excess of the 444 million drachmas realized annually from the export of raw bauxite. The equivalent amounts of alumina exported would realize 1 billion drachmas, aluminum 2.6 billion drachmas.

Other state-sector efforts include the "Hellenic Shipyards" in Skaramagas, which are now being expanded to reach 500,000 tons DW capacity. The additional units will make the yards one of the major shipbuilding and drydock facilities in the world.

The state-owned Hellenic Industrial Development Bank announced last month that its bank will take investment initiatives to create an asbestos plant, a chromite processing industry, a metals industry, a fish processing plant and a canning unit. The bank's plans for 1977 include the development of 11 industrial parks and expansion of ammonia and pharmaceuticals industries. The bank's ambitious plans were explained by its governor as necessary because of the reluctance of private enterprise to invest in these essential industries. In the first ten months of 1976, private industrial and mining investment fell drastically. Over 40 percent of private investment went into the essentially speculative construction of luxury apartment houses and office buildings.

Yet, the expansion of state involvement in the economy has brought the cry "radical" down on Karamanlis head from the business community. The Association of Greek Industrialists issued a memorandum calling the government's economic policy "socialistic" in March 1976. Such public statements are only the tip of the iceberg regarding private sector opposition and effective blocking of much Karamanlis would otherwise choose to do, an obstructionism in which they have enjoyed the support of the U.S. financial community and related intelligence agencies.

Last month, socialist leader Papandreou warned the government that a significant faction of Greek businessmen are collaborating with remnants of the junta and old royalist forces in a plan to topple Karamanlis. Papandreou highlighted the predicament faced by the premier: "He is bound to either submit to these forces or be toppled, because of his inability to dismantle the right-wing invisible government," because those forces have "historically been part of the same political and social structure that Karamanlis is based on."

Such domestic pressures combined with foreign manipulation have succeeded in waylaying or stymying much of the government's program. Two induced policy errors stand out. The first is the product of intervention by the U.S. Carter cabinet directly: the Cyrpus and Aegean crises, and the included "threat" of war with Turkey. Since Cyrus Vance, the current U.S. Secretary of State, managed to create the first Cyprus crisis, the Greek government has consistently given first priority to military expenditures and military industry, an enormous drain on its relatively undeveloped economy in the best interests of NATO. The recently announced national budget for fiscal year 1977 allocated 50 billion drachmas for defense, nearly 25 percent of total expenditures, 7 billion drachmas higher than total state investments, and twice the amount allocated for social services. Similarly, in 1975, nearly three quarters of the 17.4 percent increase in Greek capital goods imports was consumed by the military, largely transportation and related equipment.

The second induced policy-error is the government's commitment to make Greece a full EEC member by 1980. In return, Greece is to receive a $247 million loan from the European Investment Bank and $63 million in aid from the EEC fund for its agricultural sector. But for a relatively labor-intensive farm sector, EEC-imposed tariffs on Greek agricultural exports — a condition for accepting the country as a full member — are extraordinarily high, and have already caused thousands of tons of oil, fruits, and significant amounts of the main Greek agricultural export, tobacco to be destroyed. This further aggravated the trade deficit with the EEC countries which had reached $1.5 billion by 1975.The disasterous effects in the agricultural sector, which accounts for approximately 36 percent of the entire workforce and provides 38 percent of the country's total exports, are shown in figures which reduced its share in the GNP from 25 percent in 1965 to 16 percent in 1975.

Both the EEC deficit (which can only increase) and the drain represented by military expenditures gravitate powerfully against the single most urgent measure for Greece's material development — the mechanization of its agriculture.

As Papandreou and the mass-based Greek Communist Party have not hesitated to point out, relations to the EEC have no more to do with the economy per se than do military expenditures induced by State Department Aegean and Cyprus manipulations. Papandreou has forcefully pointed out that the EEC has demonstrated no commitment to Greek development, but is most interested in Greece's strategic position in the Eastern Mediterranean. One formal demand on Greece in the event that it becomes an EEC member is that it rejoin NATO's military command structure, from which Greece withdrew after the Turkish invasion of Cyprus in 1974. The negotiations with the EEC have also heard demands for the restoration and maintenance of U.S. nuclear missile bases on the peninsula. With extraordinary popular support for their position, both the socialists and communists therefore argue that national development depends on dropping negotiations with the EEC in favor of alignment with the socialist bloc nations and the Arab leaders of the Third World.

The Special Report on the Israel Economy has been delayed, owing to difficulties in assembling adequately comprehensive economic data for evaluation. The report will appear in a future issue of Executive Intelligence Review.