Eye-Popping Greek Corruption

And the collusion between Athens officials and EU interests.

BY CRITON M. ZOAKOS

As overburdened German taxpayers become indignant over having to pay for the consequences of corruption in Greece, it behooves them to know that German prosecutors are investigating at least two German companies—Siemens and Ferrostaal (a subsidiary of MAN AG)—for promoting that Greek corruption.

In Greece itself, a parliamentary commission of inquiry (the Siemens Commission) is going through the motions of investigating which Greek politicians have been bribed by Siemens. It is an exercise in futility because existing Greek law (N. 2509/1997 as revised in 2001) makes it practically impossible to prosecute ministers and even members of parliament for crimes committed while in office.

This peculiar law, which has drawn the ire of the European Court of Human Rights, of Transparency International, and others, was promulgated in 1997 by the Socialist Party (PASOK). It was adopted after a prior conservative government had prosecuted for corruption four Socialist ministers and a Socialist prime minister (Andreas Papandreou) over the 1989–92 period.

Those found guilty during these prosecutions were promptly given parliamentary pardon as soon as the Socialists regained majority in 1993. Taking no chances, the Socialists proceeded to pass the law that virtually immunizes corruption and which remains in force to date.

Corruption in Greece became endemic after 1981, the year when Greece joined the European Community (later European Union) and elected its first-ever Socialist government. Between then and now, scores of major corruption scandals (some count over 150) broke out in the Greek press. Only a tiny handful, however, perhaps numbering no more than five, were tried in the courts. Of these, three

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were terminated by parliamentary vote, one resulted in a not guilty verdict, and the fifth in a guilty verdict that triggered an almost instantaneous parliamentary pardon.

Most corruption scandals throughout this era involved collusion between Greek officials and European Union interests. The most notorious of these are of course the Siemens and Ferrostaal scandals that have attracted the interest of German law, and both involve bribery of Greek officials for the purpose of securing contracts by German companies with the Greek government.

The Siemens case entails a large number of briberies going back twenty-four years. In the Ferrostaal case, the briberies helped lubricate the sale of defective submarines to the Greek Navy.

Politically, the most interesting bribery case is that of the general manager of the Public Power Corporation in 1986. The gentleman in question was accused of receiving 500 million drachmas (equivalent of about €350,000 [ECU] at the time) from an Italian construction company contracted to build a hydroelectric dam. When then-Prime Minister Andreas Papandreou (father of the current Prime Minister) was informed, he made a joke of it saying that he had no problem if an official "makes a little gift to himself," provided that the amounts not be outrageously high.

This phrase—"makes a little gift to himself"—became the official green light for generalized corruption among government officials at all levels in the 1980s. That was the decade when the culture of corruption was institutionalized in Greece. And it all started with Greece's membership in the European Community in 1981.

With EC membership, Greece became entitled to European Regional Integration funds—the so-called Delors Package I—and, more importantly, to new sources of borrowing from abroad. Prior to 1981, Greece's public debt was €8.5 billion or 22.8 percent of GDP; ten years after entry to the EC it was €48 billion or 71 percent of GDP.

The corruption of that decade was all about politicians distributing these newfound grants and loans to favorite beneficiaries, both individuals and companies. Much of the Delors Package I money was spent in the form of subsidies to farmers and to state-owned enterprises for the express purpose of building a stable political constituency that backed European integration. Ironically, PASOK, the party that implemented this program of building pro-European constituencies through bribes, had come to power campaigning against membership in the EC!

The growth of the public debt during that decade went to finance a rapidly rising trade deficit as imports from Europe grew rapidly. Foreign importers would bribe Greek officials to secure import or service contracts for telecom equipment, combat aircraft, missile systems, grains, construction equipment, and so on. From cases that have been exposed by investigative journalists, bribes appear to have been about 10 percent of the cost of contracts on average.

Since these contracts were financed by the borrowing of the Greek state, it is fair to assume that 10 percent of Greek public debt represents the cost to foreign contractors of bribing Greek officials. Another 10 percent is the cost of bribing popular constituencies to be pro-European.

When conservatives returned to government in 1990, some (but not all) of them tried to expose and reverse this tsunami of corruption—only to discover that it was too late. They brought indictments against the Prime Minister and against senior ministers (of finance, national defense, industry and justice) only to be kicked out of office before the trials ended.

When the Socialists returned to power in 1993, the culprits either got away with light sentences or were pardoned. Then they changed the law to make prosecutions virtually impossible.

The Socialists' return to power in 1993 was a few months after Greece had signed the Maastricht Treaty and the European Community had become the European Union on the road to introducing the single currency, the euro. Prior to the Maastricht Treaty, Greece's public debt was €62.7 billion or 75.4 percent of GDP. When Greece entered the euro under the Socialists in 2002, the public debt was €183.6 billion or 117.7 percent of GDP.

This disastrous fiscal outcome of the post-Maastricht years was the result of policies first tested in the previous decade: loans to finance trade deficits and bribes to officials arranging the loans. From Maastricht in 1992 to the euro in 2002, the trade deficit doubled from €10.5 billion (12 percent of GDP) to €21.5 billion (13 percent of GDP). But from the euro in 2002 to 2009, the trade deficit more that tripled in absolute size to €65 billion and more than doubled as a share of GDP to 27 percent.

The greatest corruption scandals involving foreign exporters bribing Greek government officials (Siemens and Ferrostaal), which have now resulted in official investigations in both Germany and Greece—occurred during this last post-Maastricht, post-euro period.

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Postwar Greece was not a particularly deficit-prone country up until its fateful entry into the European Community in 1981. In the post-war period to the 1960s, the country managed to reconstruct itself from the ravages of a particularly destructive Nazi occupation and subsequent civil war, also managing to pay all its pre- and post-war foreign debts. Through the 1970s, its governments believed in maintaining balanced budgets and its public debt was around 20 percent of GDP. This was during a time when the rest of Europe was pursuing growing budget deficits and building huge public debts.

All of that changed when Greece joined Europe in 1981. That year's elections did not merely see the ascent, for the first time ever, of Socialists to power. It saw the wholesale replacement of the country's traditional governing elite—not only politicians but also bankers, business leaders, and academics—with a new, hungry, nouveau riche crowd rising to power by acting as middlemen between Greek society and the Europeanist social engineers of Brussels.

Wholesale corruption in Greece was introduced by that same European Experiment that we are constantly invited to consider as a noble undertaking. Marketing hyperbole aside, the European Experiment was nothing but the construction of a captive market for the prodigious export engine of Germany and its satellite economies in the North. To date, over half of Germany's export surplus comes from the European South.

In the case of Greece, the cumulative trade deficits from 1981 to date add up to the €235 billion or about 80 percent of the current Greek public debt. Another 10 percent of this debt was probably incurred by the bribes to Greek officials used to generate the import transactions that led to the trade deficits, and the remaining 10 percent by corrupt political constituencies for accepting this arrangement.

When German taxpayers are righteously indignant at having to bail out Greece's creditors with their hard earned euros, they should consider that their hard-earned euros of yesteryear financed corruption in Greece for the purpose of creating a massive Greek trade deficit. That trade deficit was in turn financed by German and other European banks at handsome, risk-weighted rates of return. It is these banks' loans to Greece that the German taxpayers are now being forced to bail out with their hard earned euros—not Greece. ◆