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Focus: Core–Periphery

Core–Periphery Interactions in the Late and Post-Ottoman Periods: Dependency and the Uneven Development of Thessaloniki: 1870–1936

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What are the reasons for the rapid economic growth of regions and their later decline? Why does the development of a certain region create under-development in another region within a national or global sphere? A central paradigm for explaining such phenomena is core–periphery relations, and the case study presented in this paper is the port city of Thessaloniki and its regressive and peripheral status within the regional (Macedonia and the Southern Balkans), national (State of Greece), and international (the capitalist world- system) spheres during two main political periods: (i) the final decades of the Ottoman regime in Macedonia (1870–1912); (ii) the first quarter of a century in which Thessaloniki integrated with Greece (1912–1936).

Introduction

Economic, social and cultural gaps between continents, states and regions are prominent phenomena in the history of mankind. Such spatial inequalities have led to the development of various theories in the second half of the twentieth century that raised two main questions: What is the reason for such gaps? What strategies are required to narrow them? There is no agreement among the theoreticians as to the causes of the crisis and its solution; while some think that government intervention will reduce the distortions (the Liberal approach), others assume that the correction depends on changes in international economic order, i.e. the Capitalist mode of production (the neo-Marxian approach).[1] Possible points of departure for bridging the different theoretical approaches might be found in the economic model regarding spatial inequality developed by John Friedmann, which is based on the national core–periphery structure.[2] The geographical space of every state is composed of two focal points which, combined, constitute the complete national unit: the core and the periphery. The core area is usually located in the central city, a metropolis known as the capital, primate or global city, and is therefore the most developed area in which national power is concentrated. The components of power are based on a high representation of capital wealth and economic activity, as well as on the presence of the government, political organizations and state management. Outside the core lies the rest of the state areas, which are identified as a periphery, and their inferior status is based upon an authority-dependency relationship. The national policy regarding different parts of the state is determined in the core area and hence has a devastating influence on the development of other parts whose marginality are reflected in economic, social or cultural issues.[3]

Regional inequalities, unidirectional control and dependence relations are also characteristics of a global-capitalist regime, which creates a dichotomous economic-political system. During the colonialist period of the nineteenth century, world power was divided according to economic criteria between the center (the core), which represented European capitalist hegemony, and the marginal regions (the periphery), populated by the pre-industrial societies of a less developed world. In a non-egalitarian system, the dominant economy encroached over the weaker parts of the world in order to exploit its raw materials, subordinating the periphery to satisfy the needs of the industrial market, and finally promoting industrial exports from the core to the periphery. While examining the adjustment of the pre-industrialized economy of the Ottoman Empire to the western market at the end of the nineteenth century, the historian and theoretician Immanuel Wallerstein depicted the interaction between the core and the periphery in the terminology of exploitation and control, a policy that originated in capitalist states.[4] The mechanisms of regional inequality and dependency were valid long after the collapse of the Ottoman empire and the division of its lost territories among nation states, as will be discussed in the following pages. This paper aims to examine an Ottoman region that had been in a state of dependence and periphery and remained so during the post-Ottoman period: the port city of Thessaloniki.

The inequality in the development of Thessaloniki will be traced through two different political periods: (i) the final decades of the Ottoman regime in Macedonia (1870–1912); and (ii) the first quarter century of Greek regime over Thessaloniki (1912–1936).

Under what circumstances did Thessaloniki become peripheral during the colonialist period? What were the mechanisms that preserved its peripheral status after its integration with Greece? Why did the Greek government not act to close those gaps?

The Emergence of Thessaloniki as a Capital City Port in the Global Economy

By the end of the nineteenth-century, Ottoman-Thessaloniki experienced economic growth and a global trade flow. The integration of the Macedonian agrarian environment with the industrial markets of European powers was accomplished successfully at the beginning of the twentieth century, and consequently Thessaloniki emerged as an important regional and international trade center between the two economies. Macedonian raw materials flowed from Thessaloniki to capitalist markets and finished industrial goods flowed in the reverse

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direction. Several milestone events stimulated the development of Thessaloniki as a capital port city in Macedonia, first and foremost the civil war in America (1861–1865), as well as extensive foreign investment in agriculture and transportation in the Southern Balkans (1870 and forward).[5] The flames in North America eliminated the southern states as the main world source for tobacco and cotton. International markets then turned their eyes to the southern Balkans, to the autarkic, closed economy in the region of Macedonia, potentially an alternative supplier due to its high quality of agricultural crops.

Until the middle of the nineteenth century, the extent of land assigned to tobacco cultivation in the region of Macedonia was not particularly large, and the product was mainly sold in the local markets. But the increased demands in the Western World and high profits paid to tobacco growers induced the peasants to extend the land allocated to this crop. Hence, the area of tobacco plantations extended sharply from western Macedonia to eastern and central Macedonia. In the district of Thessaloniki alone tobacco plantations rapidly grew in size; within seven years (1904–1911) the land they occupied more than doubled, from 9339 to 21,048 acres, and the volume of the crop grew fourfold (from 1538 to 6289 tons).[6]

Tobacco became one of the leading agricultural products of Macedonia and the mark of European influence in reshaping the economy of the region and its adjustment to the needs of industrialized states. The process of transition from a subsistence local-market to the development of international trade was enhanced in view of the financial bankruptcy and the external debt crises of the High Porte in the late nineteenth century. The fiscal instability of the Ottoman regime resulted in the establishment of the *Ottoman Public Debt Administration* (hereafter: OPDA) in December 1881, a financial organization constituted by representatives of several European creditors and bondholders. The OPDA collected much of the state tax revenues, which were ceded to foreign creditors, and it also initiated various plans such as directing foreign capital to the lucrative tobacco industry, which generated the funds needed to decrease the Ottoman international debt.[7] In 1883, it signed an agreement with wealthy capitalists and bankers from Vienna, Berlin and a group of investors from England and France, who established a private company, *Société de la Régie Cointéressée des Tabacs de l'Empire Ottoman* (hereafter: Régie). The monopoly over the tobacco industry from the stage of tobacco plant cultivation to their marketing was entrusted solely to the Régie, which would in exchange pay a fixed annual amount to the OPDA. The Régie concern also participated in the process of industrialization that had reached Thessaloniki during that same period by setting up a network of tobacco factories in which thousands of production workers processed the Macedonian tobacco to be exported later to the worldwide markets.[8]

The spread of trade between the periphery (Macedonia) and the core (Western and Central Europe) was accompanied by a second type of massive foreign investment, which was channeled to public transport infrastructure in the southern Balkans.[9] Between 1871 and 1896 railway lines from Thessaloniki to Istanbul, Monastir and Mitrovitza were financed by European capital, either through the OPDA or directly by private entrepreneurs such as Baron Moritz von Hirsch.[10] The Macedonian railways enabled the incorporation of Thessaloniki into the European rail lines system, which improved Western control over the periphery and streamlined the exploitation of its resources.

Foreign investments in transport infrastructure also took place along the waterfront of Ottoman Thessaloniki. At the end of the nineteenth century, the port-terminal was considered as antiquated and primitive, without engineering and technological sophistication. With the appearance of the new generation of fast steamships of large tonnage, the deficiencies of the docks could no longer be ignored. Hence, between the years 1897 and 1910 the old terminal underwent a major renovation and modification, which was carried out by a group of French investors who set up the *Société Ottomane de Construction du Port de Salonique*. The investors provided the capital for construction of an artificial port-terminal and in exchange the Ottoman Government granted them a concession to operate the docks until 1944. Preliminary work was completed in 1904 with the building of a 670 m widening of the old quay towards the sea, two moles and a 560 m long breakwater that was built parallel to it. Three years later, the seabed of the waterfront was excavated to a depth of 8.5 m.[11] Better accessibility to freighter ships paved the way to turn Thessaloniki into the main viaduct between the hinterland, i.e. the Macedonian interior, and the foreland, i.e. the major port-cities reached through maritime transportation. The hinterland of Thessaloniki was composed of Albania, the southern areas of Bosnia and Serbia, as well as the settlements that remained under the sovereignty of the Ottoman Empire such as Skopje, Drama, Serres and Florina – which expanded their international trade relations through Thessaloniki. As for the foreland, an ever-increasing number of shipping companies of France, England, German, Greece and Russia incorporated Thessaloniki into their international maritime routes and escalated the amount of merchandise passing through the docks. Between 1904 and 1911 there was a steady and impressive rise in the overall tonnage of ships anchored in the bay of Thessaloniki from 1,777,259 tons to 2,194,352 respectively.[12]

To sum up, on the eve of the First Balkan War (1912), the hinterland of Thessaloniki extended over an area comprising 85,750 sq. km and included a population of two million people. The agricultural hinterland (periphery) and the industrial foreland (core) were linked by the city of Thessaloniki, which through its intermediary function became one of the most bustling and flourishing trade centers in the Ottoman Empire. However, its range of influence and inter-Balkan connections were later to become severely limited due to tremendous geopolitical upheavals that occurred in the southern Balkans that began in the autumn of 1912.

First Barriers in the Thessaloniki Hinterland

Free trade and intensive economic activity on a large scale between the hinterland of Thessaloniki and its foreland slowed sharply when the region regressed into a series of military clashes between the South Balkan states (Greece, Serbia and Bulgaria) against the Ottoman Empire as well as among themselves. A historical landmark in the destiny of Thessaloniki occurred during the First Balkan War when the Hellenic army entered the city without a struggle on 26 October 1912 which concluded its Ottoman chapter and paved the way to the annexation of Thessaloniki to the territory of the Greek state. Additional territorial achievements at the expense of the Ottoman Empire were gained by Serbia, which received Monastir and Skopje. The port-city of Alexandropolis and

Serres were entrusted to Bulgaria,[13] and Albania finally gained its independence. The new division of Macedonia among the Balkan states had a devastating economic impact on Thessaloniki. Bulgaria, Albania and Serbia imposed high national tariffs on imported manufactured items, which nearly paralyzed global commerce, international trade was restricted to basic commodities, and the port of Thessaloniki ceased serving as a transit center. Signs of a rapid slowdown emerge quite clearly from the trade figures. In 1911, the total volume of merchandise passing through the docks of Thessaloniki was 2,194,352 tons, while in 1913 the volume was reduced to 398,000 tons and remained so for 1914 as well. From its former state of open borders, the hinterland of Thessaloniki was then reduced to 70 km in the north and 160 km in the southwest,[14] the cosmopolitan character of Thessaloniki fluctuated sharply, and the city was plunged into an economic crisis.

The economic upheavals disturbed the Greek government, and the solution proposed by its representative in Macedonia, Mr Giorgos Kofinas (Γεώργιος Κοφινάς), was to turn the docks of Thessaloniki into a free-trade zone exempt from taxes for Serbia, Albania and Bulgaria, as compensation for the hinterland that was lost. The initiative was passed on to the Greek parliament, which was required to legislate the appropriate law regarding the status of the free-trade zone concerning borders, management and operational infrastructure.

In November 1914, Law No. 390 was published in the government records under the title of 'Free Zone of Thessaloniki', but the First World War (1914–1918) and the Greek national catastrophe in Asia Minor (1922–1923) delayed completion of the regulations for a considerable period of time. Only in 1923 was the project revived, thanks mainly to Konfinas, who was the Minister of Economics at that time. It was Konfinas himself who ordered the setting up a management council for the free-trade zone, called the 'Commission of the Free Zone of Thessaloniki' (hereafter: the Commission), and thus became responsible for carrying out Law 390. The Commission determined the final borders within which the free port could function and recruited funds to develop the appropriate infrastructure.[15] In 1925, all the ends were tied together and the free-trade zone was inaugurated.

Unfortunately, the free-trade zone, the 'flagship' of the city of Thessaloniki, proved to be an utter failure and did not meet the expectations that had been raised during the first stages of its operation. In fact, until the eve of the Second World War, the amount of transit trade between the port of Thessaloniki and the neighboring South Balkan states was marginal. In 1929, the Commission published statistical data to sum up the first three years of activity (1926–1928).[16] The results were disappointing. In 1927, the import volume stood at 442,521 tons. The great majority of the consignments, 92% of all the merchandise, remained within the borders of Greece, and only 8% was sent to the Balkan states, of which 7% (14,155 tons) went to Serbia, and the remaining 1% to other states.

The main explanation for the failure should be sought in the sphere of foreign relations. Unresolved territorial conflicts and rivalries among Greece, Bulgaria, Serbia and Albania regarding the division of Macedonia, defined Balkan political interrelations and shaped to a great extent the economic and trade connections between Greece and its neighboring countries.

The Failure of the Free Zone Project with the Hinterland: Serbia as a Representative Case

Of all its neighbors, Greece expected that Serbia would be the main state to encourage its foreign trade through the port of Thessaloniki due to two specific developments that occurred between the Balkan Wars (1912–1913) and the First World War (1914–1918): the friendly ties and strategic military alliance between Athens and Belgrade, and the fact that a landlocked Serbia was left without an exit to the sea. In reality, however, the situation took a different turn. Sixteen years of discussions and four different agreements between the two parties (5/1914, 5/1923, 8/1926, 3/1929), were required until the inauguration of a Serbian free-trade zone in 1929.

The delay is explained in general historiography as the result of the chaotic political and military situation in which Greece found itself (such as the national Schism),[17] and although this claim has a basis, it is actually only part of the whole explanation. Foot-dragging and the delay in reaching a final decision reflected difficulties in bridging opposing interests between Greece and Serbia as manifested in the first three agreements. The first document was signed in May 1914 and was called 'The Serbian-Greek contract regarding direct Serbian transition through Thessaloniki'. In Paragraph 2 it was stated that 'the established area would be under the management of Greek customs officials and would be conducted according to Greek law and jurisprudence'.[18] Apparently, the outbreak of the First World War two months later halted the treaty ratification for a long period of time, and at the beginning of the 1920s, when negotiations were renewed, Serbia expressed clear reservations regarding Paragraph 2. It demanded that the free-trade zone would be controlled in accordance with the laws of the guest state, and that a Serbian crew rather than a Greek one would operate and work on the docks.[19]

The Serbian retreat reflected the country's own perception about the final content of the treaty. At that time it had already become one member state, together with Croatia and Slovenia, of the newly formed Kingdom of the Serbs, Croats and Slovenes. The new federation held four important ports including Split and Dubrovnik on the Adriatic Sea. Therefore, unlike its former inferior status vis-à-vis Greece, Belgrade came to the renewed talks in November 1922 in a position of strength, which enabled it to conclude the negotiations in better terms than before. In the agreement of May 1923, it was decided that a special area in the docks would be operated by the customs administration of Belgrade, and 'All the officials and workers in the area will be appointed by the Serbian government, with the prior commitment to deposit the list of names with the Greek government'.[20] Negotiations conducted by Belgrade from a position of strength allegedly ended in a final agreement, although its validity had no actual force. The content of the treaty was interpreted as scandalous in Greek public opinion and among government circles, because they negated a series of previous assumptions and created instead a foreign autonomy under feeble Greek supervision.[21] Since it exceeded the limits of the agreed mandate that Greece had set for itself it was not carried out, and a similar fate awaited the third agreement of August 1926.

The retreat of Greece from agreements reached by its own representatives was symptomatic of the deep distrust felt by the regime and public opinion regarding the recognition by neighboring Balkan states of Greek territorial rights in Macedonia, and such suspicion was not unfounded, even between allied states. In the summer of 1923, Belgrade demanded that Greece recognize the Slavic-speaking population of Greek Macedonia as a national minority of Serbian origin. Practically speaking, such recognition might have launched a process of Serbianization and perhaps led to irredentism with Serbia.[22] This claim was accompanied by a massive propaganda campaign against Greece in the League of Nations, and in November 1924 Serbia took a further and more severe stance and canceled her military alliance with Greece.

The general dispute between the two states was resolved with the return to power of Eleftherios Venizelos (ΕλευΘέριος Βενιζέλος) who revived the mutual military pact between the two states in 1929. Common fears regarding the increasing influence of Fascist Italy on the Balkan area paved the way for resolving the issue of the free-trade zone. In March 1929 the fourth agreement was signed in which it was agreed that the free-trade zone would be considered as a Yugoslavian customs area (from 1929 the federated kingdom became known as Yugoslavia). It would be operated under the Yugoslavian authorities with a single restriction: the workers would be Greek citizens. The parties agreed that: 'The territory of the Yugoslavian area is an inseparable part of Greek sovereignty and is subject to the laws of the Greek state in all that concerns policing and the prevalence of justice'.[23] Respect for the general principle that Greece was the final authority in the areas of the Yugoslavian docks made it possible for the Greek side to come closer to the Serbian position and to bridge the gaps between them.

On 1 July 1929, the Yugoslav area was inaugurated, but to the great disappointment of Greece it did not realize the hopes that had been hung upon it. During the first decade of operation (1929–1939) the volume of freight transferred through the Yugoslav docks was only 7% of the total foreign trade of Yugoslavia per year.[24] Since the foreign trade of Belgrade was already being conducted through its national ports for at least eight years, there was no real incentive for the use of foreign ports such as Thessaloniki. National economic independence and political disputes that the South Balkan states could not resolve among themselves were the main causes for the failure of the plan for a free-trade zone. Even if the Greek government for its part had tried to extricate the city from its isolation, good will would not have been enough since the final decision rested with the hinterland states.

Together with the loss of its hinterland, Thessaloniki had to reduce its connections with the foreland, and apparently the Greek government played a key role in this process.

Trade Relations between Thessaloniki and the Foreland

Between the two world wars, Thessaloniki also gradually lost its economic ties with the foreland (Western-Central Europe) due to a combination of two developments: reduced international trade on a global scale, mainly from 1929 onwards, and Greek government policy that promoted Athens as the national center at the expense of other areas of the state. These developments will be examined through the integration process of Thessaloniki within Greece (since 1912) and the inter-regional power relations within the new national framework. On the eve of the First World War, the adjustment of

Thessaloniki and its inhabitants to the Greek government systems and institutions was slow, as revealed in one of the symbols of sovereignty: taxation.

In December 1913 the British shipping company, 'Johnston Line', complained to the British Consulate in Thessaloniki that ships were required to pay for the second time a sanitation fee in the port even though this levy had already been collected at the docks of Piraeus. The charge contradicted accepted international practice as well as Greek law, according to which a vessel navigating among several ports in a single state was required to pay the fee only in the first port of call. The shipping companies protested before the local authorities and, in February 1914, following Greek government intervention, the double charge was revoked.[25]

As long as the process of integration of Greek–Macedonia with the mother state was a slow one, it was indirectly a kind of defense for the economic interests of Thessaloniki, since it enjoyed a high degree of autonomy in foreign trade, and was not yet exposed to the influence of internal competing power centers, as became evident in the later stage of the First World War.

During the 'Great War', the sleepy port of Thessaloniki awoke, and from October 1915 it became a center of lively activity. The docks were turned into an army base for the Entente Powers that were then waging war against Bulgaria and its allies. Enormous quantities of cargo were unloaded in the port, which included ammunition and battle equipment, food, and construction materials.[26] However, the revitalized prosperity of the waterfront came to a halt in the middle of 1917 since international trade activities were transferred southwards to the area of Athens. The port of Piraeus turned into a major transportation hub and its docks became the center for loading-unloading of freights not only to the metropolitan area of Athens but to the entire state of Greece. Hazardous maritime routes, a lack of civilian sailing vessels, and costly transportation during a world war were the major reasons for the transfer of international trade to Athens. However justified this alteration may have been, it brought the Thessaloniki market into a state of 'collapse'[27] since merchandise was sent 'drop by drop' from the Greek capital, and in a sporadic manner. The merchants of Thessaloniki therefore demanded the renewal of a direct maritime connection between the port of Thessaloniki and the foreland, and their request was accepted by government circles in Athens.

At the beginning of the 1920s it appeared to the Thessalonikans that the transition from economic prosperity to decline was not only because of unique global circumstances (a world war) or regional ones (the disputes with hinterland countries) but was also the result of intentional political policies of the Athenian central government, since the port of Piraeus continued to undermine the international trade relations of Thessaloniki. In a bitter letter published in the local press, a Thessalonikan merchant complained that: 'We don't have direct transport to Smyrna even once a week and [therefore] have to make contact through Piraeus, and the same thing would happen with Constantinople as well if we did not have the Italian steamship'.[28] It seems that the writer described the disadvantaged situation of the periphery (Thessaloniki) that had undergone a decline in its limited economic opportunities and was unconsciously demanding greater autonomy for the peripheral area in order to halt its further deterioration. The merchant expressed the general fear that promoting Piraeus as a leading port would end in the 'stagnation of Macedonia'. The writer thought that the continuing discrimination of Thessaloniki was not unintentional but was part of a policy he summarized as: 'The privileges of Old Greece inhabitants must not be harmed'. His final words reflected the widespread opinion among the inhabitants of Thessaloniki that the Greek government was favoring the capital city, Athens, at the expense of the interests of other regions. Whenever this state of mind found expression in the local press, it was often accompanied by the expression 'Old Greece' as indicating not only the changes that had occurred in the political map of Greece, but also marked the salient inter-regional borderlines within the national sphere. From the second half of the nineteenth century until the twilight of the First World War, the geographical borders of Greece had expanded. The absorption of new territories into the historic borders of 1830 resulted in power struggles between Athens, the dominant metropolis where the old political-economic elite had converged, and the 'New Greece,' namely the newly annexed territories. Naturally, the bureaucratic cadres and the national leadership of the 'Old Greece' sought to preserve their hold on the established centers of power and prevent their dissipation. The supremacy of Athens vis-à-vis areas that were not part of the Greek capital was reflected in interregional discrepancies in the fields of education, medicine,[29] capital investment and economic development. Thus, in the interwar period, Athens wielded political and economic power and controlled national resources, whereas Thessaloniki, the second most densely populated city, suffered from a shortage of public investment.[30]

The process of strengthening the status of the Piraeus seaport at the expense of Thessaloniki was temporarily moderated during the years between the *Megali (Great) Catastrophe* (1922–1923) and the global recession (1929 and onward). The resettlement of thousands of refugees from Asia Minor in Thessaloniki increased its general consumer power by several percent, and thus its international trade with the foreland was resumed once more. However, the economic expansion was again fragile, and the first sign for its weakness broke out in the global recession of 1929. The world-wide depression agitated the Greek economy since the industrialized markets reduced their demands for agricultural products, among them Macedonian tobacco, a leading export of Greece. This crop was considered a luxury item. Hence, in a period of recession, the western markets reduced their demands and preferred to import the cheaper tobacco, that was produced in Bulgaria and Turkey.[31] Capital investment, which had formerly been responsible for the flourishing of the Thessaloniki area when it was relatively advantageous, deserted it the moment it found cheaper markets.

Moreover, during the world recession, Greece underwent a period of economic autarky,[36,37] i.e. self-production and reduction of imports, which further eroded the vitality of Thessaloniki, in comparison with Piraeus: in an interview conducted by correspondents of the daily Thessalonikan newspaper *Efimeris ton Valkanion* (Εφημερίς των Βαλκανίων) with the director of the transportation office, Mr Kostoglos (Κώστογλος), the latter testified in despair that the lion's share of import licenses were given to merchants in Athens, 'while in Thessaloniki, the import licenses were given sparingly. Thus Piraeus is bloated up to its neck with import licenses while Thessaloniki goes begging at the doors of government offices to obtain a small [quantity of] licenses'.[32]

In our opinion, two other expressions of Thessaloniki's marginal status among the policy makers in Athens are revealed in the following interconnected factors: the free-trade zone of Athens and government budgeting for the port of Thessaloniki.

At the end of 1928, local newspapers began publishing reports on the decision of Prime Minister Eleftherios Venizelos to build a second free-trade zone in addition to that in Thessaloniki. Three years later, the proposal became a reality, and a free-trade zone was designated in Piraeus. Thessalonikans were worried at this development, but Prime Minister Venizelos tried to persuade them that the free-trade zone in Piraeus would not harm the interests of Thessaloniki: 'Its operation [in Piraeus] will contribute to the advancement of the national economy of the country and to Greek trade. The government believes that the establishment in Piraeus will not compete with the free-trade zone of Thessaloniki which serves the needs of transit trade for the Balkan hinterland, while Piraeus, [the free-trade zone] … will serve as a center for the transit trade and as a way station for the vessels navigating the Mediterranean'.[33] In spite of his rational words about the distinctive roles of the two ports, the very establishment of a free-trade zone in the Greek capital destroyed the last advantage held by the port of Thessaloniki over its competitor in Attica, and led to the designation of its status as secondary to the national port. In fact, following the inauguration of a free-trade zone in Piraeus, the inferiority of the port of Thessaloniki became evident both in its installations and infrastructure. At the beginning of 1932, a member of the editorial board of the daily Thessalonikan newspaper *Makedonika Nea* (Μακεδονικά Νέα) visited the capital and its port. The reporter was impressed by the accelerated development of facilities in the port-terminal of Piraeus: The sea-floor of the quayside was lowered to a depth that allowed for the mooring of ships weighing up to ten thousand tons. The docks included rail lines, storage warehouses and high walls.[34] A comparison between the state of terminal facilities in the port of Piraeus and those of Thessaloniki exposes the deficiencies in infrastructure and development in the latter: 'Mechanical means for rapid unloading do not exist. [Although there are] two cranes in the port, [yet since] most of the time they are under repair … the merchandise is unloaded into barges, and sometimes the unloading takes days, while occasionally as it often happens in Thessaloniki, the Vardari [winds] begin to blow, so that next morning the merchandise is found in one place and the barge in another … with such a delay … the ship has to remain in the port and this causes expense, a great deal of expense'.[35] Long years of neglect and inattention led to the underdevelopment of the port of Thessaloniki in the inter-war period.

Conclusions

Peripheral status, colonial economy and inter-regional inequality were all characteristics of the port city of Thessaloniki during two consecutive periods: integration with Western industrial centers (end of the nineteenth century) and integration with the Greek state (1912 and onwards). During the final decades of the Ottoman presence in Macedonia, Thessaloniki was located at the forefront of the peripheral area into which the capitalist economy had spread. As part of an extensive empire with a pre-industrial economy, and in view of its geographical location, Thessaloniki became a seaport hub linking the West (the foreland) with the interior agricultural areas in the South Balkans (the hinterland).

Massive Western investment in the development of railway transport infrastructure in the Balkans and in the port of Thessaloniki shortened the distances and brought foreland and hinterland closer together, and also led to significant penetration beyond the borders of Macedonia into the heart of the Balkan Peninsula. In the city, basic industrial products were manufactured that served the needs of the capitalist markets, such as tobacco that was processed before being sent abroad. Its geographical location on the axis between the world's economic center and the peripheral Ottoman markets led to its economic development and to a significant step upward in its geopolitical status.

Thessaloniki's economic empowerment was undermined as a result of the political changes in the South Balkans from October 1912 onwards. The integration of Thessaloniki into Greece and the establishment of new national borders in Macedonia weakened the vitality of the port city both in the regional Balkan and in the international Western areas. During those years, Thessaloniki did not succeed in renewing its traditional trade ties with the hinterland that had come under the sovereignty of neighboring states. Territorial disputes and the development of independent national economies led Albania, Serbia and Bulgaria to reject the idea of a free-trade zone in Thessaloniki and to reduce to a marginal degree the foreign trade relations they conducted through Greece. In addition, the port of Thessaloniki, despite its strategic geographical position and foreign connections, was not suitably integrated into the Greek network of international trade due to the national discrimination policy of 'Old Greece' towards 'New Greece'. The governments of Greece maintained the senior status of the Athenian metropolis as the national economic center, whereas other regions were doomed to marginality and inferior status. Consequently, the port of Piraeus enjoyed intensive development and huge investments, and was considered as the chief port of Greece, while a reverse process occurred on the docks of Thessaloniki, which were categorized as being low in functional and service quality owing to inadequate attention and improper investments.

Until 1929, stable trade relations were retained with the West by virtue of the Greek-Macedonian hinterland from which raw materials continued to be sent to the traditional markets. However, when global recession occurred, Thessaloniki lost its last lifeline, since world market forces were transferred to alternative trade centers, leaving the city and its hinterland abandoned.

The fact that the ultimate decisions regarding the development of the city were made in the foreland (capitalist markets), in the hinterland (the neighbors of Thessaloniki), and in the Greek national capital (the political elite in Athens), without co-opting the economic and political forces of Thessaloniki, indicates its failure at the regional, national and international level as well as the fragility of its status, both in the period of its florescence and of its decline. The capitalist economy that caused the flourishing of Thessaloniki due to its location within a wide economic hinterland was also the one that deserted her when a cheaper alternative was found. Moreover, the regional inequality between the West (core) and Thessaloniki (periphery) was not restricted to the international arena, but also characterized the linkage between Thessaloniki (periphery) and Athens (core), after 1912.

In view of its peripheral status in the regional, national and international sphere, the port of Thessaloniki was transformed during the 1930s from a port that had worldwide trade relations into a secondary port in which its importance was limited mainly to regional trade with other ports in Greece.

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