

# **GREEK AGRICULTURAL CO-OPERATIVES IN THE 80s:**

## **THE TALE OF A LOST DECADE**

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### **A) INTRODUCTION**

Though the first “co-operative” was formed in Ampelakia in 1772, the first agricultural co-operative, in its modern form, was established in Greece only in 1910 in Almyros, Volos. From that date and hence, the history of Greek co-operative movement is officially beginning.

Greek agricultural co-operatives are found nowadays in a rather perilous and disappointing condition. With the exception of a few co-operatives functioning properly as enterprises, the big majority of them are only co-operatives in name without real economic or production or commercial activities.

The aim of the present paper is, at first, to offer a short but accurate analysis of the Greek co-operative history during the twentieth century and will explain the basic reasons for the distorted evolution of co-operatives till the decade of 1980.

Secondly, it will focus on the decade of 80s. During that, the state policy on agricultural co-operatives hampered seriously their entrepreneurial and market position and led to the failure of co-operative model. The visions for agri-industrial co-operatives that would control the produce and commerce though ambitious proved futile, since they referred to a theoretical model of function without providing the necessary tools.

The legal framework and the political climate in fact transformed co-operatives to organizations of state clientelism, which divided the agricultural population and alienated the institution from its stakeholders. The so-called “social policy” enacted by agricultural co-operatives led to their extensive lending and as a final outcome their substantial bankruptcy.

The solution of write off and arrangement of the co-operative debts with the creditor through parliamentary intervention was not effective, because co-operatives have been already disdained in people’s minds. Moreover, the write off and arrangement of co-operative debts led Greece in front of the European Court of Justice

for violation of the Treaty as regards granting illegal state aids.

Thirdly, it will make a brief description of the contemporary situation and the potential perspectives of agricultural co-operatives.

## **B) BEFORE THE 80s**

There are several reasons why agricultural co-operatives could not develop since the creation of a Greek independent state. Firstly, during the Ottoman rule, Greek population, being in substantial cultural and economic isolation from the western world, was not able to come into contact with the other European countries and follow their example<sup>1</sup> On the other hand, the War of Independence, which lasted nine years, left the country in ruins. The whole agricultural structure had been destroyed<sup>2</sup> and the agricultural economy was at a primitive level.<sup>3</sup>

Secondly, individual land ownership did not exist, because the large volume of land belonged to the State and the Church. Until thoroughgoing schemes of land reform are implemented, it is futile to organise a massive co-operative movement.<sup>4</sup> Though, the urgent need for land reform existed from the beginning, a scheme finally took shape and was implemented only in 1928.

Thirdly, Greek governments, during the first fifty years of the new state, had no agricultural policy at all. Thus, no central planning existed for the development of the agricultural economy. There were no means of transport and no transport network, no agricultural insurance, credit and education, no land reform.<sup>5</sup> The Ministry of Agriculture was established only in 1917 and it took several years before an elementary national agricultural policy could be planned.<sup>6</sup>

Fourthly, the absence of an agricultural credit institution left the farmers to fall

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1 See X. Zolotas, «*Αγροτική Πολιτική*» [Agricultural Policy], Tzakas, Athens 1934, p. 19.

2 See X. Zolotas, «*Η Ελλάς εις το Στάδιον της Εκβιομηχανίσεως*» [Greece in the Era of Industrialisation], Bank of Greece, Athens 1964, p. 23, and Negreponi-Delivanis, *Greece in Transition 1821-1971: Economic Aspects*, ABSP, Thessaloniki 1979, p. 132.

3 Farmers used the ploughs that were in use during the Hesiodian era. See Papagaryfallou, «*Η εξέλιξις των γεωργικών συνεταιρισμών εν Ελλάδι από της επαναστάσεως του 1821 μέχρι του 1940*» [The Evolution of Agricultural Co-operatives From the Revolution of 1821 to 1940], Papazissis, Athens 1973, p. 35-36.

4 See Laidlaw, *Mobilisation of Human Resources for Rural Development through Agricultural Co-operatives*, FAO, Rome 1973, p. 16-17.

5 See Sideris, «*Η Ελληνική Αγροτική Πολιτική κατά την παρελθούσα Εκατονταετηρίδα (1833-1933)*» [Greek Agricultural Policy during the Past One Hundred Years (1833-1933)], K. Papadoyiannis, Athens 1934, p. 58.

6 See Papagaryfallou, *op. cit.*, p. 57-58.

victims of usury.<sup>7</sup> The financing of the agricultural sector was very limited due to its particularities. The rarity of loans and their severe conditions turned farmers to seek recourse to usurers. No possibility of economic solidarity of co-operatives could exist under those circumstances.

Fifthly, since the co-operative is a complicated form of organisation, its establishment and administration demand specific knowledge of co-operative affairs as well as knowledge of agricultural matters generally. However, most of the Greek farming population was completely illiterate. On the other hand, the State showed no interest in their agricultural training, save a few sporadic attempts. The most serious one was in 1829, when President I. Capodistrias founded the Agricultural School of Tiryns, which closed down in 1872 due to the complete curtailment of funds by the Greek Government. The shortage of educated people was shocking in the agricultural sector. In 1898 there were 38 agronomists and till 1865 not even one veterinarian.<sup>8</sup>

Sixthly, even after the adoption of the first legal measure on co-operatives, Law 602/1915, the weakening and falsification of the legal and institutional framework of co-operatives, the interference of the state in co-operative affairs, the legal prohibition of a real credit policy by co-operatives after the creation of the Agricultural Bank of Greece (hence ATE) and the total indifference of the state toward the establishment of a sound agricultural co-operative education and training for farmers deprived co-operatives of the necessary impetus. In fact, Greek co-operatives either were manipulated or fell victim of oppressive measures. This fact, combined with the farmers' low educational level, discredited co-operatives in farmers' conscience and caused their distrust as to the real essence of co-operation. Thus, co-operatives were a small factor of agricultural economic life and simple middlemen between the farmers and ATE or the State.<sup>9</sup>

The situation of the Greek cooperative movement at the beginning of the decade of 1980s was as follows:

27% of the agricultural population did not belong to a co-operative. This percentage was even bigger if one thought that only the heads of families were taken under consideration in the survey. No women, young farmers or landless farmers were included. Moreover, the other 73%, which was thought to belong to a co-operative, was

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7 See Tsoukalas, «Εξάρτηση και αναπαραγωγή. Ο κοινωνικός ρόλος των εκπαιδευτικών μηχανισμών στην Ελλάδα (1830-1922)» [Dependence and Reproduction. The Social Role of Educational Apparatus in Greece], Themelio, Athens 1987, p. 93.

8 See Papagaryfalou, op. cit, p. 50-57.

9 An article in Qikonomikos Tachydromos, 23/4/93, by its editor, illustrates vividly the political parties' involvement to co-operatives.

at a certain degree fictional, because the statistical survey listed among the co-operatives' members farmers who had transactions with those co-operatives even once. On the other hand, the huge majority of farmers-members of first-level co-operatives were not interested in the co-operative affairs. They avoided participating in the general meetings (only 41% of the members did) and be elected in boards. Collective administration and management was almost non-existent. Thus, internal function of co-operatives presented many drawbacks. At least, the socio-economic composition of boards was proportionate to the composition of co-operatives. It differed only to the educational level (the board members' level was higher).

The second- and third-level co-operatives presented a better picture. They had achieved an advanced degree of organisation. Their meetings had got more substantial role. 85% of the members took part and there was a bigger interest in their being elected. The educational level of their administration and staff was higher. However, the boards consisted of farmers, who acquired big holdings (over 50 stremmas) and were old, or of people, to whom agriculture was a secondary occupation. This meant that the composition was not proportionate to that of the first-level co-operatives. Therefore, the members of first-level co-operatives took no interest in the function of the higher-level ones, expressing their doubts on the quality of their services. They were also very reluctant on the question of whose interests were served by them. That fact showed a disruption to the co-operation between the levels of co-operative organisation, a co-operation which is considered a basic principle of co-operative organisation. The harmful result was that the farmers, who were the basis of co-operatives, had lost their conduct with their co-operatives.

The members were not interested to do business with their co-operatives. Only 56% of their members took part in at least one economic activity of co-operatives. They turned to them only when a part of their produce could not be channeled in the market. Thus, co-operatives had very limited economic functions and, consequently, held a tiny share of agricultural markets. The volume of produce that co-operatives concentrated and managed trebled between 1957 and 1976 but it remained to the level of only 4%-5% of the total annual volume in 1976. 60% of that function was activated by the higher-level co-operatives, which meant that first-level ones were actually idle.

The co-operative processing of produce represented only 19% of total and 65% of it was done by higher-level co-operatives. As regards the commerce of produce, there was almost no exporting activity, while the share of the national market was at 20%. As for the credit business of co-operatives, adequate elements were presented above. It would be strange if there were joint cultivation of land. In the whole country only thirteen co-operatives of such kind existed and their land, members and activities were

limited.<sup>10</sup>

Laidlaw describes three levels of development and respective crises that the international co-operative movement experienced. The first one was a crisis of belief in co-operatives.<sup>11</sup> Greek co-operatives seemed as if they had not surmounted even this first level. Due to the wrongdoing of government and the farmers' own ignorance and indifference, co-operatives did not flourish in Greece.

### C) THE 80s

#### 1) THE VISION

After its election - for the first time socialists were elected in Greece - the Panhellenic Socialistic Movement Party (PASOK) government's proclamations on agricultural policy included many points on agricultural co-operatives. They envisaged a new way of operation of co-operatives within the agricultural economy under the State's care and pledge; provision of agricultural and co-operative education and its dissemination with the State's encouragement; a new attitude of the State agricultural credit organ, ATE, towards co-operatives with beneficial but rational credit policy and guidance to co-operatives; the formation of new type of co-operatives, the agri-industrial ones, which would combine the simultaneous operation of cultivation and procession of produce, that is the vertical development of co-operative entrepreneurial activity; the end of multi-fragmentation of co-operative movement with the formation of one multi-purpose co-operative in one village; democratisation of agricultural co-operatives, that is end of governmental intervention in the formation of management boards and free and democratic elections without the government's guidance or involvement; in other words, radical change of co-operative organisation from a semi-governmental agent to a free socio-economic enterprise.

It is quite important to point out that the government of PASOK was aware of the structural deficiencies of co-operatives in Greece. Mr. Simitis, the then Minister of Agriculture, in an interview explained the structural problems of the Greek co-operative movement and the measures to solve them.<sup>12</sup> His basic aims were the gradual effacement of middlemen from trade and the reorientation of co-operatives' activities to co-operation instead of competition among them. A basic point was his declaration that "financial State aids of any shape will not be given in any case to support co-operatives which, due to bad management, administration or function or wrong choices of policy,

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10 The results of this research are found in EKKE, «*Το Αγροτικό Συνεταιριστικό Πρόβλημα της Χώρας*» [The Agricultural Co-operative Problem of the Country], p. 369-388.

11 Laidlaw, *Co-operatives in front of 2000. Agricultural Sector Current Anticipation*, p. 73.

12 Interview given to *Oikonomikos Tachydromos*. 24/5/84.

are on a deficit and have financial problems. What has to be done for any problematic unit, whether private or co-operative, is to examine its chances for survival and to conclude its usefulness for the national economy as well as to examine of certain measures to surmount its problems. In this way, State will sustain problematic enterprises like co-operatives. Consequently, the tax-paying citizens must not think that their money is channeled by State to co-operatives without consideration and discrimination just because this is the governmental option".<sup>13</sup> It remained for the proclamations to be confirmed and realised by governmental policy.

## 2) THE LEGAL FRAMEWORK

When the socialist government was elected having as its banner the slogan of "Allagi" (Change), it undertook the task of reform of all institutions regulated and controlled by previous governments. One of the first legal measures adopted for co-operatives towards that end was Law 1257/82 "On the democratisation of agricultural co-operatives".<sup>14</sup> The "democratisation" had the content of compulsory simultaneous elections in all Greek agricultural co-operatives according to the absolute proportionality election system and the party slate system, which replaced the qualified proportionality system imposed by the former government.<sup>15</sup> The law was an uncovered and blunt intervention in co-operative movement by itself, since it quashed in fact all current management boards, announced the electoral results and distributed the votes given to each slate according to the political party sponsoring it, an unprecedented event for private enterprises as co-operatives were supposed to be. This electoral system was officially confirmed by Law 1541/85, the central legal measure for co-

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13 Mr Simitis at a speech given in the London School of Economics in 22/2/91 said that the result of the credit policy was a redundancy of anti-economic and useless investments by co-operatives.

14 The term "democratisation" is mediocre and overstated, as if the previous government was not a democratic one. Such exaggeration is "comprehensible" to one who is aware of the political history of Greece. Since 1944, Greece was governed almost exclusively by governments belonging to conservative (right-wing) parties. The only intervals were 1950-1952 and 1964-1965, when the government was run by centre-wing parties. Communist Party was banned and its followers were victims of persecution. In addition, the leaders of the political scene after the dictatorship (1967-1974) were the same persons as before 1974 reproducing personal animosities and disputes. See Mouzelis, Capitalism and Dictatorship in Post-war Greece. NLR, No 96, p. 58.

15 Two political parties have monopolised Greek political life and offices since 1974; ND, conservatives, and PASOK, socialists. ND governed from 1975 to 1981 and 1990-1993 and PASOK from 1981 to 1989. A brilliant historical analysis of the politics in Greece since 1974 may be found in Clogg, A Concise History of Greece, p.166-209. Clogg's description is most illuminative, especially for non-Greek readers, and offers an excellent explanation for the situation of the country's agriculture, since it is well known that the rural population is easier to be controlled and manipulated.

operatives. Needless to say that such policy for co-operatives is haphazard and irrational and not relevant to the vision described above.

Law 1541/85<sup>16</sup> abolished the previous law on agricultural co-operatives (Law 921/79),<sup>17</sup> while Law 602/14 was abolished by Law 1667/86.<sup>18</sup> When Law 1541/85 was adopted, it was heavily criticised by the opposition as a failure. The same phenomenon occurred with Law 921/79, a measure articulated in the *demotiki* Greek language.<sup>19</sup> This law had been adopted by the conservative government of New Democracy (ND) Party after a long debate on a new co-operative legislation. The parties of the opposition had raised strong objections on the content of that law too.<sup>20</sup>

As said, law 1541/85 was the result of a promise undertaken by PASOK government to abolish Law 921/79 and pass a law that would bring significant changes to co-operative movement.<sup>21</sup> Article 1 defined an agricultural co-operative as a voluntary union of farmers, which seeks their economic, social and cultural advance, through the equal co-operation and mutual help of members, in a common enterprise. Agricultural co-operative is a legal person of private law and has commercial capacity. Article 2 provided for three levels of co-operatives. At the first, lowest level are agricultural co-operatives composed of individual producers - natural persons only. At

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16 Government Gazette, First Issue, Paper Number 68,18/4/1985. A thorough analysis of the law is found in Myrtakis, «*Ο Νόμος 1541/85*» [Law 1541/85].

17 Government Gazette, First Issue, Paper Number 125,12/6/1979.

18 It is a usual practice for a newly-elected Greek government to abolish legislation adopted by the previous one. The example of the legislation on co-operatives is eloquent. PASOK had abolished Law 921/79 and adopted Law 1541/85. ND abolished Law 1541/85 and passed a new one, Law 2169/93. The law was adopted a little before the elections of 10/10/93. PASOK was elected and declared that Law 2169/93 would be abolished and another law, following the philosophy of Law 1541/85, would be adopted.

19 The furious and sometimes violate debate on the linguistic problem had caused great frustration in Greece. The *demotiki*, or peoples' language, only prevailed over the *katharevousa*, or purified language, a stilted construct that blighted the schooling of generations of children, in 1974. Clogg, op. cit., p. 28, 50 and 104.

20 Critiques for and against the law are found in *Oikonomikos Tachydromos* 12/7/79 and 16/8/79, OSEGO, «*Ο Ρόλος των Συνεταιρισμών στην Ανάπτυξη της Αγροτικής Οικονομίας της Χώρας μας*» [The Role of Co-operatives to the Development of Agricultural Economy of Our Country], p. 469, Beveratou, op. cit., p. 134-141, Mariadis, op. cit., p. 119-126 and, Avdelidis, op. cit., p. 44-45.

21 The picture of the Greek co-operative movement in 1984 was: 68% of the co-operatives were credit; 28% were dwarf co-operatives with 7-50 members; 17% had 51-75 members and 15% had 76-100 members. 30% of the families did not belong to a co-operative and women and youngsters were always out. Only 3.7% made large business with their members, 31% medium and 65% small; the function of first-level co-operatives was primitive. 12-13% employed staff and only 12% of the staff held a university degree. Only 12% had their own accountants; the rest worked with primitive auditing. They held a tiny market share. See *Oikonomikos Tachydromos*. 10/5/84.

the second, level are regional associations of agricultural co-operatives. At the third level are national organisations of associations of agricultural co-operatives established on a sectoral basis in respect of particular products or branches of production.

Article 3 encouraged co-operatives to develop any activity for the realisation of their purposes and gave a list of reference of such activities. Article 12 envisaged the producers' groups of Regulation 1360/78<sup>22</sup> providing for the obligation of partners to keep specific quality standards and give the whole or part of their produce to co-operative. Article 20 provided for the possibility of common usage of members' property. It analysed the way of doing that and offered members good guidelines in case they prefer that way of exploitation of their production means. Article 21 adopted the co-operative principle one person-one vote and prohibited the representation of members in the general meeting and the casting of vote. Thus, it encouraged the personal participation in co-operative affairs and entrusted the decision making to members personally affiliated with co-operative.

Article 32 provided for the supervision of co-operatives by the State. The supervision had as its goal the legal function of co-operatives, the management and audit control and generally the attention to their economic situation, the assistance to their rational organisation and rational entrepreneurial activity and the assistance to the co-operative supervisory boards to do their duty. The supervision was entrusted to an independent special body (to be formed). Any interference with its duty was prohibited and its members had the obligation of secrecy. The body enacted its supervision duty only if it was summoned to do so by the Panhellenic Confederation of Unions of Agricultural Co-operatives (PASEGES), management or supervisory boards and general meetings or 1/5 of the members of co-operatives.

Articles 40 and 41 provided for specific ways of collective action within a co-operative by partners. They spoke for the possibility of formation of sectoral organisations of production by at least five partners or of groups of common exploitation of land or animals. Those ways of collective action encouraged some members of a co-operative to co-operate, if the rest members seemed reluctant to adopt this way of action. Articles 47-53 specified the structure of agricultural co-operative organisations mentioned in article 2. They contained analytical provisions for the aims, organisation and activities of the second- and third-level co-operatives. Articles 54-56 provided for the aims, organisation and activities of PASEGES. Finally, articles 60 and 61 provided for State protection and encouragement to co-operatives. They conferred

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22 Council Regulation 1360/78, OJ 1978, L166/1.

upon them specific financial aids, tax relieves and other privileges.<sup>23</sup>

Law 1541/85 was ambitious in theory, since it included suitable provisions to motivate farmers to transfuse in their co-operation a more essential content. Unfortunately, it also included several legal deficiencies and other subtle provisions that worked to the expense of co-operatives. Somewhat more analytically:

First, the law infringed the «open door» co-operative principle. Though it returned to the principle «one person-one vote», it did not respect the freedom to form and become member of a co-operative. Article 4 prohibited the formation of a second co-operative in a place where another co-operative already existed. The same prohibition was provided for a second union of co-operatives in one prefecture. The intention of article 4 was to limit the fragmentation of co-operative movement. It violated, nevertheless, a basic ideal of co-operation. It compelled a farmer to become member of a specific co-operative. Either one would be registered in the existing co-operative or one would not be a member at all. Thus, there was apparently no freedom of choice.

Secondly, the law infringed the principle of equality among partners. Article 8 distinguished between regular and special members of a co-operative. A regular member was either a natural person having agriculture as his exclusive occupation or a natural person owning land but not having agriculture as his exclusive occupation. Regular members had full rights and obligations. A special member, that is a natural person owning land but not personally involved in agriculture, had the same obligations but not the right to be elected in management or supervisory boards of a co-operative. A special member was able to take part in general meetings but only the presence of regular members counted to conclude a quorum. Those discriminations were needless and unreasonable. The law should choose either to give the possibility to those persons to become members of co-operatives or not. By these provisions it led in fact all special members out of co-operatives, since the management board of a co-operative could decide on serious matters directly affecting those members' agricultural business, like voluntary work or common use of their machinery.

Thirdly, article 31, which provided for the supervisory board, abolished the prohibition of participation of persons being close relatives with members of the management board included in Law 921/79. This could cause an impression of family-domination within a co-operative (it should be reminded that 60% of the co-operatives had at most 100 members). On the other hand it made fraudulent management easier for those who wanted to take advantage of that provision.

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23 Law 1541/85 was repeatedly amended after its adoption, 169 times between 1985 and 1989, that is three times per month, while further modifications were adopted by the governments that were elected after 1989. OSEGO, op. cit, p. 475.

Fourth, Article 71 entrusted the co-operatives' supervision to the organs of ATE, until the independent body would be formed.<sup>24</sup> The supervision duty stayed with ATE under the same conditions of article 32 (summon by PASEGES, management boards etc.). Thus, the supervision went from the one extreme to the other. While co-operatives were always supervised strictly by governmental agents, a fact that had caused several strifes within co-operative movement, Law 1541/85 allowed them to call for supervision at their own will. The transitional period, which would give the necessary experience, did not intervene. Thus, the lack of experience of supervisory boards, since they had never operated properly, could only guarantee an irregular and inefficient control. Such big turn could hardly have beneficial effects on co-operatives. It gave the impression that co-operatives became uncontrollable and «encouraged» a potential embezzlement of co-operative money.<sup>25</sup>

Fifth, the biggest harm for co-operatives was caused by article 28, which provided for the board of directors of a co-operative and the way of its election. Paragraph 5 said that the elections would be made by secret ballot and according to the party slate system. This provision caused the split of co-operative movement into fractions and woke up the political passions and disagreements within rural society. Combined with article 4, agricultural co-operatives became the field of battle for political parties with the purpose of domination in them. Co-operatives were divided in two camps, as were the main political parties, and acted under the instructions of the local party bosses. That could be evidently the most unfortunate effect in co-operative organisations.

Moreover, article 4 of Law 1541/85 meant the beginning of a court dispute that lasted many years. One may recall that Article 4 provided for the existence of only one co-operative in a village or town. This meant that numerous co-operatives should dissolve or merge with the bigger co-operative of the region. Such measure caused the harsh reaction of co-operatives which found recourse at court in order to impede their compulsory liquidation and consolidation with other co-operatives. Article 4, and articles 63-71 that provided for its detailed application, caused fraction within co-operative movement, which meant the continuation of fragmentation of co-operative movement or, when the court battle had undesirable decisions, the massive withdrawal of farmers from co-operatives. On the other hand, the remaining co-operatives became

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24 The adventures of this independent body are indicative of the attitude that the governments adopted for co-operatives. Although its establishment was provided for by Law 1541/85, it did not come in life. ND amended the law and provided again for the creation of that body. Again it was not formed. The body was naturally provided for once more in Law 2169/93.

25 This provision was abolished by Law 1914/90, Government Gazette, First Issue, Paper Number 178, 17/12/90.

a field for political battle among parties, which counted their political influence and used co-operatives as a specimen for their influence in provincial areas. Thus, article 4 was a complete failure and had destructive effect on co-operative organisation.<sup>26</sup>

The government of ND, elected in 1990, adopted a new law on agricultural co-operatives a few days before its resignation.<sup>27</sup> Law 1541/85 was abolished, because co-operative movement should be «shielded» against political expediency, if one wished to «rehabilitate» it decisively and definitely. The basic principles of the new legislation included the security of democratic procedures within co-operatives, their economic viability and their operation in a free market subject to fair competition rules.<sup>28</sup> The new law improved several negative elements of the previous law without avoiding suffering certain other drawbacks. For example, no women were in fact able to become partners in a co-operative and internal matters of co-operatives were again exhaustively regulated. One could say here that the main preoccupation of the Greek governing parties was always the electoral system of the co-operatives' administration and not the substantial sectoral problems. As an example, the ND government had decided to postpone the programmed elections for co-operatives' management boards for five months till the adoption of the new law. The draft law had been heavily criticised as well.<sup>29</sup> Even if those criticisms came mainly from the opposition camp, one cannot but observe the elasticity of operation of co-operatives according to the whims of each government.

Recapitulating: The legal framework for Greek agricultural co-operatives was based on Law 1541/85. Nevertheless, the main problem in co-operative movement was not legal but political. Greek governments, regardless of their ideological position, have never accepted that co-operative is a private commercial enterprise run by its members. They perpetuated the clientelistic relation with the rural population, exploited its illiteracy, inflamed the political passions and, followed either oppressive or populist-demagogic tactics in their endeavour to secure the agricultural vote. That situation distorted the co-operative features so much that one could say that co-operatives in Greece became an example to be avoided.

### 3) THE POLICY

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26 See *Oikonomikos Tachydromos*.

27 Law 2169/93, Government's Gazette, First Issue, Paper Number 149, 10/9/93.

28 From an interview given by the then Minister of Agriculture Mr Hatzigakis to *Oikonomikos Tachydromos*. 12/11/92.

29 See, for instance, *Eleftherotypia*. 5/4/93, 7/4/93 and 11/4/93, *To Vima*. 11/4/93, and *Agrotikos Synergatismos*. Issue 1, January-February 1993, p. 8-9.

In the light of the above, one may explain government's policy during the decade of 1980s, from the legal point of view without being possible to avoid the political dimension, on co-operatives and basically the third-level ones. The decade of 80s is too important, because it coincided with the initial period after Greek accession to the EEC. The accession offered a great opportunity to Greek agriculture to be reoriented and restructured with the money received by European Agricultural Guidance and Guarantee Fund (EAGGF-FEOGA). Co-operatives could be the means of materialisation of that policy. However, this did not happen and Greek agriculture preserved its structural weaknesses. The reasons were three as regards the co-operative sector.

At first, agricultural co-operatives had often acted as State agents for agricultural policy before the full implementation of Common Agricultural Policy (CAP) in Greece. After that co-operatives were entrusted with several tasks and that function took a more systematic shape. They were considered as the best means for the concentration of produce offered by farmers at the intervention price defined by the EEC. Such role was provided for by Greek legislation and from the first sight it could cause no harm to co-operatives.<sup>30</sup> However, the damage was caused by the inconsistency of State to its contractual liability towards co-operatives. Co-operatives concentrated the produce and paid farmers at the time of its delivery. However, the Ministry of Agriculture withheld the money destined to serve the intervention function and either gave co-operatives their remuneration for the offered services a long time after the transactions or gave less money. That attitude brought severe financial problems to co-operatives and contributed to their insolvency.<sup>31</sup>

Secondly, the social role of co-operatives was totally misinterpreted in Greece. Their social aspect bore no resemblance to the social element intertwined with the essence of co-operative nature. It took the meaning of healing all financial disabilities caused to farmers by the market mechanism. Co-operatives purchased the whole quantity of produce offered for sale by farmers regardless the economic viability of such transaction. It goes without saying that those commodities could not be absorbed by market either because they were superfluous or of bad quality. Co-operatives were called to buy them not at the EEC intervention price but at a higher price that would cover the expectations of farmers.<sup>32</sup> That policy was strongly encouraged by government, which wished to keep farmers satisfied and ensure, thus, its political clientele. Farmers were naturally content, since they knew that, no matter how, their

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30 See OSEGO. *op. cit.*, p. 183-184 and 197-198.

31 See *Oikonomikos Tachydromos*. 12/11/92.

32 See OSEGO, *op. cit.*, p. 185-186 and 203.

produce would be absorbed by co-operatives. Meanwhile, government could boast that it followed a beneficial policy for agricultural population.<sup>33</sup> No one seemed to think the destructive effects that such policy would bring to agricultural economy at the end of the day.<sup>34</sup>

The main carriers of the financial burden caused by such irrational policy were co-operatives themselves. They became insolvent and were led to bankruptcy. A big share of responsibility and blame for that situation belonged to the managers and boards of co-operatives, who were supposed to be elected to avoid exactly such management. In the contrary, they followed the governmental directions at the expense of their duty to their co-operatives. This attitude can be easily explained. On the one hand, there was no case of disobedience to the government, since most of them were more or less politically linked with it and their main consideration was to preserve their posts. On the other hand, even if they were not politically attached, such policy kept farmers content. To refuse to buy the superfluous produce might be the financially advisable policy but not the politically favourable. In the long run, however, it was obvious that this would cause detrimental effects on the financial state of co-operatives.

Another aspect of the social policy was the irrational employment of staff working for a co-operative.<sup>35</sup> The administration was compelled by the government to hire handicapped persons in application of the beneficial policy followed by the government which wished to adapt such people in Greek society, as if co-operatives were charitable organisations. The salaries were naturally paid by co-operatives, which carried a financial burden without retribution. Furthermore, a great number of employees in the co-operatives were not hired according to the real needs of the enterprise or due to their expertise, but based on personal or political affiliations with the members of the BoD. The employment status of staff of co-operatives was the same to that of public servants. Moreover, the public authorities could transfer their servants to co-operatives after a common application by PASEGES and the co-operative where the appointment would be done (Law 1541/85, Article 72§3, 4).

The farmers' attitude was quite absurd as well.<sup>36</sup> On the one hand, they did not trust co-operatives, because they were politically manipulated, completely disorganised

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33 The enactment of the 'social' policy was confirmed during the procedure before the Athens Court of Appeal, which decided the winding-up of KYDEP. Mr. Gikonoglou, a former member of the then government, in his testimony stated that different prices were defined at meetings with KYDEP's manager and ATE's director. It was also said that such policy was secret because it contravened the CAP.

34 On the populist character of PASOK's policy, see Clogg, *op. cit.*, p. 182.

35 OSEGO, *op. cit.*, p. 186 and 190. Also Oikonomikos Tachydromos. 26/3/92.

36 On the olive-oil producers, see Oikonomikos Tachydromos. 18/10/90.

and financially insolvent. On the other hand, nonetheless, they demanded co-operatives to purchase all their remaining produce, probably of bad quality, not absorbed by free market. That is, farmers tried, at first, to sell their produce in the free market at satisfactory prices. Then, they demanded co-operatives to purchase the rest of their produce at higher prices than the intervention prices. They, moreover, protested strongly, if they were refused in case of shortage of funds. The government, for political reasons, accepted finally the farmers' demands and credited co-operatives in order to purchase that produce.<sup>37</sup> Thus, co-operative became the last recourse and was considered obliged to buy whatever it was offered. Such individualistic attitude, blamed as "occasional partnership", cannot be condoned even knowing the low educational level of Greek farmers. What is more not condonable, however, is the governmental attitude, which burdened the whole Greek population in order to follow such social policy.<sup>38</sup>

Thirdly, ATE followed a generous credit policy for co-operatives lending them money at low rates of interest. Co-operatives responded enthusiastically and the loans for co-operative commerce and procession of produce increased from 19.4 billion Drs in 1981 to 41.7 billion in 1983. The then ATE's governor, Mr Kafiris, had expressed his satisfaction for the increasing demand of capital by co-operatives saying that the bank's target was not the limited and weak finance of co-operatives but their adequate and unimpeded lending. The main criterion was the possibility for productive exploitation of the loan. ATE's interests were completely safe, since its supervisors enacted essential control on co-operatives and their unions and the members of co-operatives were liable for their debts. Thus, the financial basis of co-operatives was wide enough to cover any losses, although ATE had never used the compulsory execution procedure against co-operatives to recover its money. Finally, Mr Kafiris expressed his certainty that the efforts of co-operative enterprises would bear their fruits in due course and that there would be no preferential treatment for co-operatives.<sup>39</sup> The future proved the falsity of those premeditations.

The policy envisaged by Mr Kafiris was not followed. Co-operatives and their entrepreneurial activities were funded basically under no banking criteria. This practice worked for some co-operatives which became quite successful enterprises. Most of the

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37 It was written characteristically that it was detrimental that agricultural co-operatives in Greece had been as State instrument for production and marketing of agricultural products. Moreover, the majority functioned as party multistores and almost always followed the orders of the governments. Oikonomikos Tachydromos, 14/5/92.

38 Oikonomikos Tachydromos, 24/5/84.

39 Oikonomikos Tachydromos. 24/5/84.

loans, however, were not used rationally and profitably. The great inexperience of the administration of co-operatives as regards entrepreneurial activities, the lack of professional management and marketing planning and the redundant and unsuitable staff worked as factors of massive indebtedness.<sup>40</sup> It goes without saying that most of the companies controlled by co-operatives (in fact ATE, since the bank was a major subscriber in most activities) turned to a complete failure of investment. It proved very difficult for co-operatives to transform to the agri-industrial model envisaged by the government. In several cases the situation may have augmented by the alleged mismanagement of funds by administrations to serve personal causes. Such mismanagement was facilitated by article 32 of Law 1541/85.<sup>41</sup> Finally, the inability or reluctance of ATE, based on State directions, to control the financial position of co-operatives and grant loans only to investments presenting some kind of guarantee for financial success, quite doubtful in fact, made the situation somehow uncontrollable.<sup>42</sup> Thus, at the end of the decade, co-operatives were at a huge deficit of about one trillion drachmas.

The most characteristic example was KYDEP, a third-level co-operative, in the sector for cereals, cotton, edible pulse and animal feed pursuant to articles 65 and 66 of Law 1541/85. The co-operative handled strategic agricultural products of Greece. KYDEP's case has become the main reason which caused much political and social turmoil in Greek society.<sup>43</sup> KYDEP has also been brought before the ECJ, because its operational practices have been challenged several times by the Commission.

The co-operative followed the described social policy. It bought the products of its sector at high prices in order to support the agricultural incomes. The difference between EC intervention price and the purchase price was covered by ATE at the shape of loans granted to KYDEP. In fact, it was an unofficial State aid named "loans" to subdue the Commission's intervention. KYDEP bought the whole of the offered produce following no criteria of quality or market needs. Another example is the feeding stuff policy. A Commission officer has explained that was the case that caused the Commission's reaction.<sup>44</sup> What happened was that KYDEP purchased or imported

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40 See Oikonomikos Tachydromos, 31/12/92 and 29/4/93 and Decision 2695/31-5-93 of the Athens Court of Appeal.

41 The bulk of dubious claims in ATE's exchequer caused problems as regards its compatibility to Directive 89/647.

42 KYDEP has also attracted the attention of members of the European Parliament, OJ 1990, C171/6.

43. For a vivid analysis of the KYDEP case, see Daskalou. «*Από τη Διαρκή Ανάπτυξη στην Χρεωκοπία της ΚΥΔΕΠ και στην Κάμψη της Ελληνικής Γεωργίας*» [From the Constant Development to the Bankruptcy of KYDEP and the Decline of Greek Agriculture].

44 See an interview of ATE's director Mr. Kefalogiannis in Oikonomikos Tachydromos, 8/11/90.

animal feeding stuff and sold it to Greek farmers at artificially low prices. This policy had impact on the animal feed market and the meat sector.

A final example was the purchase of the contaminated grain by Chernobyl radioactivity at market price, a produce which, in fact, would never be absorbed by consumers. This purchase was done regardless of the EC plans for producers' protection by the damage done due to Chernobyl destruction. Evidently that policy was followed, because the government thought that EC plans were not offering enough protection to agricultural incomes. So, instead of making investments and plans of a rational promotion scheme of sales and exports, KYDEP preferred the said policy. Naturally, a serious share of criticism should fall on farmers' behaviour, who had never sustained their co-operatives thoroughly.

#### D) THE AFTERMATH

In 1984, the Commission received complaints from a number of Community traders that imports of olive oil of all kinds was prohibited in Greece. It was also difficult or impossible to export certain types of olive oil. After a long delay and repeated reminders by the Commission (4/10/84 and 28/11/84) Greece replied on 4/4/85. The Commission initiated the then Article 169 procedure. During the procedure before the Court, the Commission forwarded evidence that between 1981 and 1986 Greece imported only 2,005 tonnes of olive oil to be immediately re-exported and exported 65,000 tonnes of olive oil, 55,000 tonnes through Elaiourgiki, a third-level co-operative and the rest through private traders.<sup>45</sup> Moreover, the 10,000 tonnes were exported to the Soviet Union under an inter-State agreement, the execution of which was entrusted exclusively to Elaiourgiki. A comprehensive examination of the market in oils and fats in Greece gave a striking picture of the following alarming situation: the common organisation of the market in those products in Greece was practically non-existent, in so far as the national rules continued to be applied in most cases.

The Court held that the Commission had produced sufficient evidence to show that the Greek government had applied restrictions on imports and exports of olive oil. The Greek government had not submitted any information to contest substantively and in detail that evidence. Therefore, the restrictions constituted an infringement of Articles 30 and 34 EEC Treaty and Article 3(1) of Regulation 136/66 prohibiting such restrictions in trade with non-member countries. The regulation was also infringed as a whole, because once there was a common organisation of the market, Member States

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Nevertheless, ATE continued to credit KYDEP till the spring of 1992. See Agrotiki, February and October 92.

45. Case 272/86, Commission v. Hellenic Republic [1988] ECR 4875.

should refrain from taking any measures which might undermine or create exceptions to it.<sup>46</sup>

Other cases regarded the practices followed by the Greek government and KYDEP. The first one, Case C-281/87, Commission v Greece concerned national intervention measures carried out by KYDEP in application of governmental orders and instructions.<sup>47</sup> KYDEP was to purchase all the quantities of inferior-quality durum wheat from the 1982 harvest at prices fixed officially. Those instructions were included in the Circular Letter 41032 of 7/7/82 by the Greek Ministry of Agriculture. The Commission considered that it was not impossible that the national measures might have caused financial losses in respect of which the Greek authorities would have had to compensate KYDEP thereby giving rise to further infringements. Furthermore, the Commission feared that the durum wheat was delivered into Community intervention by KYDEP as agent of the EAGGF.

Parenthetically, in respect of that fear the Commission considered, following an investigation in Greece in the cereals sector, that the rules relating to the quality of durum wheat delivered into Community intervention were not complied with. Therefore, in its Decision 867441 on the clearance of the accounts presented by Greece in respect of the EAGGF, Guarantee Section, for 1982, the Commission had taken the view that expenditure incurred by the Hellenic Republic on the basis of Community intervention for durum wheat could only be financed up to 20,385.918 tonnes out of a total of 700,000 tonnes. Greece contested that Decision. In Case 214/86, Greece v. Commission, the Court found for the Commission and rejected the Greek application.<sup>48</sup>

Returning to the initial case, the Commission initiated the Article 169 procedure once again. Greece challenged the admissibility of Commission's application inasmuch as it was based on confidential documents not lawfully into its position. The Commission wondered on the precise links between KYDEP and the government and said that KYDEP infringed the Community law. The Court rejected the admissibility argument and concluded that, from its very title and wording, the circular letter could only be interpreted as communicating to KYDEP, its addressee, detailed instructions as to the buying of inferior durum wheat. Moreover, the circular excluded the taking of

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46. In its conclusions from the preliminary work for the clearance of the EAGGF Guarantee Section accounts for the year 1989, the Commission stated that several inspections revealed that there were national rules on tomato processing contracts obliging the authorities to give priority in concluding them to co-operatives. The Commission asked the Greek authorities to amend those rules. This case was very similar to the preferential treatment to Elaiourgiki.

47. Case C-281/87, Commission v. Hellenic Republic [1989] ECR 4015.

48. Case 214/86, Hellenic Republic v. Commission [1989] ECR 367.

wheat from dealers and contained instructions regarding storage, useless details if it was to inform producers. Repeating the «open market» principle of Redmond case,<sup>49</sup> the Court found that, by instructing KYDEP to buy inferior-quality durum wheat, Greece was guilty for violation of the provisions relating to the common organisation of the market in cereals.

In 1982 the Commission was informed that KYDEP had purchased large quantities of maize on the world market which were subsequently sold at a loss on the Greek market. It requested the Greek authorities for explanations and, considering the reply inadequate, the Commission motioned the Article 169 procedure asking for the Greek observations. Greece observed that the transactions at issue had been carried out in accordance with the internal rule of KYDEP and exclusively in the interest of the co-operatives affiliated to it, without any involvement on the part of the Greek state. However, the Commission, relying on an internal document of KYDEP, maintained that KYDEP was in fact a State agent of a committee selling feed grain to Greek producers at a price less than the purchase price. The deficit arising was absorbed by the State budget. Lastly, KYDEP enjoyed preferential financial terms from ATE.<sup>50</sup>

The Court<sup>51</sup> first rejected a Greek argument on the admissibility of the Commission's application and then said that the documents produced by the Commission and the Greek government itself, at the express request of the Court, corroborated the fact that the Greek authorities fixed the prices that KYDEP would sell feed grain. The State covered the deficit incurred by KYDEP on account of the standard practice imposed upon it on selling at a loss. It was also clear that KYDEP was guaranteed by the State that it could be given loans by the Bank of Greece, acting through ATE, to finance its operations on the market in feed grain. As far as the price that KYDEP purchased the feed grain which it sold to the producers, the documents disclosed a body of consistent indications from which it might be deduced that it were also fixed by the Greek authorities.

The next case in the Court chambers concerned the clearance of EAGGF accounts. In Case C-32/89, Greece v. Commission, Greece had asked the annulment of Commission Decision 88/630, which had refused to charge the Fund a sum of 6,840,546,206 Drs in respect of refunds and mcas.<sup>52</sup> That expenditure had been disallowed following investigations in Greece in the cereals sector. It appeared that

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49. Case 83/78, Pigs Marketing Board v. Raymond Redmond [1978] ECR 2347.

50. According to a statement by a Commission officer, this was the first case that the Commission found evidence which fully revealed what was going on with KYDEP.

51. Case C-35/88, Commission v. Hellenic Republic [1990] ECR I-3125.

52. Case C-32/89, Hellenic Republic v. Commission [1991] ECR I-1321.

KYDEP had undertaken on behalf of the State to dispose of the stocks of wheat held by it by means of four programme contracts. Moreover, KYDEP operated a monopoly as an agent of the State, and the State covered all the deficits incurred by KYDEP, thus enabling it to sell below cost price. Greece admitted the existence of three of the programmes but denied the fourth. She said that KYDEP covered half of its own deficits, the remainder being covered by the producers' associations. Finally KYDEP did not operate a monopoly and, although it received financial contributions from the State, it did not sell products below cost price, so that free competition with other traders was not affected. The Court dismissed the Greek application. It recited its decision in Case C-35/88, Commission v. Greece<sup>53</sup> and said that the Commission justifiably refused to recognise the amounts in issue as chargeable to the Fund on the ground that the Greek authorities took measures which interfered with Community policy in the cereals sector.

During the autumn of 1985, the Greek authorities restricted or prohibited maize exports by private traders while, over the same period, permitting exports of maize by KYDEP. Such a policy, in the view of the Commission, failed to take account of the provisions of Regulation 2727/75 and the principle of «open market». The Commission submitted before the Court that KYDEP was the body through which the Greek authorities intervened on the market in cereals and, more particularly, in feed grain sector.<sup>54</sup> The deficit which resulted was covered by the national budget. The Judge-Rapporteur referred to the persistent refusal of Greek authorities to allow Commission officials to check on the activities of KYDEP. The Greek reaction to the allegations was the statement that they were derived from journalistic information lacking in any probative value.

The Court found consistent evidence of the existence, if not of a complete ban, at least a range of restrictions on maize exports. On the other hand, maize exports by KYDEP were able to be carried out in the normal manner. The Court pointed out that difference in treatment between private traders and KYDEP occurred during a period in which, as it had already ruled in Case C-32/89, *Greece v. Commission*<sup>55</sup>, the Greek authorities, in disregard for the provisions of Community law, were directing interventions by KYDEP on the market of cereals. Therefore, Greece, by obstructing and restricting exports of maize by traders other than KYDEP by way of various measures, had infringed Article 34 EEC Treaty and Regulation 2727/75.

In another case, the Court has ruled that, by promoting, through KYDEP, exports of

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53. Case C-35/88, *Commission v. Hellenic Republic* [1990] ECR I-3125.

54. Case C-10/89, *Commission v. Hellenic Republic* [1991] ECR I-2659.

55. Case C-32/89, *Hellenic Republic v. Commission* [1991] ECR I-1321.

cereals and processed cereals-based products by means of various measures, such as programme contracts, and covering the losses which KYDEP thereby incurred, and by advising KYDEP to place 340,000 tonnes of cereals into Community intervention while covering the difference between the cost of production and the intervention price between 1982 and 1986, the Hellenic Republic had failed to fulfil its obligations under Regulation 2727/75. Greece had also infringed Article 93(3) of the Treaty because she had failed to notify the Commission the programmes of aid.<sup>56</sup>

The fact that Greek authorities were obviously evading their obligations under Community law had a double harmful effect. First, the relations between Greece and the Commission deteriorated sharply and, secondly, the Commission did not accept during the annual clearances of EAGGF accounts that Greece had incurred any expense at all as regards the intervention purchases done in the product sectors of KYDEP. Especially, after the Commission discovered the illegal mechanisms of KYDEP's intervention, it denied that Greece had spent any money at all. In other words, the Commission refused to charge EAGGF accounts for the whole sum of money spent for the said products.

One might say then that Greece has lost a big percentage of money spent for intervention which was lawful, since it is illogical to assume that all the funds spent by intervention agencies were unjustly paid to farmers. The complete lack of co-operation of Greece and the caused mistrust of the Commission have brought unhappy results for Greek budget.<sup>57</sup>

#### E) AFTER THE 1980s

The said policies led co-operatives to bankruptcy. Since 1990, after the election of a new government, ATE had adopted a new credit policy, which was to lend only financially viable enterprises.<sup>58</sup> Co-operatives argued that the State itself was responsible for the situation. At that stage, Prime Minister K. Mitsotakis declared that the government would undertake the whole of co-operative debts caused during the

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<sup>56</sup> Case C-61/90, Commission v. Hellenic Republic, ECR 1992 p. I-2407).

<sup>57</sup> For instance, in its conclusions from the preliminary work for the clearance of the EAGGF Guarantee Section account for the year 1990, the Commission maintained that, given the deficits declared to the Greek authorities as a result of interventions in the animal feed market were much higher than the accounts declared to the EAGGF for export refunds, the financial consequences had been for the 1989 financial year a definitive correction of 120.296,279 Drs and for the 1990 financial year a financial correction of 866,305,307 Drs was to be made, i.e., the total amount declared for animal feed. Document VV119/93.

<sup>58</sup> Kathimerini, 18/10/92.

previous years by the operation of social policy.<sup>59</sup>

Law 2008/92 (article 32) provided for the write off of a part of co-operatives' exposure (KYDEP's debt alone would be alleviated with 187.7 billion Drs).<sup>60</sup> The Ministry of Economic Affairs disposed Greek State Bonds valued at 373 billion Drs to ATE in application of the law. That sum corresponded to 2.5% of GNP of 1992.<sup>61</sup> Co-operatives protested for the regulation of only a part of their debts arguing that the State should undertake the coverage of the whole of them. The government replied that the remaining exposures were due to the mismanagement and fraudulent activities of their administrations.<sup>62</sup> A report concluded by four private companies said that «KYDEPs existing mechanism of supervision of stocks suffers by the most serious shortcomings so that the provided protection against voluntary or involuntary faults varies from primitive to naught».<sup>63</sup> All the above indicate the confusion of the government on the co-operative problem.

Furthermore, Law 2237/1994 in its article 5 provided for a specific procedure after which a major part of the remaining co-operative debts would be arranged by ATE. It said that "ATE may, by decision of the appropriate staff, settle debts to it outstanding at 31 December 1993 incurred by primary cooperative associations which convert and market agricultural products, provided that they result from the financing of those activities, and by secondary and tertiary cooperative associations, if those debts are not covered by realisable goods and assets, provided that, in the opinion of the Agricultural Bank of Greece, they are not the result of mismanagement but of objective factors (crisis on the market for certain agricultural products or loss of markets owing to external events, etc.). The final amount will be repaid in up to 10 annual instalments and the Agricultural Bank of Greece may, in exceptional cases of particularly heavy debts, extend the repayment period to a total of 15 years, with a period of grace of a maximum of three years. During the first half of the repayment period, the associations will not be required to pay interest on the amounts settled; during the second half, interest shall be chargeable at a rate of 50% of the current market rate. In exceptional cases, that percentage may be reduced at the discretion of the Agricultural Bank of Greece. Settlement is subject to the submission of a study on the feasibility,

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59 To Vima, 26/7/92.

60 Government Gazette, First Issue, Paper Number 16, 11/2/92.

61 Apogevmatini, 25/10/92.

62 Kathimerini, *ibid.*

modernisation and development of the beneficiary cooperative, demonstrating that it is able to fulfil the conditions of the settlement.

On the other hand, it is true that when the process of the arrangement of debts started, the procedure of the evaluation of their restructuring plans filed with the Ministry of Agriculture very slow especially for the first-level co-operatives. Two committees were formed, pursuant to the governmental plan, which would examine scrupulously the applications filed by co-operatives asking for the coverage of their debts. The committees worked on that basis and confirmed the sums owed by each co-operative. There was a proviso for the coverage of the debts. Co-operatives should draw and apply a restructuring plan turning them to viable enterprises. Those plans would be supervised and approved by ATE. During that period the ordinary interest rates applied and the debts continued to grow. This caused the further burdening of co-operatives, which protested for the slow procedure and sustained that all this was a governmental plan to close co-operatives down and leave the private trade undisturbed.<sup>64</sup>

As for KYDEP, it filed a plan, which provided for a rational solution. It provided for the firing of at least half of its staff, a fact that would drastically reduce its operational costs. KYDEP proceeded to that scheme in spite of the intensive and dynamic reactions of its employees. However, on 14/10/92 the governmental council announced its resolution for the liquidation of KYDEP, since the co-operative had no future at all. Other government officers released a plan for KYDEP's dissolution and the formation of three sectoral co-operatives.<sup>65</sup>

At the same time, however, the Minister of Agriculture had firmly recognised the important role that KYDEP was playing in favour of the individual producer. He had said characteristically that «if KYDEP did not help him, the Greek farmer would be economically broken, because he is unable to transport or store his produce alone».<sup>66</sup> This confusing situation has brought a serious dispute between the government and the administration of KYDEP. KYDEP's president resigned in October 1992 protesting for the governmental inconsistency as regards the co-operative's clearing of debts and the government retorted that the delay to the settlement of debts was on account of KYDEP on the one hand and, on the other hand, four checks done by Ministries of Agriculture and Economic Affairs, ATE and private auditing companies showed that KYDEP's

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63 To Vima. 4/4/93.

64 An analysis concerning the co-operatives' debt by Panagiotopoulos is found in Oikonomikos Tachydromos. 4/10/90.

65 To Vima. 28/6/92.

66 Oikonomikos Tachydromos. 17/12/92.

administration was guilty of frauds that contributed to the enterprise's bankruptcy.<sup>67</sup>

The last measure for co-operative debts, Law 2538/97, provided for the writing off of another part of co-operative debts. The procedure followed was conforming to EC Law (it was approved by the Council of the EC according to art. 88§2 EC Treaty).

Unfortunately, the situation was not the same for Law 2008/92 and Law 2237/1994. The solution of write off and settlement of co-operative debts under those measures was not conforming to Community Law. Therefore, after an investigation procedure, the Commission by a letter dated 19 December 1997, informed Greek government of its decision to initiate the procedure laid down in Article 93(2) of the Treaty in respect of the general provisions for debt consolidation of agricultural cooperatives, as well as in respect of the aids for reorganisation of the cooperative AGNO (State aids cases C 78/97 and C 82/97). In its decision, the Commission ruled that Article 32(2) of Law No 2008/1992 constituted State aid which did not satisfy the requirements laid down in the rules governing aid to make good the damage caused by natural disasters or exceptional occurrences (Article 87(2)(b) EC). It also ruled that Article 5 of Law No 2237/1994 constituted State aid which did not satisfy the requirements laid down in the rules governing restructuring aid for undertakings. Both aid schemes were declared incompatible with the common market. Greece should recover the granted aids from co-operatives.

Greece contested that decision in front of the Court of Justice; however, the Court corroborated the Commission's arguments and rejected Greek pleas with its Decision C-278/00, Greece v. Commission on 29/4/2004. It stated that "the circumstances referred to by the Hellenic Republic, relating to the financial position of the agricultural cooperatives, have not shown that it is impossible to recover the aid which is the subject of the contested decision". One should point out that the recovery of illegal state aids is still pending and the correspondence between Greece and the Commission concerns the manner of recovery and not the recovery itself.

Recapitulating: The State intervention and the intensive party involvement with the co-operative affairs created a situation of alleged scandals and social unrest, which weakened social cohesion. Political interests have prevailed at the expense of the co-operative movement. The legal framework was not actually designed for the function of co-operatives, but for their control. The failure of the legislation proves that all governments distorted the essence of co-operative ideals and considered co-operatives a

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<sup>67</sup> Eleftherotypia, 29/4/92. KYDEP finally went in the process of winding up and liquidation after Decision 2695/31-5-93 of the Athens Court of Appeal following an application by ATE. The Court did not accept the opinion that the Greek State should remunerate KYDEP covering its debt to ATE because there were no documents proving that the said policy was according to State directives

State organisation. The private nature of co-operatives was in fact quashed and transformed them to quasi-public enterprises.

A comment by Advocate-General Cruz De Vilaca on the difficulties encountered by the Commission in investigating the imports and exports of olive oil is telling as regards Greece, the co-operatives and European Union Law. It reads: «It is true that the circumstances surrounding the present application seem to indicate that something is amiss as regards the Hellenic Republic's understanding of the requirements of Community law and compliance therewith».<sup>68</sup>

#### F) FINAL REMARKS

Greece is a country which seems to be a designed model for the application of co-operative organisation. It is dominated by small agricultural holdings, land holding is much dispersed and its agriculture is based on the family labour system. In combination with the facts that agriculture was always short of capital investment and that the large proportion of agricultural land is located in semi-mountainous or mountainous places, it seemed that the Greek accession in the EEC and the co-operation among farmers should mean an opportunity for Greek agricultural economy. Yet, as was described in detail, the co-operative model was met by almost complete failure in Greece. Even nowadays when the agricultural markets are open to the international market influence, Greek co-operatives present features met only in a third world country.

It is very difficult to persuade farmers to see in co-operatives an institution designated for their own benefit. They are used to face co-operatives as charitable foundations and it would be strange if they changed their attitude.

As a matter of fact, a few co-operatives, unfortunately a tiny number, which managed to keep political fraction out of their affairs, are functioning properly and present successful and, moreover, profitable results.<sup>69</sup> This is a suggestion that if the co-operatives are left alone, they may find their way. In conclusion, one does not suggest that it is only a matter of political will. The responsibilities for the present situation are shared by the farmers themselves as well. It is the State, however, that has the first word.<sup>70</sup>

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68. Case 272/86, Commission v. Hellenic Republic [1988] ECR 4875.

69. To Vima, 14/6/92.

70. It is rather unfortunate that no signs of change were visible. It was published in Eleftherotvopia 24/11/93, that PASEGES could not elect its president, because no candidate could obtain the adequate number of votes. The only candidate belonged to PASOK's political camp and it has become self-evident that the votes were not casted as to his personal merit. It is characteristic that despite the Communist representatives proposed the formation of a board composed by members of all parties, the PASOK

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representatives totally refused to collaborate with the ND ones. On the other hand, it was published in To Pontiki, 5/1/94, that the first legislative measure prepared by the new government was a law amending Article 23 of Law 2169/93 providing for the election of the management boards co-operatives according to the one party slate system. The new electoral system would be the same as the one provided for in Law 1541/85.