

**7<sup>th</sup> Biennial Hellenic Observatory PhD Symposium on Contemporary Greece & Cyprus**  
The London School of Economics and Political Science  
London, 4-5 June 2015

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**“Traditional Friends and Orthodox Brothers”  
The Making of the Greek-Serbian Friendship in the 1990s**

Abstract: During the Yugoslav Wars of the 1990s, the notion of a Greek-Serbian friendship as a traditional bond between the two nations dominated the public discourse in both countries. Against the background of the changes in Southeast Europe and the crisis in Greece at the end of the 1980s, the discourse of Greek-Serbian friendship evolved as a broad social phenomenon encompassing diplomatic initiatives as well as activities of individuals and civil groups. Based on alleged common historical experiences, accelerated feelings of insecurity and foreign policy considerations, it facilitated a far-reaching emotionalisation and mobilisation, especially of the Greek public. As a prism that refracts the multiple socio-political processes of the 1990s, the Greek-Serbian friendship allows to make a contribution to the study of historical imaginations, political representations and concepts of belonging, as well as to debates about the reading of the past and present and the interrelation between politics and public sentiment.

*“The Serbs are just like us, they are tough, they fight with knives and don't forget what you have done to them. “*  
A Kalymnian shepherd in his seventies, early 1990s  
(Sutton 1998: 162)

## **Introduction**

The end of the Cold War and the outbreak of the Yugoslav wars initiated tremendous changes in the whole region of Southeast Europe. The 1990s marked a period of transition not only in the former Socialist states, but also in Greece, being the only Western democracy at this time in the Balkans, member of the NATO and the EC, as well as the most prosperous economy. As a majority of Greek political analysts had suggested, Greece should have used this opportunity in the 1990s to establish itself as the leader in the region, the promoter of stability and integration into the Western structures, but the contrary took place: Greece became, as Sotiris Wallden stated, “part of the Balkan problem, and not part of the solution” (Βαλντέν 2003: 408; Βερέμης 1994; Ποζάκης 1994; Anastasakis 2009).

The break-up of the Yugoslav federation posed multiple challenges to Greece: first of all, the independence of a state under the name of Macedonia and as a result the dominance of the name dispute in the foreign and domestic politics of Greece. The outcome was a strong emotional mobilisation of the Greek public and diaspora on the one hand. On the other, the position in the name dispute contributed to the isolation of Greece in the international community, especially after the declaration of embargo against the Northern neighbour in February 1994 (e.g. Tziampiris 2000).

Second, the Yugoslav break-up facilitated the emergence of the so-called Greek-Serbian friendship, the notion of a traditional bond between the two nations. Within this discourse, the

shared Orthodox faith and Byzantine heritage, the pioneering task in the “national uprisings” against the Ottomans as well as the co-belligerence in different wars were defined as determining factors that constitute a “traditional and historical friendship”, or as the president of the Society of Serbian-Greek friendship puts it: “The Serbs and the Greeks are the only two nations on the Balkans, which have not fought against each other in centuries, while they have always been on the same side during the 20<sup>th</sup> century.” (Vesti 2009) This idea of solidarity and proximity gained wide support in both countries during the 1990s, but especially among the Greek public, as is apparent in the huge amount of humanitarian aid that was collected almost exclusively for Serbian war victims and the media coverage of the war in Bosnia that overwhelmingly portrayed Bosnian Muslims and Croats as the main perpetrators in the conflict. Moreover, it can be seen in the politics of the Greek officials for whom it became increasingly difficult to fulfill their obligations towards their Western allies with regard to the international isolation of the Milošević regime and to take care of the demands of a “Serb-friendly” Greek public (Κοντόνης 2003; Βαλντέν 2004 ). The popularity of Radovan Karadžić strikingly epitomises this rift between Greece and its Western partners. At this time an outcast in Western Europe, the leader of the Bosnian Serbs was warmly welcomed in the Piraeus Stadium in June 1993 where he stated that “Everybody is telling us to lay down our arms because we are alone. We say no, we are not alone. We have with us God and the Greeks!” (Michas 2002: 22ff.; Karčić 2008; Τζίμας 2014).

As a result, by the mid-1990s, Greece had manoeuvred itself into an offside position in the international community, because of its tough stance in the name dispute with the Northern neighbour and the strong sympathies of the Greek public with the Serbian side in the Yugoslav conflict. The question remains: Why? Why did the Greek public largely support the Serbs during the Yugoslav wars? How could the idea of a traditional Greek-Serbian friendship mobilise the Greek society to such a great extent and what does this discourse imply? Or in lay language: Why did the “Greeks” love the “Serbs”? And since we are dealing with “love”, another question arises immediately: What about the “Serbs”? Did they “love” the “Greeks”, too?

The subject of the Greek-Serbian friendship in the 1990s is a contested one. While some just take it for granted as the “natural” outcome of common historical experiences and cultural traditions, others criticise it vehemently as “noisy rhetorics” of nationalists and a “hollow discourse” without real content. Yet, the analysis of this phenomenon offers new perspectives for exploring socio-political change, concepts of belonging and the role of emotions in processes of identity formation (Frevort 2009; Demertzis 2013). The Greek-Serbian friendship in the 1990s is not only a valuable case study of how selective images of history are created through rhetorical strategies based on the “emotional” in order to construct a historical continuity that is interpreted as “traditional”. Moreover, it derives a system of values that is rooted in the master-narratives of both nations. While simultaneously interweaving perceptions of the past and the present, the Greek-Serbian friendship thus contributes to a special sense of identity and groupness (Brubaker 2004).

### **The emotionalisation of the Greek-Serbian friendship**

The notion of friendship between Greece and Serbia has been accompanying Greek-Serbian relations at least from the 1860s onwards, when it evolved in the Greek public as the idea of an alliance against the Ottomans (Gounaris 2004; Livanios 2003). As a top-down-discourse following the political upswings and downswings, it was stressed in times of co-belligerence, i.e. in the Balkan and World Wars, and neglected in times of conflict as it was the case during and after the Greek Civil War. But although historical examples of positive stereotyping of

the other existed in the past, it was not until the Yugoslav wars in the 1990s that the idea of a traditional friendship gained wide support in the Greek and Serbian public. As Leonidas Karakatsanis has argued in his analysis of the discourse of Greek-Turkish friendship, the dry diplomatic language lacked an important feature – “passion”, “it did not reach the hearts of the people” (Karakatsanis 2013; Karakatsanis 2014). This is what changed with the outbreak of the Yugoslav wars in the 1990s. The Greek-Serbian friendship became a reality through friendship associations, humanitarian aid initiatives, town twinning projects, solidarity concerts and other performances on the ground (Σκλίνας, Π., και Αστέρης Χ., 2002). It emerged as a bottom-up process of individuals and groups that was supported by a top-down discourse of Greek officials who tried to capitalise on the good relations with the Milošević regime to prevent border changes, to gain support in the dispute with Macedonia and to foster internationally the image of Greece as an “honest broker” in the Balkans. The Greek-Serbian friendship contributed as an everyday practice to the feeling of “cultural intimacy” (Herzfeld 2005) between Greeks and Serbs. Thus, they became in-group members of an “imagined community of underdogs” (Anderson 1991, Diamandouros 1994).

What lies at the core of the Greek-Serbian friendship are emotions: first of all, fear, the feeling that the nation is in danger. This was triggered by threat scenarios, most prominent the idea of an Islamic arch in the Balkans, endangering the Orthodox countries Serbia and Greece; then, the feeling of inferiority towards the West, of being a pawn in the hands of foreign powers accompanied by the popular reading of the past as a plot in which the Greek and Serbian people were victims of foreign conspiracies. This materialised in a strong anti-American/anti-Western sentiment. As David Sutton has shown in his ethnographical study on the island of Kalymnos, Greeks identified with Serbs through perceived similarities and historical parallels - according to this reading, it was Western power politics that were both in Cyprus and Yugoslavia responsible for the violent separation of the countries (Sutton 1998). Both Greece and Serbia were underdogs, having the world community against them. This anti-Western sentiment or underdog discourse gained dominance especially during the Kosovo war and the NATO intervention in 1999 (e.g. Stefanidis 2007; Tsakona 2005; Katsioulis 2002; Tsatsanis 2011). The Greek public, reaching from right-wing Orthodox nationalists to far-left communists, strongly opposed the bombing that was interpreted, as a war between the whole world against the Serbian people – the initial conflict between the Kosovo Liberation Army and the central government in Belgrade was mostly overlooked.

In order to examine “the receptive dispositions that have been quietly laid down in those to whom the rhetorics of nationalists appeal” (Verdery 1996: 229), we have to place emphasis on the “populist decade” of PASOK in power from 1981-89, in which the antagonistic discourse of the non-privileged people fostered a defensive, ethnocentric and anti-Western version of Greek nationalism (Clogg 1993). Moreover, the social, economic and political crisis in Greece in 1989, in combination with the regional turmoil, the break-up of Yugoslavia, the influx of thousands of Albanian immigrants, accelerated feelings of insecurity and made the Greek public more prone to populist discourses and interpretations.

The war in Bosnia played a crucial role in the emotionalisation of the Greek-Serbian friendship, since the discourse changed from being friends to becoming brothers. The Bosnian Serbs were overwhelmingly portrayed as victims of the war, a conspiracy of Croats and Muslims supported by the US. There was barely any space left for the victims of Srebrenica in this reading, since the Greek public was occupied almost completely with the fate of the Serbian refugees from Krajina in the summer of 1995. The case of the Greek volunteers that were fighting on the side of the Bosnian Serbs was popularised intensively, thus spreading the

notion that Greek interests were defended in the war in Bosnia (Michas 2002: 17ff.; Καθάριος 2007; Mitrofanova 2005).

Another important feature which facilitated the strong emotional reaction to the conflict were programmes of hosting (almost exclusively) Serbian children from Bosnia and Krajina in Greek families (Blagojević 2010). The personal ties that developed between the children and the Greek host families were often translated into empathy and enmity on the national and international level.

### **A mutual friendship?**

In her study on stereotype of Serbian intellectuals in the 19<sup>th</sup> and 20<sup>th</sup> century, Milosavljević states that “In contrast to the terms *Majka Rusija* [Mother Russia] and *Braća Rusi* [Brothers Russians], which are known for the last 100 years, *Braća Grci* [Brothers Greeks] is a completely new product of the current media without any basis in the past. In fact, the Greeks had a very bad standing in the ‘characterology’ of Serbian intellectuals, sometimes even worse than the Bulgarians, and the fact that they were Orthodox as well did not change anything.” (Milosavljević 2002: 279). Due to the negative image of the Greek dominated Orthodox clergy as corrupt and greedy, Greeks were primarily characterised as “friends of the Turks“, “haters of the Slavs“ and “racketeers“ in the Serbian public discourse and literature of the 19th century (Ristić 2006), whereas articulations of friendship can be traced historically more often in the Greek discourse about the Serbs. Indeed, negative stereotypes about the southern neighbour were common in the Serbian public at the end of the 1980s due to politicised conflicts, regarding the “Macedonian question” and transborder cooperation (Borba 1988; Ekspres Politika 1988), as well as the bad standing of Greek students who made up the majority of foreign students in Yugoslavia (Pavićević 2004). But in the course of the war, the notion of Greek-Serbian friendship began to gain support in the Serbian society as well: first, due to structural similarities in the national narratives, the existence of a left-wing populist discourse, as well as anti-Western and anti-Muslim sentiments (Keridis 1998; Ramet, Sabrina P. and Vjeran P. 2005). Second, it was the experience of being isolated in the international community and vindicated by virtually the whole world, while at the same time experiencing on an everyday basis Greek humanitarian aid, support, delegations from Greek official as well as NGOs.

But in contrast to the Greek public, the Greek-Serbian friendship did not achieve such a widespread impact and appeal on the Serbian society. It served primarily the political discourse of Milošević and Karadžić and the strengthening of their power position. Since Greece was more or less the only European country that maintained relations with the Milošević regime and the Bosnian Serbs, the visits of Greek officials were used to legitimise the regime in the Serbian media. However, it was not only the domestic public that was addressed by this discourse, but also the Greek. Milošević and Karadžić visited Greece on different occasions. Well known is the visit of Milošević to Greece in 1992, when he proposed a Greek-Serbian confederation (Eleftherotypia 1992; Borba 1992), thus picking up the popular rallying cry on mass demonstrations in Greece “There is only one solution [to the Macedonian question] – common borders with Serbia!” (Michas 2002; Skordos 2012). Less known is Karadžić’s decision to introduce Greek as the first foreign language in the Republika Srpska (Ethnos 1994).

## **“Mas horepsan serviko” – Ambivalences and limits of the Greek-Serbian friendship**

The proposition of a Greek-Serbian confederation in 1992 did not deter Milošević to recognise the independence of the Republic of Macedonia under its constitutional name in April 1996, which caused enraged reactions and feelings of “betrayal” in the Greek press (Eleftherotypia 1996). These ruptures and cleavages that result from the clash of the postulated friendship and the actual everyday praxis are especially important, as they offer insights into the ambivalences and the functioning of the Greek-Serbian discourse of friendship. In this regard, sport competitions prove to be valuable case studies. For instance, the final match of the European Basketball championship in July 1995 in Athens between Yugoslavia and Lithuania was followed by violent incidents. The Greek audience cheered against the Yugoslavs, who had eliminated the Greek team in the tournament, booed them after their victory against Lithuania and several spectators threw objects on the court. This triggered violent attacks on the Greek embassy in Belgrade with demonstrators carrying banners that stated “Cyprus is Turkish”, and Greek students being beaten up in the streets of the Yugoslav capital. The Greek media and officials reacted in the following days by printing apologies in Serbian on front pages of Greek newspapers (Ethnos 1995), whereas the Serbian press classified these incidents as a proof for the artificial nature of the Greek-Serbian friendship or ironised them (NIN 1995).

In conclusion, to dismiss the Greek-Serbian friendship in the 1990s as an “empty discourse” or a “propagandistic tool” that was fostered by the media and political elites, would be a shortsighted assessment that would ignore the impact and broad appeal of the phenomenon on both societies. As a prism that refracts the multiple socio-political processes of the 1990s, the Greek-Serbian friendship rather allows to make a contribution to the study of historical imaginations, political representations, social cleavages and concepts of belonging – in short, the social, political and cultural climate in Greece and Serbia during the 1990s – as well as to larger debates about the logic of friendship and enmity, the reading of the past and present and the interrelation between politics and public sentiment.

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**Non-Alignment in Europe (1959-1962):  
The Establishment of Yugoslav-Cypriot Relations and the Tito-Makarios Bond**

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**Abstract**

This paper examines the establishment of Yugoslav-Cypriot relations in the aftermath of Cyprus' independence, with a special focus on the Tito-Makarios bond regarding the development of their common non-aligned foreign policy in Europe during the Cold War. Based on primary Yugoslav sources, the paper argues that Tito and Makarios shared a sense of vulnerability from East and West blocks, and had strategic interest to cooperate during the Cold War. The then established Tito-Makarios bond played a secondary role in forging diplomatic relations: Both Presidents tried to strengthen inter-ethnic cohesion in their countries by propagating common principles in their foreign and domestic policies, such as self-determination, independence and the principle of national identity. Whereas Tito mastered this task, Makarios failed shortly after the outbreak of a new Greek-Turkish conflict on Cyprus in 1963.

Keywords: Tito, Makarios, Non-Aligned Movement (NAM), 1961 Belgrade Conference, Cyprus, Yugoslavia.

## **The Establishment of Yugoslav-Cypriot Relations**

An agreement for the establishment of diplomatic relations between the Socialist Federal Republic of Yugoslavia (FNRJ) and the Republic of Cyprus was signed on 10 July 1960 and came into force on 28 October of the same year. Yugoslavia was one of the first countries that recognised the Republic of Cyprus (DASMIP, PA, 1960, Cyprus, f- 109, 422162). However, Yugoslav-Cypriot relations existed indeed before Cyprus became independent. Due to Yugoslav diplomatic support during the Cypriot struggle for independence, Archbishop Makarios proposed to Mita Miljković, Yugoslav Ambassador in Athens, in November 1959, to open a Yugoslav Consulate in Nicosia (DASMIP, PA, 1959, Cyprus, f-101, 428013). Makarios also urged the British government, which still ruled the island, to permit the opening of a Yugoslav Consulate. The Yugoslav government felt honoured by the proposal and undertook the necessary preparations to have one opened. Although the final declaration of independence for Cyprus was agreed in February 1959, the British government lingered on the island. The Yugoslav government, therefore, in November 1959, decided to submit an official application to London to open its consulate in Nicosia. Permission from London came in March 1960, when Marko Vujačić was authorised as the Yugoslav Charge d'Affaires in Nicosia. He arrived in Nicosia in April 1960, and began to work from his hotel room in The Ledra Palace Hotel (DASMIP, PA, 1960, Cyprus, f-109, 4117228). His hotel room became the first place in Cyprus to house a Yugoslav General Consulate. The Belgrade government was so interested in opening their consulate that they had no problem to have it located in a hotel. In May 1960 it moved to Vujačić's apartment before finally settling in July in a proper office, which from 11 October 1960 operated as the Yugoslav Embassy in Nicosia (DASMIP, PA, 1960, Cyprus, f-109, 426742). In contrast, the Cypriot government was in no hurry to open an Embassy in Belgrade. Due to a lack of funds, they apologised to Belgrade for not opening an embassy in Belgrade at the same time as Belgrade opened its embassy in Nicosia (DASMIP, PA, Cyprus, f-109, 412530). The members of the Yugoslav government were irritated that Cyprus failed to open its Embassy at the same time, according to the standard procedure in diplomatic circles. The Yugoslav government was considering closing its Embassy as well, but the attractive strategic position of Cyprus did not allow the Yugoslav government to proceed. After two years of back and forth explanations, the Cypriot government accredited Nikos Kranidiotis, the Secretary of the Cypriot Ethnarchy Council and Makarios' 'right hand', as the first Cypriot Charge d' Affaires in Yugoslavia (DASMIP, PA, Cyprus, f-109, 430542). From 1962 to 1970, Cypriot Ambassadors in Athens, as Kranidiotis himself, were also accredited as Chargé d'Affaires of the Republic of Cyprus in Yugoslavia and Italy. It was not until 1971 that a Cypriot Embassy was officially founded in Belgrade.

In 1960, only five Yugoslav citizens lived on Cyprus: Three musicians and a football trainer of the local Nicosia team Bečić with his wife (DASMIP, PA, 1960, Cyprus, f-109, 4117228). The Yugoslav Consulate did not actually open to serve a civil interest of their population on the island, but rather to follow Yugoslav economic and strategic interests in the eastern Mediterranean region. At this time, Tito held tightly to the non-alignment policy and was interested in deepening his relations with the leaders of several decolonised Afro-Asian countries. Since 1954, he had already begun his famous transatlantic voyages with his ship *Galeb* in search of new allies outside bi-polarised Europe. In the context of these oversea ventures, the Republic of Cyprus, the only one non-aligned European country, served Tito as a geopolitical link between his Balkan space and the Middle East. During his frequent journeys in this area, Tito often made stops, met with Makarios in order to discuss their common foreign and strategy policy during the Cold War and the reviving of the Cyprus problem after the island's independence (1963, 1965, 1969, 1974).

## *Yugoslav-Cypriot Cooperation*

Beyond the establishment of diplomatic Yugoslav-Cypriot relations, both states advocated the development of commercial, technical, and academic interexchange, which seemed to be promising and prosperous (DASMIP, PA, 1960, Cyprus, f-109, 428475). The first commercial exchange between Yugoslavia and pre-decolonized Cyprus under the British supervision took place on 22 September 1958, when representatives of the British colonial rule from Cyprus and the Cyprus Commerce of Exchange visited Belgrade (DASMIP, PA, 1958, Cyprus, f-101, 423776). The Cypriot representatives stated that Cyprus was very interested in Yugoslav technical support in constructing e.g. a system of irrigation and ports on the island. The Yugoslav government decided to help Cyprus on its way of development, after a long process of decolonization, and, in 1959, began providing technical support. In this context, e.g. the *Jugoinvest* Company from Belgrade sent technical personnel to construct the port in Famagusta (Ammochostos), which is today part of the occupied Cyprus territory. A very well-known Yugoslav meat industry, *Gavrilović* also sent representatives to sign a cooperation with the Cypriot companies *Frazopak* and *Fotijadis* (DASMIP, PA, 1960, Cyprus, f-109, 42241). The first official trade agreement between the Federal People's Republic of Yugoslavia and the Republic of Cyprus was signed on 2 January 1962 in Nicosia (DASMIP, PA, 1962, f-115, Cyprus, 47191).

The only thing, that could harm the prosperous development of Yugoslav-Cypriot relations, was a political 'battle' between Cypriot Communist Party (AKEL) and Makarios on the island (DASMIP, PA, 1959, f-101, Cyprus, 49282). Immediately after signing the declaration of independence of Cyprus in February 1959, and assuming that he would be an elected president, Makarios overtook the leading political role and formed his government in April without a single communist taking part in it. The Yugoslav government was not pleased with his decision to ignore the communist party, which counted nearly 35% of the islands' population, by not including any AKEL member in his government (DASMIP, PA, 1960, Cyprus, f-109, 428475). This issue continued to be a major obstacle in the development of Yugoslav-Cypriot cooperation from 1960 until the disintegration of Yugoslavia in the 1990s.

### **The Tito-Makarios Bond**

Tito enjoyed a great reputation in the newly liberated Cyprus for his well-known thesis pursuing the rights of self-determination, demobilization and peaceful coexistence. During his meeting with the Yugoslav Ambassador Mita Miljković on 7 November 1958 in Athens, Makarios officially thanked President Tito, whom he "adored, admired and loved" and the Yugoslav government for its support in the Cyprus question (DASMIP, PA, 1959, Cyprus, f-101, 49282 and 426599). He then mentioned that Cyprus was inspired by Yugoslav neutral foreign policy and should follow it after the island's independence. A year later during a conversation with Miljković, Makarios stated that the Yugoslav government was "the best advocate" for the Cyprus question at the UN General Assembly (DASMIP, PA, 1960, Cyprus, f-109, 48475). Indeed, as the third partner in the Balkan Treaty 1953-54, together with Greece and Turkey, Yugoslavia was indirectly embroiled in the 1955 Greek-Turkish dispute over Cyprus. Although Yugoslavia adopted then a 'mediator' role between its partners in order to calm things down and attempt to revive the faltering alliance, Belgrade's position was never completely neutral due to the fact that Yugoslavia shared the same view with Athens and Makarios. This is certainly because of the fact that ever since the creation of Yugoslavia in 1945, President Tito had set the country in the direction of peaceful co-existence and supported the right of self-determination and anti-colonialism in its foreign and security

policy. Yugoslav history can largely account for this policy direction. Due to five hundred years of Ottoman rule and occupation by western powers during the First and Second World Wars, Yugoslavia could identify itself with independence movements in colonized countries. In this context, it was no surprise that Yugoslavia diplomatically supported the freedom struggle in Cyprus (1955-1959) against British rule, which Makarios would never forget.

Yugoslav foreign policy changed during the second half of the 1950s by adopting non-alignment and Cyprus followed shortly after, thus making both countries the only European states to pursue this kind of foreign policy. This policy allowed Tito and Makarios to develop a closer relationship. Tito and Makarios shared a sense of vulnerability from both the Eastern and Western blocks. Yugoslavia and Cyprus were Mediterranean states located in a then sensitive area due to their regional proximity to the Soviet Union. During the Cold War, the Balkans and Mediterranean were of considerable value to the West, particularly the United States, which had established itself as a major power in the region from 1947. The USA and Soviet Union wanted Yugoslavia and Cyprus to give up their non-aligned policy and join one of the blocks in which the two superpowers had the leading positions. In Yugoslavia, Tito was afraid of Soviet aspirations in this area. In all-important meetings with Soviet officials, they repeated their demand that Tito should approve the stationing of a Soviet fleet at Yugoslav ports in the Bay of Kotor in Montenegro. These demands were combined with pressure from Moscow on Yugoslavia to join the Soviet socialist bloc. Across the water, Makarios feared that the Americans, with help from their NATO-allies Greece or Turkey, would seek to destabilize his regime in order to turn his country into a major NATO base thus eliminating the non-aligned position of Cyprus. This finally happened in 1974, when the Greek junta carried out a coup in Cyprus.

### *A Path to Non-Alignment*

In the 1950s, Tito tried to re-orientate Yugoslav foreign policy by taking a neutral position in the East-West conflict. Throughout this period, attempts to decolonise Cyprus intensified. On becoming independent, Cyprus decided to follow Yugoslavia towards non-alignment. Tito's idea was to project the future Non-Aligned Movement (NAM) as universal, and not limited to Afro-Asian countries. Immediately after Cyprus' independence, Makarios showed openly his interest to be part of a future Non-Aligned Movement, whose next meeting was planned to take place in Belgrade in September 1961. Makarios asked, therefore, Vujačić, the Yugoslav Chargé d'Affaires in Nicosia, for an opportunity for Cyprus to participate at the Belgrade Conference of non-aligned countries in 1961 (DASMIP, PA, 1961, Cyprus, f-108, 425766). The participation of Cyprus was actually not 'wished' by certain non-aligned countries such as Cuba, Ghana and Egypt. Especially Cuba opposed to Cyprus's participation because of the stationing of the British (NATO) military bases. American bases were also stationed on Cuba, but nobody protested against Cuba's participation. 'Housing' a military base on one country's soil was actually in contrast with following a 'clear' non-aligned policy. However, without elevation to a global stage, Tito considered that Yugoslavia, as a European state, would have nothing to gain. For this reason, Tito actively promoted NAM membership to the few European countries, which were not already members of one of the two Cold War blocks. Of the European states, only Cyprus responded. Despite the obstacles posed by above-mentioned states, and after many consultations on this issue, Tito decided to invite Cyprus as well. A personal invitation from Tito to attend the conference was handed to Makarios by the Yugoslav Charge d'Affaires Vujačić on 20 August 1961, just ten days before the conference would begin (DASMIP, PA, 1961, Cyprus, f-108, 425766). Makarios was very honored by Tito's decision to invite him and Tito himself was satisfied to find a new non-aligned partner, beside Yugoslavia, in the European region. Presidents Tito and Makarios, crowned their

common neutral foreign policy objectives at the Belgrade Conference of Non-Aligned Countries in 1961. The entry of non-alignment into Europe, although limited to Yugoslavia and Cyprus, introduced a 'third party' into a then bipolar Europe and contributed to the reshaping of the Cold War. The Belgrade Conference of 1961, at that time important for both states is still considered in current diplomatic discourse to be a historical moment in the creation of long standing friendship and inter-governmental good relations between the Republic of Serbia and the Republic of Cyprus.

Despite problems as a result of their 'struggle for neutrality' in the Cold War, Tito and Makarios continued to pursue their common foreign policy objectives, particularly for the establishment of the NAM. At the same time, both leaders were pre-occupied with solving animosity between rival ethnic groups in both Yugoslavia and Cyprus. Tito had to deal with claims from Serbs, Croats, Slovenes, and Albanians while Makarios had to deal with claims from Greeks and Turks. Both Presidents tried to strengthen inter-ethnic cohesion by propagating common principles in their foreign and domestic policies. For foreign policy these included self-determination and independence and in domestic policy the principle of national identity, and peaceful settlement of mutual disputes. Whereas Tito mastered this task, Makarios failed shortly after when a new Greek-Turkish conflict on Cyprus broke out in 1963. Nevertheless, the Tito-Makarios common foreign and defense policy in the region contributed to establishing their international position and strengthening their international credibility. Finally, through this collaboration a lifelong friendship between Tito, an avowed communist and Makarios, an eminent churchman was born.

### **Source**

*Diplomatski Arhiv Ministarstva spoljnih poslova Republike Srbije*, Beograd, Politička arhiva [Diplomatic Archives of the Serbian Ministry of Foreign Affairs, Belgrade, Political Archives (DASMIP, PA)].

Paper for the 7th Biennial Hellenic Observatory PhD Symposium on Contemporary Greece and Cyprus.  
London School of Economics, 4-5 June 2015.

*A crisis foreshadowed; history replaying; The Bank of England, the National Bank of Greece and the external loan of 1924.*

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*Abstract*

The aim of this research is to analyze and understand the economic, political, and social factors during the refugee crisis (1922-1924). As political decisions influenced Greek economy, the society had to accept and settle millions of refugees, because of the unstable international scene. After 1922, approximately 1,200,000 refugees came to Greece from Asia Minor. This numerous refugee flood is well known in the Greek historiography, as the political, social and settlement features of the Asia-Minor Catastrophe have analyzed a lot from historians. The economic features though, remain unexamined. Unexamined are also, the terms and conditions under of which the Greek Government secured the 1924 external loan. What securities did the Greek state provide in order to achieve the agreement? These are the main areas that this paper will shed light on. Furthermore, the paper attempts to understand the complex interactions between National Bank of Greece the Bank of England and the League of Nations, in agreeing the best advantageous solution for every party.

## **Introduction**

In the early 1923 (February 2) the Greek state and the National Bank of Greece, without enough funds to support the refugees, sought help from the League of Nations. The National Bank of Greece had supported them until that point, because the Greek state did not have sufficient liquidity. However, that year saw the start of negotiations for the first large Greek external loan of the 20th century. In this chapter, I shall analyze the external way of funding that the Greek state chose in order to face its economic deadlock. I shall compare primary material from the Bank of England, the National Bank of Greece and the League of Nations.

The paper also examines the role of the National Bank of Greece not only within Greek borders but during the negotiations of these external loans as well. As the external funding lent to the Greek State was staked on the existence and security of the National Bank of Greece (as a trustworthy economic institution), it is important to analyze the bank's relations with the Greek state and the Bank of England. In studying the paperwork behind these loans – in the form of letters, contracts and other official documents – it is possible to identify previously undetected trends and directions in the machinations behind visible state and financial policy.

### **The negotiations process, the problems confronted, and the grant of the Advance.**

In 1922, the Greek state, after a decade of continuous conflict, had reached a limit. During the same year and before the arrival of external help, the Greek state tried to solve the problems of funding with the support of private organizations and charities in Greece. Over the next three years, it was estimated that the Greek state spent more than 4 million sterling on the refugees' settlement ( K. Bogdanidis- 2004). Given the financial condition of the Greek state at that time, politicians and lenders considered this amount respectable: it demonstrated that the state disposed high amounts of money, in respect of its capabilities. Although the Greek state had raised taxes and its first choice was internal funding, the

rising expenditure on resettlement demanded external funding.

Previous to the agreement of the Lausanne Treaty, and as the financial credit of the Greek government on the money markets was necessarily low as a result of the Asia Minor war, the Government, basing itself on a proposal of Dr. Nansen, asked the Council<sup>1</sup> for moral support and technical help of the League of Nations for the agreement of a large settlement loan (Bank of England Archive- p.3). The Council recommended the Greek government to get at once into touch with financial circles and to start definite negotiations for a loan. The Council offered its assistance in organizing the administration of the funds produced by the loan, in order to give the lenders assurance that the funds would be employed to the best advantage. The Greek government followed this advice and commenced negotiations (Ibid). Concerned about the negotiations, Diomedes telegraphed to the Greek minister of Finance George Kofinas on 28 July 1923:

"I have observed a complete misunderstanding of our affairs. Generally, I found undeniable sympathy towards Greece but at the same time, incurable opposition towards our Government. This is happening not because of its revolutionary origin, but because it was not elected by the Greek people. If this government had public support, it would have been respected from the British. Although they recognize the fact that this revolutionary action happened in order to save Greece from disaster, this historical truth does not prevent them of expressing their opposition to our political system"(N.B.G. Archive-1923)

At this stage, Britain declined to proceed with the agreement of the refugee loan. It offered other forms of help for Greece's resettlement process, in this way making clear that it saw the issue of the loan and that of refugees as quite separate. A characteristic example of the opposition and distrust of the British government towards the Greeks was the fact that the Director of the Bank of England mentioned to Diomedes that he agreed to meetings with him only because he was the Director of the primary creditor in Greece, the N.B.G. (Bank of England Archive-July 1923). He would have never agreed to discussions with a member of the Greek government (Ibid).

Norman's words above illustrate the level of power and responsibility held by the

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<sup>1</sup> The Council was consisted by British, French and Italian members.

Director of the National Bank of Greece. The whole refugee loan agreement was depending on his personal reactions and behaviour, in communication of course with the Greek Government, which had an intermediary role in the whole process. The Director of the National Bank of Greece was the only trusted person during the negotiations process. He had effectively replaced the Greek Prime Minister and the Greek decisions-makers in these dialogues for the Refugee Loan. He was representing not only the Greek officials, but the Greek refugees and natives as well. This ambitious role usually belongs to the political leader of a country, but in this case belonged to the Director of the biggest financial institution in Greece at this period. For these reasons, it is questioned where in the whole history of banking there are many examples of banks, which have concentrated in their hands business appertaining to almost all the branches of the National Economy, to such an extent as the National Bank of Greece (Jackson and Lampe-p.223).

Besides, the discussions between Norman and Diomedes on 28 July 1923, it is observed the distrust of London towards the currency credit of Greece.

"The currency credit of Greece is low. Your value estimation is about 52-55%, so the interest excels by far the 10%. For this reason, no bank would agree on taking loan issue, because that loan would considered from the beginning as bad. For this reason, it is an emergency to develop your credit, not in the financial sector (because in this area you have developed) but in the political sector. Every day I learn alarming news referring to the political conditions in Greece. Only if you come back in the status of permanent demobilization and the Greek people return to their peaceful life with a trustworthy government elected by them, the conditions will improved as well as your state's credit. Then we will be able to help you issue the loan" (N.G.B. Archive, July 1923).

With these words, Norman placed his conditions regarding the issue of the refugee loan. The Greek officials had to accept these conditions, if they wanted a successful outcome. Demobilization and constitutional arrangements were demanded. These demands were a way to secure their rented funds. Like any lender, he could not take the risk of wasting funds without the fulfillment of proper conditions and guarantees. In addition, we should bear in mind that the conditions expressed by Diomedes were not

independent ideas of a powerful director. There were positions of the British government as well, as he could not react by himself in an international issue like that.

During the following days, this aim fulfilled the first round of negotiations. In the meantime, Diomedes assured Norman that the Greek government would demobilize the army immediately and that new elections would take part. Norman mentioned to Diomedes once again the obstacles to be overcome for the issue of loan with the following words on 1 August 1923:

"Recent enquires and conversations have made it clear that under present conditions the public issue of a loan by your Government cannot be arranged in any country. Before such an issue could even be entirely demobilized and for a constitutional and recognized government to have firmly established itself in the confidence of the Greek people and of foreign nations (Bank of England Archive, August 1923). [sic]

Along these lines, the Greek government would confirm the English demands in order to ensure at the same time the first installment of the refugee loan. Norman telegraphed Diomedes on 1st August 1923 in order to publish the decision of the Bank of England and to mention that he would try to give to the National Bank of Greece a temporary and moderate Advance (Ibid).

In the new government of A. Papanastasiou, E. Tsouderos became minister of Finance.<sup>2</sup> In his report to Geneva on 6th of September 1924, he analysed the new political status in Greece mentioned that the internal political instability was terminated. He also explained that the two large political parties did not exist anymore (Archive Greek Foreign Office- 1925). The fact that Greece was not anymore under political threats could make the countries conducted trade with it feel safer. Furthermore, the economic conditions in Greece during the period 1923-1924 were improved as well. E. Tsouderos described to the League of Nations this slight recovery visible in the state budget for the year 1924-1925 (Tounda-Fergathi- 1986-p.103), quoting:

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<sup>2</sup> E. Tsouderos was an important lawyer, economist and Prime Minister of Greece. His role in the Refugee Loan agreement will be examined extensively later on the dissertation.

"During the last year 1923-1924 the economic condition of the Greek state became again normal and it continues to be developed day per day. (Archive of the Greek Foreign Office, 1925)."

In order to reinforce his statement he deposited the state's budget for the year 1924-1925:

1) Ordinary revenues ... 3.458.756.948 drachmas

2) Ordinary expenses ... 2.906.075.373 drachmas

Surplus: 552.681.575 drachmas

1) Extraordinary revenues ...499.823.750 drachmas

2) Extraordinary expenses ... 1.569.222.834 drachmas

Deficit: 1.069.359.084

General deficit: 516.717.509 (Euros-1924)

Tsouderos also added that if there were no need for those extraordinary expenses, the state's budget would close with a surplus. This surplus could use by the Greek State for its financial growth (Bank of England, *ibid*). That statement was correct. The Greek state after five years of economic difficulties had managed to achieve surplus, through the increase of taxation. The settlement needs demanded an urgent solution and of course, the surplus funds were not enough to cover those needs.

By including all this information in his report, Tsouderos illustrated that all the political and economic demands placed one year before for the issue of the refugee loan, had fulfilled by the Greek Government. It was now the turn of the European Powers and the League of Nations to keep their promises, and to proceed with the issue of the high Refugee Loan.

## **Conditions, terms and securities for the external loan of 1924.**

During the autumn of 1924, after the Commission had been in existence for nearly a year, the evolution of political and other conditions in Greece had been such that Greece was able to consider the possibility of floating a permanent loan of 10,000,000 sterling to pay off the temporary Advance already made, and to provide the further funds required for the settlement of the refugees. The need of the Greek state and the wish of the League of Nations to sign the loan agreement as soon as possible, led the interested members to new negotiations. For that reason, on 10 September 1924 when the fifth assembly of the League of Nations started, the refugee issue was discussed analytically.

Indeed, on 4 December 1924, Diomedes, Caclamano and Hambros signed the loan agreement, according to which Britain and the League of Nations extended to Greece a loan worth 10,000,000 sterling. The Greek banks participated with 2,500,000 sterling.<sup>3</sup> The rest amount of 7,500,000 sterling covered by Hambros Bank. Gradually then and in installments deposits began to be placed to the Greek state, after of course the lenders (C. Eddy-p.62) had received the necessary guarantees. The formal document was written in English and it was titled as "Greek Government 7% Refugee Loan of 1924" with the clarification "under the auspices of the League of Nations" (N.G.B. Archive, 1924).

As it is obvious from the title of the loan agreement, the interest of the loan was 7%, and as a repayment period was forty years, with the Greece's right to repay it after the 10 first years. The whole amount of the loan would be repaid in sterling. In guarantee of the international loan, the Greek government offered various securities, the total value of which the Financial Committee considered to be sufficient to cover a loan of ten million sterling. The Greek government offered to place under the control of the International Financial Commission revenues of 700 million drachmas per annum. It was also placed immovable property, land, buildings and various accessories of ten million sterling.<sup>4</sup>

According to the agreement, as securities to the International Financial

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<sup>3</sup> The majority of this amount had mainly been consumed in granting loans to individual refugees. Mainly urban tradesmen secured the loans.

<sup>4</sup> Ibid, "Under the auspices of the League of Nations" and Ibid, "The loan is the direct obligation of the Greek government and is repayable during a period of not more than 40 years".

Commission were placed:

- 1) All the revenues of the monopolies of the Greek state (salt, matches, tobacco e.t.c.).
- 2) The revenues of the customs in the islands of Crete, Chios, Samos, and Mytelene as well.
- 3) The duty on alcohol in the whole Greece.
- 4) Stamp revenues in the New Greece.
- 5) Repayments of advances made to shelters.
- 6) Receipts from sale of land.
- 7) Guarantee of Banks and Financial Houses.
- 8) Capital of the organization, if this be formed on a capital basis (Bank of England Archive, *ibid.*).

After having facing various difficulties mainly in the political, diplomatic and economic field, the Greek State with the direct support and guarantee of the N.B.G. managed to agree the International Refugee loan, which facilitated the resolutions of the Refugee settlement. The Greek dependence of the foreign states and especially that of Great Britain was proved once again during the approximately 90 years of life of the Greek state. The influence that the British nation had in the Greek political scene is also obvious. The Greek decision-makers had to follow the "advices" and recommendations of their British colleagues, even if they agreed or disagreed. From a more practical perspective, the evidence proves that, the Greek state had to shape its policy and politics accordingly, if it wanted a successful outcome for the International loan. From the study of the chapter, it is also important to mention that the weak financial condition of a nation plays a significant role in the way of resolving its internal difficulties as much as in shaping its external policy. It also affects its relations with other countries both in political and economic areas.

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