FOREIGN POLICY UNDER AUSTERITY

GREECE'S RETURN TO NORMALITY?

SPYRIDON N. LITSAS &
ARISTOTLE TZIAMPIRIS

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Editors

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Foreword

Taken as a synthetic whole, the chapters in this volume consider the ongoing life of Greek foreign policy from the onset of deep austerity in early 2010, since which time 13 sequential austerity packages have been negotiated and signed. How have these ever tightened circumstances been reflected in Greek foreign policy? Surprisingly little scholarly attention has been given to this question—until the publication of this volume, which gives it comprehensive and multi-dimensional attention, to most satisfactory effect.

Before Greece's debt crisis, Greece had been one of the more broadly pro-European countries in Europe. Greece's own national foreign policy interests were not entirely subsumed in European interests, to be sure, but they were largely aligned with them—and national interests (such as Cyprus) were pursued through a fundamentally European framework. Over the course of the crisis, though, this affection for and gravitation towards Europe and its institutions have, to say the least, waned. Over the past six years our screens and front pages have been full of the images of unpleasant stand-offs between dour European officials and their alternately (depending on the administration) resolute, insouciant, determined, or defiant Greek interlocutors. We have seen Samaras and Barroso in Brussels, Varoufakis and Schaeuble in Bonn, Tsipras and Merkel in Berlin, Tsipras and Juncker in Brussels–and no one (except, unwisely, Varoufakis) looked like they were having a lot of fun.

As the impact of austerity set in—as the distinctly unenjoyable nature of Greece's plight became clearer—years of pro-European consensus in Greece gave way to a type of anti-Westernism and anti-capitalism more closely associated perhaps with Latin America: riots filled the streets, and anti-Western rhetoric exploded. Athens and other Greek cities saw the proliferation of anti-Europe graffiti, and the cartoon equation of Merkel in particular, and of Germany and even Europe in general, with Hitler and the Third Reich is now commonplace in Greek political discourse. Famously, in the summer of 2015, the far-right Greek parliamentarian Dimitris Kammenos compared Greece's remaining part of Europe to being in Auschwitz, posting to his Facebook account a doctored image of Auschwitz's "Arbeit Macht Frei" sign with one that read, instead, "We're Staying in Europe."

This dramatic change in orientation towards Europe has not gone unfelt in the arena of foreign policy—which in Greece since the 1990s had largely cleaved to Europe, European consensus, and European interests. The onslaught of austerity has brought Greece back to a more independent foreign policy, a foreign policy no longer seen through a solely European lens. At the same time, the circumstances of austerity have forced Greece to elevate the potential for economic gain to a centerpiece of its foreign policy efforts.

It is these shifts, and more broadly the nature of foreign policy under austerity, that is the focus of this volume. The reader will see that the circumstances of austerity have provided surprising and interesting new channels for Greek foreign policy (Huliaras and Kalatzakos); have reanimated old friendships (Filis); and have created new sub-systems within the Mediterranean region (Voskopoulos, Roufos, Tsafos). Because of austerity, long-standing conflicts have been revisited in new ways (Raptopoulos; Tziampiris). And because of austerity, write this volume's authors, we need to reconsider the limits of foreign policy in the context of a single currency zone (Skiadas, Papadopoulos, Kalaitzidis). In short, as one of the volume's two co-editors (Litsas) metaphorically puts it, in its foreign policy Greece needs to re-find "Ariadne's thread," and develop a new Grand Strategy that will lead the country out of the current labyrinth in which it finds itself.

While the chapters in this volume will not, perhaps, provide all the keys for achieving this, they do a fine job of showing the foreign policy impact of austerity, and, at the same time, of helping us better understand Greece's foreign policy over much of the 20th century.

K. E. Fleming
Remarque Institute, New York University
September 2016

Preface

The idea for this edited volume was born during the seemingly never-ending discussions of the two editors trying to decipher the consequences of the Greek sovereign debt crisis and assess the sociopolitical consequences that followed.

We concluded that what was missing was not yet another self-flagellating volume about the origins of the crisis but one focusing on the political and diplomatic prospects of leading Greece and its people outside the trap of a modern labyrinth that had been entered back in 2010. As International Relations theorists, with a certain preference for political realism, we could not simply follow a typically Weberian analysis. In other words, we eschewed a macroeconomic analysis with some zero-sum game theory as its "topping" to be served to the public followed by implicit claims that we had just reinvented the wheel. Rather, our main goal was to follow a more original approach, focusing on most aspects of Greek foreign policy under austerity and suggesting a way forward despite the huge challenges that exist.

Hence, the contributors to this volume scrutinized the problems in their issue area, assessed the new conditions, looked into the future and suggested specific ways out of the stalemate by utilizing an ancient Greek approach: political analysis.

In a period when many experts see only impregnable walls barring any progress, when a large number of Greek politicians act as if extras in an Almodovar film and a grey shadow has covered the bright sun of Greece's Mediterranean reality, we decided to make an academic contribution by producing a work that does not deny a priori the prospects of the Greek state and society returning back to a level of international diplomatic normality.

Our attempt was not easy. We discovered that grey produces black and black bears the fruits of Stygian darkness. In other words, when almost everybody in Greece seems already to have surrendered to the apathy of an emphatic failure, we had to produce a scientific analysis that does not admit final defeat but explores the prospects of opening a new chapter for Greece. We also discovered the difficulties of trying to be even guardedly optimistic while almost everybody feels otherwise, and how difficult it is to assess the foreign policy capabilities of a nation that many have already written off.

Although, this volume tries to keep an open-ended and somewhat optimistic stance for the long term, it does not construct a parallel reality for the state and its prospects. We simply strived to maintain a down to earth, realistic approach. The analysis and paradigms that follow are hopefully not the products of over-optimistic or idealistic imaginations.

We would like to thank our esteemed colleagues who participated with their studies in this collective volume. We would also like to thank Lena and Maria, our wives, for their patience and continuous support. This work is dedicated to them.

We believe that Greece's new generation deserves and must live in a better and more prosperous country. When our children ask us one day what we did during Greece's darkest moments in the 21st century, we can reply that, as academics, we attempted to show a way forward for Greek foreign policy. Whether our calls are heeded remains of course to be seen.

Spyridon N. Litsas & Aristotle Tziampiris
Thessaloniki & Athens
September 2016

Contents

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List of Tables

From Sentimental Idealism and Incompetent Realism Towards a New Greek Grand Strategy: Searching for Ariadne's Thread

Spyridon N. Litsas

Introduction

A characteristic example of the importance of Grand Strategy for the fate of a state can be found in the case of Athens during the Greco-Persian War (499 BC–449 BC). After the defeat of the Greek army in Thermopylae (480 BC), the Athenians sent an official delegation to the Delphic Oracle to ask for divine guidance regarding the best possible method to face the advancing Persian army. Pythia, Apollo's priestess, offered the Athenian delegation the following oracle:

> When all the other places are seized that are bounded by Kekrops and the secret groves of divine Kithairon, heavenly Zeus gives to the children of Triton a wooden wall that alone remains intact, to the benefit of you and your sons. Do not wait for the army of cavalry and infantry coming from the mainland, but retreat and turn your backs on them. You shall confront them again. (Souza 2003: 59–60)

The Athenians interpreted Pythias' reference to the 'wooden wall' as advice to face the Persians at sea instead of waiting for them behind the wooden

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fortifications of the Athenian acropolis. They abandoned their city, confronted the Persians at sea at the Battle of Salamis (480 BC), and inflicted a decisive defeat upon the invaders, pushing back the mighty Persian army and its allies to Asia. From that point on and for many decades afterwards, the Athenians' turn to the sea led them to become one of the most formidable naval powers in human history. The oracle can be seen as 'divine' advice on military tactics given through Pythia to the Athenians in order to defeat the aggressors. It can also be seen as the first grand strategic guidance in human history, since the 'wooden wall' not only saved Athens but also set the course for it becoming one of the greatest naval powers in human history.

Many believe that Thucydides was the first who framed the concept of 'Grand Strategy' in his narrative about the Peloponnesian War. Although Thucydides' account is undoubtedly one of the main foundations of International Relations (IR theory),[1] he did not attribute to it the immense depth we do today. Thucydides approached the concept of Grand Strategy indirectly as the political outcome deriving from both tactical and strategic successes that occur between contending states (Martel 2015: 61). The term itself never actually appears in his magnum opus.

In modern times, the term 'Grand Strategy' was primarily used by Basil Liddel Hart (1991: 321–322) as a means to 'coordinate and direct all the resources of a nation, or band of nations, towards the attainment of the political object of the war'. He paved the way for other notable IR scholars to thoroughly investigate the specific concept and publish their own approaches accordingly.[2] For the majority of IR analysts researching Grand Strategy, it is something that goes far beyond the conventional wisdom derived from historic narratives, various strategic doctrines, or the labyrinthine theoretical norms of the discipline. Plunging into the theory of Grand Strategy gives analysts the opportunity to scrutinize closely the state's domestic ontology and all the related political norms that affect its international status. In other words, it gives analysts the opportunity to evaluate and comprehend a state's strengths and weaknesses as well as its ability to withstand systemic pressure that threatens its survival.

Therefore, the substantial appeal that Grand Strategy has for the IR discipline is quite justifiable. For instance, for Athanassios Platias and Constantinos Koliopoulos, Grand Strategy '… can be understood as a state's response to specific threats to its security; it must identify potential threats and devise political and other remedies for them' (2006: 41–42). For John Lewis Gaddis, Grand Strategy is or should be the 'calculated relationship of means to large ends' (2009). For Paul Kennedy, Grand Strategy refers to a 'policy that is, in the capacity of the nation's leaders to bring together all of the elements, both military and non-military, for the preservation and enhancement of the nation's long-term best interests' (1991: 5). Barry Posen defines Grand Strategy as a 'political-military means-end chain, a state's theory about how it can best 'cause' security for itself … A Grand Strategy must identify likely threats to the state's security and it must devise political, economic, military, and other remedies for those threats' (1984: 13). Colin Gray approaches the term as 'the theory and practice of statecraft itself' (2010: 18). Last but not least, Thomas Christensen attributes an intriguing definition for the term that is, as will be shown in the following paragraphs, very close to my own analysis. He defines grand strategy 'as the full package of domestic and international policies designed to increase power and national security' (1996: 7).

Apparently, there is a continuous notional evolution concerning the whole concept, as well as a demonstrable theoretical inconsistency. At the rise of the twentieth century, grand strategy was all about the management of a nation's hard power during peace or wartime. Nowadays, it refers to every major or minor element of hard, soft or smart power that has to do with the everyday management of the state. This has mainly to do with the fact that states do not fight so often anymore; however, the survival of the case is directly linked with other aspects of international politics such as the economy, as the Greek question clearly shows. The perplexities of designing and implementing a Grand Strategy advance as international politics becomes more and more complex. This complexity drives grand strategy to evolve in methods, essence, and ethos. A state failing to implement ontological evolution enters into the narrow alleys of failure. The Greek case, alas, is the perfect example for this orbit of decay (Featherstone 2011; Litsas 2014).

My main scientific hypothesis in this chapter is that Grand Strategy is not only a multitudinous means to a political end, or a modus operandi to implement a series of policies in the internal and the external of the state. It is something more intense and at the same time more impenetrable because Grand Strategy refers directly to and influences deeply the survival instinct of a state. This is why I argue that grasping the Grand Strategic disposition of a state is like being aware of its most intimate secrets. These are the disguised details that offer a valid opportunity to understand the scrutinized state in the most profound manner. The Grand Strategy of a state does not only refer to its military or economic capacity, or to the prospect for strengthening its position in the international system by projecting and producing new sources of power in its daily systemic course of action. Additionally, it refers to the social norms of a state or the past experiences that form its historic recollections, and certainly is not limited to giving insightful descriptions regarding the cultural heritage, ethos, and urges that make every sovereign power unique in the international environment. Above all, Grand Strategy reveals a specific feature of the state that is almost impossible to calculate with any other technique that is available in the wide spectrum of the social sciences; that of the probabilities of a country to withstand systemic pressures and survive. Of course, this presumes a state's Grand Strategy is being rationally implemented, or the imminent risks that a failing state may produce for the status quo of the periphery that accommodates it.

I will evaluate the present Greek Grand Strategy that led the state to its current failures and make a series of proposals for establishing a pristine Greek Grand Strategy. My main aim is to assist the state to exit the current labyrinth and return to normality, augment an active stance in the international arena, cooperate more closely and productively with its main allies, and restore its autonomy without expecting salvation from a deus ex machina. In such a critical time for Greece, mainly due to the unprecedented economic crisis that penetrates every core of its ontological status, this chapter aims to bring to the surface the main political mistakes of the past and propose a new political route that will give the state another chance to come back to normality, just as Theseus found his way out of the Labyrinth by using Ariadne's thread.

The Modern Greek Grand Strategy

Greece, like the majority of the Balkan states following independence from the Ottoman Empire, sought maximum territorial expansion. That was a direct result of the geopolitical facts that followed the formation of the Greek nation-state. The new state that emerged from the 1821–28 War of Independence was small and fragile, and was totally dependent on the Great European powers, notwithstanding that the primary goal of the revolutionaries was totally different. Filiki Etairia (Φιλική Εταιρεία), the secret organization that prepared the revolt against the Sublime Porte, was set not just on the establishment of an independent state but also the revival of the Byzantine Empire and control of vast territory in the Balkans with Constantinople as its administrative, political, cultural. and military center of gravity (Dakin 1973: 41–49). This particular Greek Grand Strategy, even before the establishment of the Greek state, was more sentimental than realistic and did not account for the deep changes the era of modernity brought upon nineteenth-century European politics.

From Greece's recognition of its external sovereignty in the London Conference of 1832 and up until the early twentieth century, its Grand Strategy can be characterized as a synthesis of sentimental idealism and incompetent realism. This sense of political bipolarity can only be understood by analyzing the political norms of the Greek collective consciousness and, most importantly, those of the nation's political elite immediately after the end of the War of Independence. The Greek population was placed between the ultra-conservative aura of the Greek Orthodox Church (e.g. Gazi 2009: 95–104; Frazee 2009), an organization that played a pivotal role during the Revolution in favor of the Greek cause, and a native post-Revolutionary political elite that emerged either from the battlefields or held powerful administrative or military posts under the old regime and was unable and unwilling to accept the new civic realities that peace imposed upon the state. Charles W. Crawley remarks that the nation's political elite 'not only incapable of managing a modern system of government themselves, but [they] had no wish to live under such a system' (Stefanidis 2007: 6). Every attempt to modernize the state was either provoking animosities among the powerful Greek families (for example, the murder of the first Greek governor Ioannis Kapodistrias from the family of Mavromichalis in October 1831), or had been sabotaged by the Palace that, throughout Greek history until the abolition of the monarchy with the referendum of 1975, used to behave as a source of ultra-conservatism and profound despotism. Since the early days of the state and until the defeat of the Greek army in Asia Minor in 1922, Greek Grand Strategy can be characterized as an odd blend of nationalist claims influenced by the Megali Idea (Μεγάλη Ιδέα), the Great Idea, which referred to the establishment of an ideology that aimed to create a greater state, both in terms of territory and prestige.

Firstly, the new state that appeared was a tiny one, including just the Peloponnese and Central Greece. The very expectation of greatness cultivated during the War of Independence for an independent state that would dominate the Balkan region was instantly denied. Koliopoulos and Veremis (2010: 25) describe the situation immediately after the appearance of the Modern Greek state on the international scene regarding the territories that remained outside the restricted national borders:

> The new nation-state on the southeastern fringe of Europe with Capodistria at the helm did not include most of what were known at the time as the 'historical Greek lands': Epirus, the Ionian Islands (which belonged to Great Britain), Thessaly, Macedonia, Thrace, the Asia Minor west coast, and the adjacent islands, Crete and Cyprus.

Secondly, the leverage of the new state was much more intense outside its suffocating region due to the powerful and influential Greek communities that were living all over Europe or the Ottoman Empire. This raised hope among the citizens of the new state for a new pan-Hellenic uprising that would be able to offer to the state an upgraded territorial status. Ioannis Kolettis, the spiritual father of the Megali Idea and a prominent political figure of the new state, defined its ideological core before the Greek constituent assembly in 1844 in the following terms:

> The Greek kingdom is not the whole of Greece, but only a part, the smallest and poorest part. A native is not only someone who lives within this kingdom but also one who lives in Ioannina, in Thessaly, in Serres, in Adrianople, Constantinople, in Trebizond, in Crete, in Samos and in any land associated with Greek history or the Greek race. (Clogg 1992: 48)

This odd, yet notable, blend of nationalism, romanticism, and irredentism produced an unmistakable recipe for national defeat. During that period the Greek Grand Strategy was utterly oriented to the liberation of the rest of the Greek population under Ottoman rule, a noble goal except for two fundamental details: the Greek army was more interested in politics than battlefield excellence, and there was no sign from abroad that the European powers were willing to support the Greek cause.

The direct result of all these can be found in two cases of sound military defeat due to the poor preparation and chimerical goals of the Athenian politico-military establishment. In April 1886, during one of the usual political crises in Athens that led to the resignation of the Deliyannis Government, units of the Greek army crossed the frontiers into Macedonia. The Ottoman army trapped the unprepared Greek units, captured 280 men, and paraded them from town to town to disgrace them in the eyes of their compatriots. The whole incident resulted in a serious blow to Greek national prestige, a diplomatic rift with the European powers, and a poisonous political atmosphere in Athens (Koliopoulos and Veremis 2010: 55–56).

The second incident was the Greek-Ottoman War of 1897. The Greek army crossed the frontier in Thessaly and Epirus and clashed with the stationed Ottoman forces there. The Greek army was ill equipped and considerably outnumbered by a superior Ottoman army, and was led by the inexperienced Crown Prince Constantine. The result was a heavy defeat of the Greek army and a counter attack by the Ottoman forces that threatened the very existence of the fragile Greek state. The war was stopped after the intervention of European forces. Greece had to cede minor border areas to the Sublime Porte and pay the Sultan a large war indemnity. As a consequence of the maximalist Grand Strategy that was promoted by Athens, the state went bankrupt and International Financial Control was imposed by the European powers for several decades to ensure that the latter would service its foreign debts incurred during the war (Koliopoulos and Veremis 2010: 56).

Lastly, an influential factor that inspired the Megali Idea was the close sociopolitical relationship between Greece and Russia. This owed more to the sentiments of the Greek people than to those of the Greek political elite, which kept a more pro-French or pro-British position. The common Christian Orthodox doctrine, the great influence of the Greek Orthodox Church among the Greek people, and the decisive intervention of Russia during the last phase of the Greek War of Independence in Navarino were the main reasons behind the belief that Moscow supported the goal of Greater Greece. This preposterous and utterly inaccurate belief was something that was neither denied nor confirmed by Moscow in order to increase the sociopolitical volatility in the region As will be argued later on, this irrational conviction shaped to an unprecedented degree the Greek national identity, and does so even today (Fray 2015).

The Megali Idea maintained its central role in the Greek Grand Strategy until 1922. The beginning of the twentieth century brought considerable changes in Greek political life. The charismatic Eleftherios Venizelos entered the stagnated Athenian political stage bringing realism, cosmopolitanism, and rationalism to Greek politics (see e.g. Gardikas-Katsiadakis 2006: 87–114). Within a short period of time Greece managed to double its size, and succeeded in defeating the Ottomans three times in a row during the First and Second Balkan Wars and the First World War. Under Venizelos, Greece came very close to fulfilling a large part of the Megali Idea with the diplomatic support of Great Britain. However, the political choices of the Greek electorate sent Venizelos away from office and led to the re-emergence of the pro-German King Constantine, which resulted in the withdrawal of British support and eventually to the military defeat of the Greek army by Kemalist forces in the desert of Anatolia. The collapse of the Asia Minor campaign followed the violent end of the Greek presence in Anatolia and the arrival of over 1.5 million refugees from Asia to the Greek state. As a result, the Megali Idea came to an abrupt end and the Grand Strategy of the state in the following decades focused upon the process of healing the wounds of the 1922 catastrophe. It has to be said that the crushing of the Megali Idea created a deep vacuum in the Greek collective consciousness and is mainly responsible for bringing minimalism, defeatism and radicalism instead.

During the mid-war period the Greek domestic political scene produced unstable democratic regimes that led to Metaxas's fascist coup d'état in 1936, while the nation's foreign policy was trying to establish close relations with Turkey on the one hand and with the European powers on the other, showing a profound distaste for the USSR and its ideological representatives in the Balkan region. This fervent anti-communism can also explain the polarization within Greek society after the end of the Second World War. Greece was one of the countries that displayed a fierce resistance to the Axis occupation forces (see e.g. Mazower 1995). However, as soon as the German army abandoned Greek soil the nation fell into a new period of violent introspection. From December 1944–46 Greece witnessed a long period of political instability, while from 1946–49 the Greek Civil War took place between the Communist forces of 'Dimokatikos Stratos' and the Greek state (see e.g. Sfikas 1994; Woodhouse 2002).

The end of the Greek Civil War found the state within the Western camp, but with a ruined economy and destroyed infrastructure (Christodoulakis 2014). With US economic and political support delivered through the well-known Truman Doctrine, the state managed to stand on its feet again and from the early 1950s, with a seven-year pause between 1967 and 1974 due to the military junta, Greece witnessed a period of celebrated economic growth, social cohesion and democratic maturity until 2010—especially after the restoration of democracy in 1974. During that period the Greek Grand Strategy may be divided into two levels.

The first level refers to the positioning of the state in the international system. In general, Greece is a Western state that made the choice to enter the North Atlantic Treaty Organization (NATO) in order to protect itself from possible Soviet expansionism. In terms of alliance theory, the main motive of Athens in entering NATO was to face the threat of Soviet hard and soft power.[3] Nevertheless, it has to be noted that this pro-Western stance did not, and still does not, come naturally to the Greek political elite which is either too conservative to follow the liberal stance of the USA or too populist. During the 1980s and 1990s governments or major political parties succeeded in manipulating the Greek electorate by adopting an anti-American rhetoric which blamed Washington for the derailing of the state's political status quo and for the Turkish invasion in Cyprus (see e.g. Botsiou 2007: 213–234, Stefanidis 2007). Nonetheless, this concealed or openly demonstrated anti-Americanism of the Greek governments remained mere rhetoric and did not modify the state's Grand Strategy. Greece continued to be a member of NATO, and in 1981 became a member of the European Economic Community. Since then and until today the main orientation of the Greek Grand Strategy has remained towards the West, even though this posture had a more European instead of Atlantic flavor due to a fervent pro-Brussels stance from the majority of the Greek premiers. The only Greek premier who tried to modify the Greek Grand Strategy and apply a more pro-Russian one based mainly on energy co-operation was Konstantinos Karamanlis (Keridis 2010: 88). Karamanlis came to power in 2004 with an uncompromising desire to modernize the state, the economy, and society. Nevertheless, his decision to steer traditional Greek grand strategy after 2004 in a more pro-Russian direction,[4] in an attempt to achieve a more pluralistic foreign policy, was a political miscalculation mainly due to the fact that Russia is fundamentally weak and cannot safeguard Greek interests in the same way and spirit that the USA can. On top of that, there is a strong competition between Athens and Moscow, as seen in: rivalry for the hearts and minds of the monks of Mount Athos, one of the holiest places for the Christian Orthodox Church; dispute over the doctrinal supremacy of the Ecumenical Patriarchate in the Christian Orthodox world, where the Kremlin advances the Moscow Patriarchate., Meanwhile, the Russian attitude towards the Greek economic crisis, and towards Greece's dispute with the Former Yugoslav Republic of Macedonia (FYROM) over use of the name 'Macedonia' have definitely not been supportive to Athens (see e.g. Kaplan 2003; Baev 2015; Karagiannis 2015). In addition, Karamanlis's attempts resulted in considerable fog around Greek-American relations, increasing distance between Athens and Washington and creating a sense of distrust on Capitol Hill about Greek intentions and diplomatic commitments.

The second level of the Greek Grand Strategy refers to the positioning of the state in the region of the Eastern Mediterranean and the Balkans. The main preoccupation of the Greek Grand Strategy is to face Turkey's security dilemma. Athanasios Platias accurately argues that the two main sources of Greek insecurity towards Turkey are geographic proximity and the much smaller Greek population (2000: 68). Greek-Turkish relations have been thorny since the beginning of the anti-colonial struggle in Cyprus in 1955 and the attempts of the Greek Cypriots to achieve Enosis (unification) of the island with Greece (Litsas 2005). In 1974, Turkey invaded Cyprus after a failed Athenian-plotted coup d'état against the democratically elected government of Archbishop Makarios, and as a consequence the Turkish army occupied the northern part of the island, which continues to the present day (see e.g. Hitchens 1997: 61–100). Panayotis Tsakonas describes the consequences of the Turkish invasion of Cyprus for Greek public opinion:

> … the Turkish invasion and subsequent occupation of the northern part of Cyprus was not only a traumatic experience for Greece, but it has further strengthened (and justified to some extent) the Greek mentality about neighboring Turkey's perennial revisionist attitude. (2010: 33)

However, even after 1974, Greek-Turkish relations were constantly toxic. During the Imia Crisis in 1996 the two nations came as close as ever to a violent confrontation that exposed the profound Greek weaknesses in urgent military mobilization. Conflagration was averted due to the catalytic intervention of the Clinton Administration; the US did not want to see two NATO allies resolve their territorial disputes over the two Imia islets in the south-eastern Aegean using violence (Litsas 2014: 59–62).

The main aspect of the Greek Grand Strategy in order to face Turkey is neither deterrence nor containment. It is rather the most inappropriate method for the preservation of peace and status quo in the region; appeasement. The option of appeasement refers not only to the military doctrines of the Greek army but it embraces every aspect of social life. One can witness the distinct passive character of appeasement in some Greek media, where Turkey is presented as a giant with unlimited military resources and Greece as a dwarf who has to constantly appease the problematic neighbor in order to maintain survival.[5] Through these oversimplified approaches, Greek public opinion is 'educated' to face Turkey's aggression in the Aegean Sea with a mixture of apathy and psychological resignation. This attitude spills over to the country's international state of affairs, transforming Greece into a trainspotter in the international arena instead of a doer.[6]

Greece, since 2010, has faced an unprecedented crisis of sovereign debt (see e.g. Bitzenis et al. 2013; Lavdas et al. 2013). After three memoranda of understanding that sealed three loan agreements, Greece is the first Western state facing six years of continuous recession and austerity in peacetime. The sociopolitical consequences are dire. Political instability is being manifested in the continuous parliamentary elections that led to the formation of six national governments in a period of five years! The economy is in ruins, the private sector in a state of coma, while capital controls imposed upon Greece since July 2015 have made the situation, if this is possible, ever worse. There is a constant stream of young and talented Greeks leaving the country. This 'brain drain'—the tragic loss of the well-educated and skillful human capital—intensifies the population-ageing phenomenon (Smith 2015). The latter in collaboration with high unemployment—created by the contraction of Greece's private sector following heavy taxation imposed by the International Monetary Fund, the European Central Bank, and the European Commission after the bailout of 2010—severely jeopardized the very existence of the already frail and poorly functioning welfare state. In addition, one of the most characteristic negative consequences of the sovereign debt crisis has been the participation of the fascist party Golden Dawn in the Greek Parliament. In the two latest elections in 2015, Golden Dawn climbed to third place in the preference of the Greek electorate.

As was widely expected, the socio-political and financial crisis that penetrates the Greek core since 2010 has deeply affected the country's Grand Strategy. The only significant achievement of the state was the improvement of Greek-Israeli relations to a new upgraded status. However, as the evolution of the Greek crisis has already demonstrated, this is not enough by itself to change Greece's descent into the void of oblivion.

Towards a New Grand Strategy?

Undeniably, Greece is in urgent need of deep and genuine reconstruction at every level that will aim at the modernization of the state in its internal and external essence and will include: (a) society; (b) the economy; (c) political system; (d) foreign policy; and (e) military strategy. I promote the argument that since the Grand Strategy of a state is something much more than just a foreign policy formula, then in order for this to be able to function as a power booster, or for the Greek case as the vehicle to take the nation out of the current stalemate, Grand Strategy must include the domestic and international spheres simultaneously.

Society

Since the early days of the modern Greek state there has been one defining sociopolitical characteristic: nepotism. One of the most well-respected members of the old guard of the Greek conservative party, Ioannis Varvitsiotis, stated once in an interview that since 1864 there had always been a Varvitsiotis in the Greek Parliament (Kaliagopoulou 2007). This statement is not enough by itself to reveal the magnitude of nepotism that penetrates the very essence of the Greek political system; however, it gives a good idea of the way politics evolve in modern Greece. Since 1974 and the restoration of parliamentary democracy, political power had been limited to a few powerful families (*politika tzakia*) and their close acolytes due to an unparalleled practice of nepotism, favoritism, and cronyism (e.g. Featherstone and Papadimitriou 2015: 17; Sotiropoulos and Bourikos 2003: 179–181; Polychroniou 2016). To the above must also be added: members of parliament who have in a sense inherited their seat from senior members of their families; high-ranking executive members of the administration who follow the career paths of their parents; members of academia who teach at the same department as their parents or in-laws; journalists who work in public media because their parents were journalists, too. From all these it becomes evident that Greece is perhaps the only European state where social mobility exists only as empty rhetoric, resembling more non-Western regimes. In order for Greek society to gain a sense of dynamism and meritocracy, social mobility has to be assisted to function and produce results. For this, Greece needs a new sociopolitical narrative, an equivalent of the so-called 'American Dream' whereby hard-working people will be able to climb the social ladder and achieve a better present for themselves and their families not because of their social background but because they are simply worthy of it. Only then can Greek society develop new norms that will promote effort and zealousness in work, and will prove to every citizen of the state that someone can progress solely through his or her own endeavors.

In addition, the Greek state must invent a new way to invigorate its ageing population in order to give a kiss of life to the problematic welfare state that is about to collapse (see e.g. Kostandaras 2013). The only feasible way to do so is to apply a successful melting-pot system, the equivalent of the

US paradigm, accepting immigrants who have specific professional skills that the Greek state has decided—after careful planning—that it will need. By this means, the Greek state will be able to absorb new populations, maintain the welfare system, and at the same time lay the cornerstone of cosmopolitanism and anti-xenophobia in Greece's collective consciousness. Opening the gates to a pre-regulated number of immigrants while the level of Greek unemployment stands at over 26 percent may sound paradoxical. However, even if Greece had zero unemployment the welfare state would still be at a critical point due to the rapid ageing of the population; while if the retirement age were simply raised then this would create greater unemployment. Therefore, the real challenge for Greek society is to modify its productive model and its unsophisticated economy, and at the same time to produce a social melting-pot system that will put a stop to the rapid ageing of the population.

Economy

The Greek economy is based upon a great illusion. For reasons that have more to do with mere wishful thinking than rational analysis, Greek public opinion believes that the state can thrive economically through tourism. This largely explains the nation's endeavors to turn around the touristic sector. Greece has every potential to raise its annual GDP through the tourist industry (see e.g. Petrakis 2012: 433–441), but this sector could not generate sufficient primary wealth to regenerate the Greek economy. This is mainly because Greek tourism, due to lack of first-line investment, fails to attract high-level tourist income. In general, the profile of tourists that visit Greece is lower-middle-class and has prefers all-inclusive tourism packages. This has to do with the fact that there are not many six-star hotels in Greece, limited marina infrastructure, and very few even mediocre golf courses around the country. Hence, in reality, the tourist infrastructure of Greece is not appealing to high-level-income visitors, focusing more on quantity and volume than on quality and income. For example, Northern Greece is the top touristic destination for citizens of the neighboring Balkan states. This results in hundreds of thousand of visitors from these countries, raising the annual total sum of tourists. However, Balkan tourists have a lower income level compared even to Greeks, and therefore the revenue from their holidays is very low while at the same time their preference for this part of the country functions as a deterrent for tourists of higher income who prefer a different and more demanding style of leisure and entertainment. Undoubtedly, tourism can function as a useful addition to the Greek economy but not as the cornerstone of a new advanced economic model of the state that will set as its main target generating primary wealth instead of just circulating the already existing one in a conventional service financial system.

Greece must modify its efforts in order to revive the economy in two different directions. First, it should invest in digital technology. The new developments in that specific area modify in a catalytic way the center of gravity of global production (see e.g. Rifkin 2011). Greece can invest in human capital, such as designers and technicians, in order to take an active part in the new so-called Third Industrial Revolution that will transform the way the global economy functions in the decades to come. This will create new jobs and raise the technological culture, as well as the productive awareness, of Greek society.

Second, Greece can exploit its merchant naval capacity, which is the second largest in the world. The Greek merchant naval industry can absorb a large part of the unemployed and some of the more highly skilled of the refugees, while it will also establish a sociopolitical norm of openness and extroversion within Greek society. The sea has always been a major source of income for Greece, even before the establishment of the modern Greek nation. Turning towards the sea again will contribute to a change in the mentality of Greek society that for decades has been oriented towards economic growth deriving mainly from Brussels and the financial packages of the European Union. In order for this to succeed, the Greek state must apply a tax-exemption policy to every shipowner who is willing to adopt the Greek shipping register and offer a job to every individual currently registered to pay social security contributions to the Greek state. For this plan to function even more efficiently, Greece has to implement a wide privatization scheme regarding all the shipping docks of the state, and offer a series of economic incentives to the powerful community of Greek shipowners to support the running of the docks by sending their ships there for maintenance, repairs, or building new fleets.

Political System

The two following features have characterized the Greek political system throughout history. On the one hand, excessive volatility in the pre-1974 period produced numerous military juntas and outright violations of the democratic will of the Greek people, facilitated by the lack of a stable system of checks and balances. On the other hand, after 1974 and in particular in 1986, the Greek political system became totally unbalanced due to the constitutional reform that transformed the president of the republic into a puppet figure with no decisive constitutional powers whatsoever. In 1986, Prime Minister Andreas Papandreou decided to cut the Gordian knot and sideline his main political antagonist, President of the Republic Konstantinos Karamanlis, one of the most prominent figures of the Greek conservative political sphere of the twentieth century (see e.g. Foundethakis 2005: 87). Papandreou abolished every article of the 1975 constitution that offered the president the right to intervene against a decision of the government if it was putting under threat the national interest and the internal democratic balance of power.

Since 1986, Greece has had a sui generis political system whereby the Premier controls all the powers and no one can question his unlimited authorities.[7] This utterly unbalanced political system produces a one-dimensional constitutional modus vivendi that does not help the state to face any sort of demanding challenges successfully, such as the sovereign debt question in 2010, or to take decisive action at political or military crossroads, such as the Imia Crisis in 1999 (see e.g. Athanassopoulou 1997).

Greece, in order to discover a secure path towards political stability, has to establish a political system that will proceed with constitutional provisions to balance the unlimited constitutional powers of the prime minister. This can be achieved by implementing the condition whereby the president of the republic as well as the prime minister will both be directly elected by the people and they share between them decisive political powers. Their political relations and status would be checked and balanced both by the Parliament and by a Supreme Constitutional Court guaranteeing the uninterrupted functioning of the Greek democratic system. Such a development would offer the Greek state the opportunity to construct the necessary foundations for a smart and stable state, since its constitutional core would not be affected by any kind of crisis. It would have as its cornerstone the provision of permanent secretary generals in key ministries, as in the British system.

A system of checks and balances would offer the long-desired peace and tranquility to the Greek political system that has, since 2010 and the beginning of the harsh austerity era, witnessed four parliamentary elections, one referendum, five different prime ministers and numerous government reshuffles. Obviously, this reveals the unprecedentedly high political volatility that penetrates the Greek state, affecting in the most negative way the national prestige while also jeopardizing any realistic option of producing a productive and convincing Grand Strategy. The reformation of the Greek political system is thus an essential step for the state in order to stand on its feet again.

Foreign Policy

For various reasons that have to do mainly with a simplistic way of approaching international politics, the majority of Greek people believe that only a multilateral foreign policy can safeguard the national interests of the state. This has to do mainly with the prevailing perspective among Greek opinion makers that Greece will gain more if it presents a more balanced or even neutral policy towards great-power antagonism. While views that move around the prospect of more close relations with China do not challenge the Greek positioning in the Western caucus, this changes during discussion of Greek-Russian relations.

The Cold War had a definite end and the Soviet Union faced the consequences of a non-violent defeat that led to its liquidation, after the sound collapse of the Warsaw Pact. However, since the beginning of the Syrian Civil War and the troubles in Ukraine with the annexation of Crimea by Moscow, diplomatic relations between the USA and Russia have entered a new phase of high antagonism (see e.g. Aron 2013). Arguments that urge the Greek state to adopt a more pro-Russian stance at the international level, or even a more balanced positioning between Washington and Moscow, actually jeopardize Greece's international status. Any shadow that is being cast upon Greece's commitment to NATO and to the Western world in general undermines the position of the state, gives the impression that the state's responsibilities to its allies are not being taken seriously, and facilitates the establishment of an anti-Western attitude within Greek society that promotes political extremism and social radicalization.

The first vital step that Greece has to take in order to shape a new formula of foreign policy is the unequivocal commitment to the Western allied framework and values. A secure step towards this direction would be to adopt a more active role in NATO military operations. The Greek army has the quality and ability to adopt an active role in military operations and to lead in crisis-management situations such as the one it maintained during the 2001 insurgency in the FYROM that preserved peace and order within that fragile state and in the Balkan region as well (Tziampiris 2002). By being more actively involved in NATO-led international crisis management, Greece would be able to increase its influence in the Middle East and in South Eastern Europe, also enhancing its strategic value within NATO.

Since 1981 Greece has been a full member of the European Economic Community, and then of the European Union. This was a historic decision for the fate of the state that provided Greece with the opportunity to be among the elite states of the Old Continent. However, due to Andreas Papandreou's anti-Americanism, Konstantinos Mitsotakis's and Konstantinos Simitis's ultra pro-European stance and Karamanlis's choice to keep a distance from the USA, Greece ended up 'putting all its eggs in one basket'. In the early days of its European saga, Greece demanded—then waited, expected and hoped—to gain in power simply by being a member of the European socio-political and financial framework. These hopes proved to be of no avail, mainly because Athens did not try to raise its international status or to modernize its economy. When the economic crisis of 2008 hit the European shores, the major European elements proved not only unfit but also unwilling to save Greece from its own structural weaknesses and mistakes. The Greek sovereign debt that within a short period of time spilled over into the euro-Mediterranean zone exposed Europe's critical structural problems that had put under threat the whole structure. Therefore, Greece must be ready to withstand a possible political tsunami that may hit the European continent in the years to come, possibly due to a collapse of the monetary union or because of other political issues that may arise, such as an uncontrollable refugee crisis that puts an end to the Schengen Area, the rise of numerous europhobic political forces in Europe, a political rift between Berlin and Paris over differences in the quality and direction of their economic agendas. At the end of the day, international politics is a game that demands every participant be prepared for the worst-case scenario. Greece must cultivate an alternative political modus vivendi and enhance its relations with the USA, Great Britain, Egypt, and Israel for reasons that are going to be further analyzed in the following paragraphs, opening a parallel road towards international stability and economic reconstruction.

Greek-American relations began during the early days of the Greek War of Independence when the USA was the second country in the world to give official recognition to the political cause of the Greek rebels (Repousis 1999). Since then, the Greek-American relations have been firm. The two states fought side by side in every major war of the twentieth century, they both share common political and social ideals and they both belong to the core of NATO. However, most importantly, both the US and Greece are traditional naval powers that have linked their very ontological existence with naval trade and the sea in general. As Walter Russell Mead accurately points out:

> The US Navy has maintained a global presence much longer than most Americans realize. The permanent Mediterranean squadron was established in 1815 to keep the Barbary pirates in check. In 1822 the United States established its West Indian and Pacific squadrons … In 1826 this was followed by a Brazil or South Atlantic squadron, with the East India squadron following in 1835 and the African squadron established off the west coast of Africa in 1843. (26: 2009)

If Greece wants to create a new foreign-policy formula that will give the opportunity for the state to mitigate risk by 'spreading its bets', then it must move heaven and earth to establish a 'special relationship' status with the USA. Such a development will demand that Greece be much more active in the Eastern Mediterranean, promote and support the Euro-Atlantic ideals even in those cases where Brussels chooses to adopt a different stance to that of Washington, and even if such a turn in Greek foreign policy may create new or intensify existing threats for Athens, such as jihadism. Through the adoption of such a bold, new, foreign policy, Athens will be able to elevate its status from a Western peripheral power into a pivotal element for the Western world in the Eastern Mediterranean. Obviously, this proposal for the establishment of a 'special relationship' will have great difficulty reaching the Oval Office, mainly due to strong opposition from two principal directions: Germany, for reasons that have to do with the continuation of the European ideal as it has been transformed after the end of the Cold War and the reunification of the state; and Turkey, for reasons that have to do with the non-adjustment of the existing strategic status quo in the Aegean Sea. Nevertheless, If Greece decides to revive its ties with the Greek diaspora in the USA then such a goal would be much more attainable. Unlike in European politics, in the USA the role of the electorate is vital in shaping the foreign policy of the state. As Walter Russell Mead (52: 2009) notes '… the fact remains that we are more used to seeing American presidents following public opinion than leading it.' Thus, if the Greek diaspora in the USA were to join forces and co-ordinate its efforts with Athens, then there would be quite few a senators and members in the House of Representatives who would be more than willing to promote the idea of a Greek-American special relationship and even bring it into the Oval Office. What does Greece stand to gain from this? A powerful ally, ready to apply pressure on Berlin, the European Central Bank or even the International Monetary Fund during their negotiations with Athens regarding the latter's sovereign debt, or a change in Turkish foreign policy in the Aegean Sea. However, on top of that, through such a development Greece could invent a new role for itself, as the geopolitical element that would invigorate the socio-political orientation of the Old Continent in a more Euro-Atlantic direction. A state with the soft-power capacity of Greece can implement such a policy in the most successful way, making the European Union function more as a vital part of the Western world and not as an egocentric continent.

The same policy has to be followed with Great Britain, despite of the recent irrational decision of the British electorate to exit the European Union with the referendum of the 23rd June 2016. Britain is another major naval power with a vital role and interests in the Mediterranean Sea. Greece must re-establish open diplomatic relations with London that have never healed completely since 1955 and the commencement of the Enosis movement in Cyprus (e.g. Mallinson 2005: 21–30; French 2015). British support is essential because Athens needs a weighty ally in the Old Continent that will be able to withstand the pressure of the German Ordoliberalism (Young 2014: 6–7) Berlin and implement an independent policy within the European framework, a need that becomes even greater since France seems to be satisfied under the imposing shadow of Berlin. The strengthening of ties between Greece and Britain could be achieved through the influential role of the Greek ship-owner community that lives in London and is active in the economic life of the City, and the large and thriving community of Greeks in Britain that forms a vibrant pole of influence there. How would this benefit Greece? Britain and Greece as two naval powers with special geostrategic interests in the Mediterranean, and with long historical ties since the early days of the Greek War of Independence, could form an influential pair within the European framework that would give them both the ability to withstand the pressure from Berlin and its satellites for a more Germanized Europe.

Greek-Egyptian relations since the era of the Suez Crisis in 1956 and the assistance that the Government of Konstantinos Karamanlis offered to Cairo by helping Nasser to keep the canal open (Pelt 2006: 216) are at a very good level. However, Greece has to take the initiative and encourage Egypt to enter into a new Western-oriented co-operative scheme in the Eastern Mediterranean to promote the region's political stability and to function as a containment mechanism for jihadism. Traditionally, Egypt is one of the most influential Arab states, and has deep-rooted diplomatic relations with the Western world. Despite its domestic political instability stemming mainly from the problematic coexistence of the large Muslim population and the secular establishment, Egypt remains a pivotal state for the West in the Arab world. Athens could benefit from the establishment of close strategic and economic relations with Cairo, especially by delineating the Exclusive Economic Zone between itself and Egypt.[8] In addition, closer strategic co-operation with Egypt would allow Greece to strengthen its role as an open and reliable route of communication between the Western world and the Middle East and North Africa, a role that was gradually abandoned after 1967 due to the introverted foreign stance of the Greek military junta. A more sophisticated and advanced alliance between Greece and Egypt would offer, on the one hand, Athens the opportunity to co-operate with a major strategic element in the Mediterranean and a pivotal naval power in the region with a supreme capacity for maritime power, especially after the construction of the new Suez canal. On the other hand, Cairo would be given the opportunity to reinforce its presence in the Western world through the strengthening of its diplomatic relations with a country that—no matter how severely beaten it is from austerity and from a gigantic sovereign debt—is still an important strategic element that belongs to the European core and to NATO as well.

Last but not least, Greece has to invest in elevating its diplomatic relations with Israel, for two key reasons. First, Israel seems to be extremely interested in elevating its naval capacity, especially after the collapse of the traditionally good diplomatic relations between Jerusalem and Ankara (Klieman 2015: 221–238). Secondly, because Israel could function as a very useful ally if Turkey were to decide to destabilize Greece and the Eastern Mediterranean through a new military episode such as the Imia Crisis. In addition, Greek foreign policy has much more to gain from closer co-operation with Jerusalem in ways that extend far beyond the geostrategic sphere. Israel is a high-tech hub, a leading start-up nation that can share its knowledge and experience with the Greek one, transmitting self-confidence to the Greek people regarding the ability of a society to withstand numerous hardships and fight using its own strengths for ontological survival through hard work and effective planning. Close Greek-Israeli relations could function more as a psychological boost to the currently low Greek morale and at the same time as a clear choice of the Greek state to unite forces with the only Western state in the region that shares the ideal of liberal democracy and an open market economy. Advanced Greek-Israeli co-operation could give both Athens and Jerusalem the opportunity to expand their influence in the Eastern Mediterranean, and develop a new dynamic policy in the area of natural gas energy by exploiting the natural undersea resources that both countries hold (Tziampiris 2015: 135–154).

Military Strategy

In the midst of the worst economic crisis that a Western state has ever witnessed in peacetime, Greece needs not only to reconsider its military strategy but also to adopt a new one that will recognize both the geopolitical volatility of the region and the dire economic capability of the Greek state.

Starting from the economic condition of the state, it is more than obvious that Greece has to introduce a drastic quantitative retrenchment in its military capacity. This means fewer cadets in the military academies of the state in order to minimize the number and therefore the cost of career officers, and less expenditure on armaments. Instead, the government must raise by law the number of the reserve officers in order to face successfully the gaps that will emerge after the reduction of the numbers of cadets. It is commonly known that reserve officers cost less and can be as efficient as career officers if they receive high-quality training. In order for this to be successful, the government must also expand considerably the chronological period of compulsory military service for all Greek citizens, women included, following the Israeli and Norwegian examples. By implementing this change, unemployment would drop considerably, while a large portion of Greek youth would gain transferable technical or managerial skills and experience. The overall effect would be a reduction of public expenditure on the Army.

In addition, as has already been mentioned, Greece's geostrategic position is vital for the West's strategic structure and military objectives. However, this does not diminish the political, military, and economic volatility that stems from the region and influences, mostly in a negative way, the structure of the state. Therefore, a quantitative and qualitative retrenchment must occur in the area of military equipment and the related logistics expenditure, but in such a way that the vital interests of the state are not compromised or permanently damaged. In this direction, the Greek government must cease purchasing military equipment for its land forces. Greece is not a revisionist power; therefore, it needs a minimal number of land forces in order to face a possible land invasion in the Dodecanese islands and in the northeastern Aegean Sea, which are the two most vulnerable spots due to their proximity to the Turkish coast. If Greek Grand Strategy adopts the doctrine of military flexibility, in other words of developing an adequate system of local militia in each and every island and stationing there special-operation units in order to maximize the defense force, then the retrenchment could be actualized in the best possible way to avoid creating black holes in the national defense structure.

Nevertheless, the future-gazing Greek military planning has to adopt a new direction regarding the national center of strategic gravity. From the establishment of the Greek state to the present day, Greece has had a dual strategic orientation, being ready to face a possible military attack from the North or from the East. The state strives hard to retain a huge numerical land force, a legacy of the Cold War era when the main military threat was the regional Warsaw Pact states; and at the same time to maintain control of the Aegean Sea and face Turkish antagonism. In order for Athens to adopt a new center of strategic gravity, it is first necessary to critically evaluate the major threats for the state. Turkey remains the most serious threat for Greece, even though both states are members of NATO. This problematic relation results from Ankara's hegemonic aspirations in the region, a situation that has worsened since the rise of the neo-Islamists to power at the dawn of the twenty-first century (see e.g. Alaranta 2015: 93–120) and will be even more intensified due to the phase of the political anomaly that Turkey entered after the failed coup d' edat of the 15th July 2016. The only land border between Greece and Turkey is in the Evros region, covering about 203 km, where Greece has the strategic advantage of holding defensible high positions. As I have already argued, the weakest strategic points for Greece are the islands in the east and in the northeast of the Aegean Sea that can be effectively defended by a well-trained and well-equipped militia and by selected elite special-operation forces. Nevertheless, in order for Greece to perpetuate its control of the Aegean Sea and at the same time deter the Turkish aggression that since the Imia Crisis has gradually climaxes in the region, it has first to maximize its hard naval power. By doing so, Athens would: impose its presence in the Aegean Sea; develop an active deterrent mechanism since a military invasion in the Greek islands would be a very difficult task; elevate its status to a pivotal military naval power in the Mediterranean able and willing to support and further enhance NATO military operations in the region.

In addition, one of the main strategic threats today not only for Greece but also for the whole of the European continent is the gigantic, illegal immigration flow from the Middle East, Central Asia and Sub-Saharan

Africa. The main security question that arises from this is infiltration of Europe by jihadists attempting to reach the Western European capitals mixed with the migrant core who, quite understandably, search for a better future for themselves and their children. In order to control the flow and at the same time minimize the humanitarian crisis, a well-equipped coast guard is essential. This as it can be understood adds to the hard naval power of the state, bringing Greece closer to the Thucydidean description of Athens as a 'μέγα το της Θαλάσσης Κράτος' (a great naval power).

Epilogue

Greece has been the weakest link of the European continent. However, the current crisis is more than the result of a purely economic dysfunction. Greece, for many decades now, has not been behaving as a normal state but rather as Blanche DuBois, the fictional character of Tennessee William's play *A Streetcar Named Desire*, depending on the kindness of strangers. A new dynamic Grand Strategy, aiming to elevate Greece to the status of a regional naval power, that would help the country to stand firmly on its own two feet and make a fresh beginning might lead not just to a mediocre survival but to a fundamental strengthening of every aspect of its national being. In the event of this not being attained, the state will continue to fantasize that survival within the European Union is a guarantee requiring no effort whatsoever from Greece itself. In such a case, Greece would be the first Western state in the twenty-first century that, after a steady decline towards failure, finally met historic oblivion. On the contrary, if the state accepts the fact that in order to be out of the current stalemate it needs hard work and a modern Grand Strategy embracing radical change in almost every aspect of how it operates, then a rebirth is feasible. Everyone who lives in today's Greece—a country beaten hard by austerity and pessimism—desperately aspires to, or seeks ways and formulas for, the 'rebirth' of the state. However, this cannot be achieved without a new, dynamic and rational Grand Strategy that will be an equivalent to Ariadne's thread. This is what the state needs in order to exit the dark Labyrinth it entered one sunny day with the statement of the then Greek Prime Minister Georgios A. Papandreou, in Kastelorizo back in 2010; a statement that signaled the beginning of the longest period of austerity a Western nation has ever witnessed since the end of the World War II international environment.

Notes

1. For example, according to Louis Halle: '*Thucydides, as he himself anticipated, wrote not only the history of the Peloponnesian War. He wrote the history of the Napoleonian War, World War I, World War II and the Cold War*' (cited by Platias and Koliopoulos 2006: 12).
2. See among others: Edward Luttwak (1979); Edward Luttwak (1984); Edward Luttwak (2009); Michael Howard (1976); Wiliamson Murray, Richart Hart Sinnreich and James Lacey (2011); Brawley (2010); Papasotiriou (2001), William Martel (2015).
3. For more regarding the origins of alliances, see Walt (1987).
4. For a very interesting argument that promotes the thesis that this fundamental change in Greek Grand Strategy had nothing to do with a so-called civilizational affinity based on a Huntingtonial form of analysis but can be better explained on the basis of more traditional realist concepts, see Tziampiris (2010: 78–89).
5. For a thorough analysis on the role of the Greek media in the evolution of Greek-Turkish relations, see Lazarou (2009).
6. This particular sense of collective apathy as a new political norm in Greek society was first witnessed during and after the Imia Crisis. For example, in an official telegram of the US Consulate General of Thessaloniki to the Secretary of State concerning the reactions of the local communities in the North during the Imia Crisis, one can sense the genuine—and if I may add rational—surprise of the then US Consul General Miriam K. Hughes at the fact that, while onFebruary 1 and 2, 1996 two demonstrations took place outside the US Consulate, the Turkish Consulate did not witness any such events, despite the fact that the Imia Crisis was a hot episode between Greece and Turkey. As the Consul General notes: 'This fact seems to be based on a passive acceptance [on Greece's behalf]; Turkey is the enemy through the history with an expansionist agenda and every time it faces internal problems chooses to attack against us' (Ellis and Ignatiou 2009:296).
7. Kevin Featherstone and Dimitris Papadimitriou (2013, 2015) support the view that every prime minister in Greece since 1974 has been an emperor without clothes due to the fact that the position does not have the luxury of centralizating resources. Although the argument is very interesting, presented in the most eloquent way, modern Greek history shows differently. From 1974 to today, only one prime minister was forced to go to elections due to an internal mutiny in his party, namely Konstantinos Mitsotakis in 1993. All the others either managed to survive internal opposition or chose to go to early elections as part of their strategy. Hence, the Emperor may be parading the gloomy alleys of Greece with no clothes on, but it seems that

in Greek politics not everyone cares about the essence of politics and everybody pays attention to titles and epithets since the system is excessively formalistic and therefore inefficient.

8. Since 2014, three tripartite meetings have already been held between Greece, Cyprus and Egypt (April 2014, April 2015, December 2015) on issues that go well beyond energy, including the security agenda in the Eastern Mediterranean, Egyptian-EU relations etc.

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The Odd Duck: Why Greece's Foreign Policy Will Not Turn Out to Be a Swan!

Akis Kalaitzidis

Introduction

On November 11, 2015, the new prime minister of Greece, Alexis Tsipras, visited for the first time his Turkish counterpart in Ankara. According to Deutsche Welle, the Greek Prime Minister made efforts to herald a new closer and friendlier relationship with Turkey, which incidentally is a key state in the global immigration crisis (Deutsche Welle, Greek Prime Minister Tsipras makes rare visit to Turkey over migrant crisis, 2015).[1] The day of his visit, Tsipras penned an op-ed in government-friendly Turkish *Daily Sabah* newspaper in which he highlighted three main themes for his visit: (a) security, as the visit came right after the attacks in Paris in November of 2015, but also regional security between Greece and Turkey; (b) the refugee/immigrant crisis that is a key political issue for most of Europe; and (c) economic development, that is trade (Daily Sabah, 15 November 2015). The meeting turned out to be an unmitigated disaster for the Greeks, and a wave of criticism swept through the Greek dailies.[2] Tsipras's return to Athens was accompanied by a variety of criticisms, which he choose to address by taking a rather amateurish stab at his Turkish

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counterpart on social media. This spectacularly backfired (Washington Post, 30 November 2015).

The new government likely marks a break in the process of Europeanizing Greek foreign policy, if ever there was such a process. Several political figures and well-known academics have for two decades written extensively on the process and difficulties of Greece's Europeanization (Konstas and Tsakonas 1994; Simitis 2002; Konstas 1999; Valinakis 1991; Veremis and Couloumbis 1994). For the first time since Greece's accession to the European Economic Community (EEC), the government and the public of Greece are seen in Europe as the source of and not the solution to their problems, among which foreign policy reigns supreme (Litsas 2014). The change in electoral attitudes in Greece is highly correlated with the economic crisis that hit it harder than any other EU nation. From the electoral results of September 20, 2015, one can surmise that Greek voters blamed the socialists (PASOK), which witnessed its fortunes decline to near obscurity with a 5.2 percent share in the polls. Normally one would expect that their opponents would be the beneficiary of this decline, but instead it was the radical leftist party SYRIZA, an acronym meaning coalition of the radical left. The public blamed the establishment political parties and chose a young, more appealing candidate who was promising to end their suffering. Alexis Tsipras, the Greek prime minister, took a political coalition in 2008 and turned it into a governing party by 2015, and that is no small feat in a country that has been ruled by only two parties in the last 40 years (the centre-right party of Nea Dimokratia [ND], and the centre-left one of PASOK). The economic crisis was the catalyst, and the decline of the establishment parties was natural after so many decades in power; so a young leader with no political past to speak of, who promised to defeat the European economic elite seeking to subjugate Greece, found it easy enough to waltz into Megaro Maximou, the prime ministerial residence, with the help of Independent Greeks (ANEL), a small nationalist party. The implications of the cascading changes in Greece's political landscape can be a very suitable illustration of how domestic politics affect foreign policy making.

This chapter argues that the case of Greek Foreign policy since 2008 could be viewed as an empirical expression of the limitations of the Europeanization debate. It is because of its dyadic character that the Greek-Turkish relationship has been so difficult to normalize (Tsakonas 2009). In addition, the case study can inform the debate about the domestic determinants of foreign policy. Considering the effects of the economic crisis on the population's psyche and its mood towards the establishment parties, the impact on foreign policy would be great. Political parties have long been the engine of foreign policy (Chryssogelos 2015). It is therefore important that the anti-establishment parties pitted Greece—both as a political entity and as a way of life—against greedy, heartless Germans, who really sought to subjugate the Greeks. It not only changes the tone between partners in the European Union (EU) but it alters the perceptions and expectations of the public. Meanwhile, in a good, two-level game fashion, actions of the Greek government affect the opinions and expectations of the European leadership and publics. A study concluded reveals that since resistance against the adoption of soft EU law is perceived as obstinacy, the EU countries had a very hard time accepting the concerns of the Greek government when it came to the issue of the Former Yugoslav Republic of Macedonia (FYROM) (Saurugger and Terpan 2016).

Europeanization and Greek Foreign Policy

How have the developments in Greek foreign policy reflected the Europeanization of the Greek foreign policy making process? The most succinct answer to this question so far has been given by Spyros Economides, who argued that "A state with a consolidated democracy, bountiful economic potential, entrepreneurial and managerial skills, strong allies and partners through membership of NATO and the EU, and geopolitical significance could not harness these attributes into international success" (Economides 2005: 488). It is my contention that the outcomes of foreign policy decision making within the EU will differ from state to state and that different degrees of Europeanization will be achieved by different states at different paces. Economides's argument is that Greece's policy is only recently starting to show signs of Europeanization, thus confirming other authors' findings that Greece is a belated "Europeanizer."[3] However, once we consider that Europeanization affects not only the style but also the actors involved (their ideology, the process of decision making, the problems and the constraints of foreign policy), we might not view Greek foreign policy development as lackluster but as the normal process by which a member state of the EU becomes a fully fledged member. In any event, it may not be possible to be Europeanized vis-à-vis all issues of foreign policy, but does this really mean that a state has not "Europeanized"? Europeanization is not just convergence of beliefs and interests; thus, some EU member states strongly believe in their neutrality when it comes to foreign policy making, while others have had a global interventionist, some argue outright imperialist, attitude towards world affairs. We find states in the EU taking a multilateral approach within the larger international community attempting to promote a peace agenda, while we also see states willing to forcefully engage international actors. Because such divisions exist in European foreign policy, some argue that EU foreign policy is a sui generis system (Ohrgaard 2004), others that it is the sum of the foreign policies of the member states (Moravcsik 1994; Manners and Whitman 2000), and others still that it does not matter since international institutions do not matter (Mearsheimer 1994).[4] The argument here is that EU foreign policy *does* exist, albeit axiomatically (Jorgensen 2004: 34), and that it makes a difference both internationally and domestically. In the case of Greece, the country has changed not only its style of foreign policy making, but also the substance and focus of it quite substantially, given the recent international developments in the Balkans. In fact, Greece became an active member of the European foreign-policy making apparatus not just because of domestic concerns about the collapse of Yugoslavia and its problematic relations with its neighbor Turkey but also because of its own concerns for the global political situation and the War on Terror. The problems with adaptation to EU standards have been discussed in detail by many, but some of the main reasons underscored could be summarized as follows: populism, sociopolitical immaturity, institutional arteriosclerosis and obstinacy, bureaucratic inertia, and corruption. The author would personally add the failure of leaders themselves to understand the idea of Europe, and the consequent development of a culture that views the EU as a cash cow, which led to governing in a financially unsustainable manner and eventually led to the Greek crisis. These attitudes did not stop in the realm of public policy and EU funding but were also transferred to the foreign policy realm, which led to the inflated expectation that Europe would somehow see Greece as an equal partner in many of its geostrategic interests.

The aim here is not to develop a new theory of the Europeanization process of member states but rather to place the changing Greek foreign policy behavior within the European context. In order to understand Greek foreign policy we have to reach at least a tentative agreement on what European foreign policy entails. We then have to consider what Europeanization means in the area of foreign policy. Tsardanidis and Stavridis develop an explanatory framework employing three dimensions: (a) the manner in which the EU affects the member state; (b) the manner in which the state affects the EU; and (c) the outcome of the previous two processes (Tsardanidis and Stavridis 2005). The first and the second dimension have been substantially examined by many scholars (Tziampiris 2015; Litsas and Tziampiris 2015; Kassimeris 2008; Ozuglu 2004; Terzi 2002) but the third dimension is more problematic because it describes the internalization of an outcome by the member states, which is neither inevitable nor guaranteed. Some things are simply unacceptable to certain states or their publics; for example, high budgetary transfers to EU coffers in Britain, or increased pressure of liberalization in France, or the fluidity of national borders in Spain and Greece. As evidenced in numerous policy positions from intervention in Bosnia Herzegovina, Iraq, and Afghanistan, and most importantly the civil war in Syria and the subsequent refugee crisis. European states may agree in the process of conducting EU foreign policy, the instruments needed, and even the broad guidelines of action, but the outcome is certainly not a meeting of minds. In the cases of the US intervention in Iraq, and the independence of Kosovo, the EU was split between those who supported such actions and those who opposed them, fueling debate as to the nature of EU foreign policy and its differences within the EU and beyond. Although, eventually, most EU nations have officially recognized the state of Kosovo, several newer members as well Greece do not. In addition, the Syria civil war and the rise of ISIS became a topic of division, with several nations participating in the operations led by the USA while other exercised caution.

European foreign policy instead must be seen as a complicated tri-level game, which reflects both the international structure in which EU member states operate and the process of decision making and interest formulation (Kalaitzidis 2011). Using a modified form of Knud Erik Jorgensen's model of the changing nature of foreign policy in Europe (see Figure 2.1), I argue that there are three levels of interaction in any European members state's foreign policy: (a) the domestic; (b) the European; and (c) the international. Theorists have long considered foreign policy as an ultimate expression of the state's interests, and thus have used concepts such as geopolitics, power, and the national interest to define what it is that states do in the international environment. Belonging to international organizations, such as the United Nations or the European Union, is tangential and matters very little for the purposes of the realist school of international relations (Mearsheimer 1994). Realists tend to overemphasize power and underemphasize international constraints such as international law, regimes, and organizations. In addition, they treat the state as a single actor with unitary preferences. Europeanists have tried to theorize about the interaction between member states and the supranational institutions they created, and the most elaborate theory is that of liberal intergovernmentalism. Several, traditional, realist assumptions remain in this theory, such as the unity of state interests and the state's actions based on a rational recognition of its options, which are hierarchically ordered (Moravcsik 1998). Yet, in his book The Choice for Europe, Moravcsik attempts to blend in a process of the state's preference formation by describing the way states make their eventual decisions about whether or not to delegate power to the EU or pool their choices in EU institutions (Moravcsik 1998: 24). Nonetheless, intergovernmentalism has a hard time explaining EU policy choices, especially when outside influences or domestic groups are involved. In Jorgensen's words, "Liberal intergovernmentalism offers a sequential theoretical triad, consisting of mid-range theories of interest formation, bargaining, and institutional design. The package also includes a sophisticated methodology and novel ideas concerning thorough theory testing. Unfortunately none of these approaches have been systematically applied in studies of EFP" (Jorgensen 2004: 40). It is essential that researchers who focus on foreign policy making within the EU do not underestimate the domestic intervening variable (DIV) that exists as the interaction between domestic, European, and international actors takes place. Foreign policy entrepreneurship is essential in explaining foreign policy behavior.

In the case of Greece, one can explain some of the ebbs and flows of foreign policy regarding the EU by including a domestic intervening variable (DIV) as well as an international one. Domestic determinants of foreign policy are too important to discard, and leaders' preferences, domestic coalitions, and the degree of issue polarization affect state foreign policy preferences (Kalaitzidis and Felsen 2007). Gerry Alons adds the international dimension to this model by arguing that the international system, its structure, and thus its stability, become an important point of consideration if not a constraint for states' preferences by affecting the states' vulnerability (Alons 2007: 220) He argues that when external polarity is high, then states are more likely to pay attention to domestic interests since the international system is rather stable, given that high external polarity means uneven distribution of power, and the higher the polarity the more stable the international system is (Alons 2007: 219). Consequently, the lower the external polarity, the more the state is inclined to pay attention to the international system at the expense of the domestic interests that are attempting to influence foreign policy, and so on.

Greece thus has to contend with two, sometimes conflicting, tendencies in her foreign policy: first, the adoption of EU norms and procedures; and second, the application of said norms in highly contested fields both domestically and internationally. Greece post-9/11 has seen the Eastern Mediterranean region come under scrutiny because of the developments of the war in Iraq in 2003 and the subsequent Syrian civil war which started in 2011. As the external threats rose, Greece entered its own financial crisis that shook the foundations of the Greek state and changed domestic political norms. Obviously, some resistance to EU norms is expected, especially when it comes to new institutional structures such as the EU Operational Center and the European Defense Agency (Schnell and Terpan 2015). Yet it is the domestic ideological debate that comes with these decisions to comply or not, an internal process for each state, that is more important. In essence, I argue, compliance in the case of Greece became extremely complicated, if not opposed by domestic actors, when the EU externalized the financial problems of Greece and disrupted the patterns of Europhilia in the country. Once Greece came to view Europe as an outsider, the country's leaders became unable to follow many of the EU's policies. For example, a closer look at the refugee issues stemming from the civil war in Syria shows that Greece—instead of complying with the EU directives—engaged in foot dragging on the issue of border controls and was threatened with a suspension of its EU privileges through the Schengen agreement, an agreement that allows EU citizens to travel within several EU countries without passports (Financial Times, 1 December 2015). The easiest way to explain foot dragging is to invoke the difficulties in the adoption of the law, and another is to say that local politics all but made certain the Greeks would object. First, the SYRIZA base is anti-European and in this case of humanitarian need they claimed the moral high ground versus the northern Europeans who seemed to have very little regard for what refugees and the receiving countries of the South were going through. Secondly, even though no particular plan existed that this researcher knows of, the defense minister and head of the junior coalition partner ANEL Mr Kammenos, had on several occasions expressed his view that if Europe did not agree to Greek demands the Greek authorities would let everyone through Greece's borders, possibly including people who intended harm to Europe (Waterfield 2015). So it could be argued that although probably not a conscious purpose, the foot dragging became complete failure to behave according to the norms and practices agreed in the EU treaties.

Greece's Unique Geopolitics and EU Relations

From the moment Greece became a member of the EEC—January 1, 1981— it was obvious that its unique geopolitical position would likely cause problems for Europe, it being the one state with no borders to the European Community in addition to several active foreign policy disputes with neighboring Turkey, a non-member. Considering Turkey's objection to all foreign and defense policy mechanisms that did not include her, it became difficult to have a viable defense policy (Terzi 2002). The natural response of Greek policymakers was to view the EU as an alien entity when it came to foreign and defense policy, not least because of the exclusion of Greek concerns over security by the EU. While a fully functional member of the EU, Greek foreign and defense concerns continued being treated as unique and a result of a complicated dyadic relationship which would be eventually normalized by NATO and EU memberships (Charokopos 2015). Bilateral relations between Greece and Turkey were mostly tense until 1999, when a combination of humanitarian relief operations in the two countries struck by disaster was termed "earthquake diplomacy" and saw the thawing of relations between the two countries. This was a rather major breakthrough considering their relations had broken down completely at least during the 1996 Imia Crisis, when the two adversaries almost came to blows (Litsas 2014). What was the position of the EU at that time?

According to Kayhan, Sykakis and Tsantouris:

> If a scholar examines the reactions of the European Union and its institutions, he/she will probably conclude on the following: First, there was a differentiation in the attitude of the EU institutions. Second, there was not any collaboration among the institutions. Third, there was an absence of a cohesive policy by the EU. Fourth, the intergovernmental body, the Council of Ministers, took position on this issue late. (2004: 16)

According to Bahar Rumelili:

> [T]he EU failed to have a positive impact on Greek-Turkish relations because a) until the 1990s, the EU chose to keep out of Greek-Turkish

> disputes; b) after the 1990s, Greece was already a member, and the membership carrot for Turkey lacked credibility; c) Turkey perceived the EU as 'captured' by Greece; d) Greece perceived the EU as an attractive lever to be used against Turkey; e) the characteristics of Greek and Turkish political cultures impeded Europeanization of policymaking; f) weakly institutionalized democracy and insufficient civil society development in Turkey and Greece hindered the formulation of alternative perspectives on disputes; g) problematic identity relations of Greece and Turkey with 'Europe' led to imperfect and ambivalent internalization of European identity and norms. (Rumelili 2004: 122)

It seems the foreign policy and security threats for Greece diverge from those of the EU precisely because of the dyadic nature of the Greek-Turkish relationship. The EU not only has not viewed that relationship as one of a member state versus an outsider, but in addition to acting as an impartial mediator rather than an ally it is currently isolating even further their own member state.[5] The EU has increasingly taken steps to isolate Greece, mainly because of growing mistrust towards its newly elected government. The most egregious example of this is the EU effort to help the Former Yugoslav Republic of Macedonia (FYROM) "ringfence" Greece in order to avoid refugees walking though the border and heading towards central Europe (Financial Times, January 22, 2016). It is indicative that while the EU and its partner institutions the European Central Bank (ECB) and the International Monetary Fund (IMF) were demanding severe concessions from the Greeks, the only country to help was the USA (Sideris 2015). The Greek state became a "failing" state within the EU institutional structure, and so the Greeks tend to view the community as not trustworthy (Litsas 2014). No wonder the Greek public no longer trusts the EU institutions. Levels of approval by the Greek public towards EU institutions are according to Eurobarometer now as low as 25 percent in terms of trust (Eurobarometer 2014: 83).

Greece's European Identity Crisis

There is no better illustration of the three-level game that is politics in Europe today than the area of foreign policy. It pits the national, the supranational, and the international against each other. Essentially, there are areas of competency in which the EU and the national can overlap and find themselves at odds, despite the stated aim of the Common Foreign and Security Policy (CFSP) being to present a unified front in areas where major "European" interests are at stake, such as trade negotiations etc. Most importantly, this overlap is causing an identity crisis for the continent. Between the Treaty of Maastricht when the European Economic Community ceased to exist and a "political community" began its life, and the Treaty of Lisbon, the attempt to salvage what was left of the sinking European Constitution idea became evident. On December 13, 2007 the EU agreed to adopt the Treaty of Lisbon by 2009. It gave the EU Parliament additional powers, moved 45 policy areas, which previously needed unanimity vote, to the realm of weighted voting, and created the position of the EU president and the position of the high representative (HR) of the Union in foreign affairs and security policy. Famously, early in the Common Foreign and Security Policy's (CFSP) life, Henry Kissinger had ostensibly quipped about not having a counterpart, mostly because he could not see major European powers having a common line on issues that are in the absolute national interest (Reinisch 2012: 241). The position was created and has been existed for a while, but the EU foreign policy has become more complicated rather than less. Kissinger's assumption was that a single political office could operate beyond the reach of domestic politics, a standard line of thinking in realist politics, which views the state as more or less unified. In Europe, the HR position is equivalent to the secretary of state (or minister of foreign affairs), but the ability to represent is not catholic and depends on the issue at hand. In essence, the HR position is an ad hoc office despite the existence of an entire diplomatic service behind it. Albert Bressan noted:

> As could be expected under the Lisbon Treaty, Europe has begun to draw up a long list of the issues on which it wants to make a difference through the pursuit of a 'European' foreign policy. Yet the way this seems to be happening may in fact dilute rather than strengthen Europe's capacity to act on the world scene in a manner similar to that of state formulating and executing foreign policy. (2011: 60)

The real reason why this seems to be happening is that, unlike other areas of competency, Europeans seem to be finding it hard to institutionalize a process by which EU values can translate into concrete policy; this is precisely because the national levels have not yet been able to absorb and internalize the changes that are part of becoming a member of the EU. Bressan goes a bit further:

> Europe is experiencing this increasing difficulty in turning "diversity" into "unity". The trend towards denationalization of perspectives and policies is now stronger than it has been for a long time. (2011: 75)

Was it really a surprise to anyone that most of Eastern Europe was eager to participate in the 2003 invasion of Iraq by the USA? In his effort to explain the said rift in the EU between new EU members in Eastern Europe and the Franco-German group which viewed the invasion of Iraq as a folly, US Secretary of Defense Donald Rumsfeld came up with one of the most memorable quotations about Europe of his tenure. He said "You are thinking of Europe as Germany and France. I don't. I think that's old Europe" (Hooper and Black 2003). This example can be better elaborated on, in the case of Greece. A member of the EU since 1981 and far older than its Eastern European partners, Greece illustrates the difficulty the EU is having coordinating a 'European foreign policy.' Again consider the cases in which the Greeks would have expected the help of their allies in terms of foreign policy coordination before the crisis, such as a number of issues in the Balkans with the collapse of Yugoslavia, the Albanian civil war, and then issues that stem from the unique relationship with Turkey. The entire edifice of EU foreign policy would be considered impotent if not hypocritical when it came to Greece's concerns. For those concerned with Greek foreign policy, the EU has been nothing but a an evasive neutral.[6]

It so happens that Greece is suffering from both internal centrifugal forces, because of issues of identity and what it means to be Greek in the EU, and the heightened external pressures that come with being the EU boundary state to a region in shambles. Internally, Greece historically had to cooperate with a rather small minority of detractors of its European choices. Yet Greece has now the lowest approval rating of the EU among the member states (Eurobarometer 2015: 84). The financial crisis that hit Greece very hard in 2010 has revealed the weaknesses of the European project in term of promoting its Kantian ideals, to use Bressan's terminology. There is a pair of forces that both work centrifugally to the uniting idea of the European Union itself: first is the external pressure of having to always prove yourself a true European. It was inevitable one would argue that the northern Europeans quickly developed colonial attitudes towards the unruly countries of the European periphery, which came to be known as P.I.G.S from the initials of Portugal, Ireland, Greece and Spain. Name calling, barb trading and mutual public disdain only led to the European level being perceived as a lost cause for the Greeks. The financial crisis exposed much of the cultural rift between Greece and its partners. The treatment of the media of both countries verged on racist (Tzogopoulos 2013). The German tabloid press had a field day, but the problem was really that politicians followed suit; for example, when German MPs suggested that Greece sell the Parthenon to repay its debts (Imman and Smith 2010). The Greeks responded in kind with their own accusations that the Germans had failed to repay the gold the Nazis appropriated from the Central Bank of Athens during the German occupation, 1941–44, during the Second World War (Brabant 2010). It seemed that during 2010, every week there was a new communication low among countries that were supposed to be partners, and, thus, European and Greek politicians turned and catered to the domestic audience exclusively, which only exacerbated relations. The feud therefore actually consumed not only the tabloids and the public but many politicians, and it continues to this day. The entire negotiating process was colored not by friendly attempts to solve problems but angry battles and personality clashes (The TOC 2015).

The second force, is that of domestic anti-European elements of various political and demographic backgrounds, which found it very easy to sway public opinion by using traditional populist campaigns. The crisis become kingmaker for scores of political and ideological groups in Greece and other countries. Greece is experiencing a rather steep decline in income and a joblessness rate that rivals the numbers of the Great Depression, and the forces questioning the wisdom of participating in the European project not only became louder but at one point they became the government. The two-and-a-half party political party structure of Greece was quickly destroyed when the socialists were marginalized and fragmented while the conservatives bled members to the populist and extreme right-wing parties (Kalaitzidis and Zahariadis 2015).

However, the electoral results of January 2015 underscored that some of these changes are going to be lasting. The Greeks followed a pattern familiar from other countries. Disillusioned with modernization, disgruntled voters dumped PASOK's Kostas Simitis and elected Kostas Karamanlis, ND's leader, in 2004. He promised to improve the economy, stamp out widespread corruption, and promote a more transparent and effective state administration. Rising unemployment and inflation, inability to reform higher education, an inept response to wildfires in 2007, and failure to control protracted violence following the shooting of a 15-year-old student in December 2008 lowered expectations and damaged his standing at the polls. The financial audit of the Greek economy in 2004 showed significant weaknesses. It increased political tension by predictably blaming the previous socialist government for the economic mess, but it also undermined Greek credibility among EU allies. Populism became the most important tools of electoral success in 2004, with the socialists publicly expressing their opinion that Greece was doing better than the conservatives were letting on. PASOK leader Giorgos Papandreou, during the 2009 parliamentary elections, famously said "there is money," which off course turned out to be a flagrant falsehood. The expression itself was an answer to the conservative leader Karamanlis, who argued that Greece was about to face severe budgetary problems. Of course in 2009 people had not yet been struck by the enormity of the crisis, and voted for the socialists who then collapsed under the weight of the problems.

The conservatives responded with denunciations of the financial bailout package announced by Prime Minister Giorgos Papandreou at the remote island of Castelorizo in 2010. For example, Antonis Samaras, prime minister from 2012–15, refused to approve the first bailout package in 2010, even though he claimed to agree with most of the terms, because his party's vote in parliament … was not needed (Zahariadis 2013). He refused to go along with reforms undertaken by the provisional government stitched together in November 2011 even though his party supported and participated in the government! As a result and despite some success in reducing budget and current account deficits, the government's "success story" continued to be undermined by populist rhetoric and credibility deficit in the eyes of the voters (Tzogopoulos 2013). Finally, Alexis Tsipras, leader of the Coalition of the Radical Left (SYRIZA), the main opposition party, took the populist rhetoric to new heights in his efforts to win the elections. He not only derided the previous two parties for being subservient to the German demands, thus completely dividing Greece into German-friendly and anti-German Greeks, but also promised to make the international market dance to the tune he would call (Tsipras 2015a, b). He envisioned that the Greek resistance to the neoliberal demands of its EU partners would not only change Greece's relationship with the EU but also change the EU itself. In his mind, he who called the piper called the tune, to use the old adage, but alas no one told the Greek people that he who calls the tune also pays the piper. In his speech to the first party congress in July 2013, he claimed that "scrapping the memoranda and renegotiating the loan deal is the basis on which we will establish the roadmap for an exit from the crisis" (Konstandaras 2013).

Predictably, his efforts at a negotiation with the "hated" Troika ended up in total failure, with the closure of Greek banks and the levying of capital controls and a new bailout agreement. SYRIZA, a coalition in itself, fractured under the weight of undelivered promises and the economic slump that came after the failure of the new negotiation. Two main groups emerged from the split: those who were apparently angling for a return to the Drachma, the pre-Euro currency, among whom were the first female president of the Greek Parliament, Zoi Konstantopoulou, and the minister of economics responsible for the negotiations, Yiannis Varoufakis. On the other side were those who understood that a Greek return to the Drachma would be an economic catastrophe of enormous proportions, among them Alexis Tsipras. By the end of June 2015 the entire continent held its breath, expecting the country to default (Reuters 2015). In an apparent effort to gain momentum for the Greek position the Greek government resorted to declaring a referendum on EU membership, though the terms of the referendum were so convoluted that the public wondered what they are voting on. To this author, it seemed to be a referendum on EU membership. The results of the referendum were undeniably on the side of the government, which, according to its plan, would force the Europeans to capitulate and offer better terms to the Greek side. On the July 5, 2015, the Greek public predictably sided with its own government only to witness that government fold and sign a new painful agreement with its creditors. SYRIZA, by now fragmented into two parties, went to election having negotiated for a new coalition government with the populist right wing ANEL. It won, while the breakaway faction did not even reach the necessary 3 percent electoral threshold to enter parliament. Populism, it seems, was the clear and total winner of that election; Greece and its position within the EU were the loser.

The second force is one that is more subtle and rather worrisome because it affects the relations between the national and European levels of policy making. This force is the result of the colonization of the state by the party (Kalaitzidis and Zahariadis 2015). The essential conflict in the EU post 2001 EU is that globalization and regionalization have to work in tandem but sometimes do not. Especially when the case involves issues of identity which foreign policy is par excellence, the forces of nationalism resist what they see as the erasing of history and ethnicity. In addition to identity issues there is also plain self-interest as a motivator to resist adopting European standards in Greece. If the largest employer in Greece is the Greek state and the changes demanded by Greece's lenders are mainly directed at a profligate state, it follows that the state will be most resistant to these changes. Greece went from Europhile to Eurosceptic in the span of a couple of years. Once the vast majority of the Greek public agreed the Europe was the problem, they had to adjust their worldview. The party-political arrangement in the Greek parliament may clearly indicate Greece's confusion about its future and its views on foreign policy. There is no clear dominant party. The government is a coalition of a leftist coalition and a right-wing nationalist party. The third party is the ultra-nationalist Nazi party called "Golden Dawn." Naturally, foreign policy became a renewed exercise in ancestor worship. Tziampiris notes:

> Too much History poses some unique problems for the modern Greek nation and also for its academics. For one, there is a tendency associated with the inimitable word προγονοπληξια, rendered in English translations as "stricken by ancestors." (Tziampiris 2015: 64)

It becomes a vicious cycle by which the filtering of Greece's foreign policy choices through an anti-European perspective will inevitably create negative feedback, by which the Greek public will come to object to Europe more and see themselves increasingly separated from the EU.

Conclusions

About 30 years after Greece joined the EEC, realists would feel vindicated looking on at the squabbling European leaders disagreeing about how to deal with the civil war in Syria and an increasingly swelling wave of refugees trying to cross in to the EU. In essence, there could be no better way to highlight the problems with a Common European Foreign and Security Policy than the war in Syria. A huge number of refugees is fleeing the war-torn nations of the Middle East and South Asia during an economic downturn not seen since the era of Eurosclerosis in the 1970s. The EU member most affected by the sea of humanity that is washing ashore is Greece. The EU has not only failed to aid of the refugees—something which in itself is problematic for a Kantian political authority which aspires to be a global force for good—but has failed to come to the aid of its own member states facing the largest immigration influx since the Second World War (The Guardian 2015).

Greece's foreign policy during the European financial crisis illustrates the importance of the domestic perspective in foreign policy studies. In addition, this case study of Greece highlights the complexity of the sui generis system that the EU is attempting to create and the pitfalls of what Ernst Haas termed "High Politics" (Haas 1957). Greece's foreign policy has been for a long time colored by its dyadic relationship with Turkey, and its concerns were not adopted by the Europeans. This in turn produced a negative reaction at the time of the crisis that questioned Greece's Europeanness.

Notes

1. http://www.dw.com/en/greek-pm-tsipras-makes-rare-visit-to-turkey-over-migrant-crisis/a-18857805.
2. Ekathimerini http://www.ekathimerini.com/203561/article/ekathimerini/news/tsipras-davutoglu-agree-to-improve-coordination-on-refugees To Vima, english, http://www.tovima.gr/en/article/?aid=755237
3. A cursory looks at the works of Tsardanidis and Stavridis, Stavridis, and Tziampiris provides an indicative line of this argument.
4. See discussion by Brian White (2004: 11–31).
5. My thanks to Professor Litsas for this important point.
6. The "evasive neutral" is a term used to characterize the role of Turkey in the Second World War by professor Weber. See also Litsas (2014) for an analysis of the Imia Crisis and the Kastelorizo negotiations.

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Looking for an Oasis of Support: Greece and the Gulf States

Asteris Huliaras and Sophia Kalantzakos

Introduction

A recent review of European Union (EU)-Middle East and North Africa scholarship noted that there is "a paucity of studies dealing with EU–GCC [Gulf Cooperation Council] relations" (Cavatorta and Rivetti 2014). Indeed, this academic neglect has perhaps taken its cue from the relative inertia of EU officials in strengthening institutional relations with the GCC. A report of the European Parliament (2010: 2) noted that "the Gulf region … has long been neglected by EU policymakers, who do not manifest a strong political will towards it". And two researchers concluded in 2014 that "there is still no concerted EU policy in the Gulf beyond the thriving bilateral activities of some EU member states" (Demmelhuber and Kaunert 2014).

While this picture seems telling, it is now not entirely accurate. The attention of European policymakers and scholars has shifted in the direction of the Gulf as a result of the Arab Spring and the spread of the Iraqi conflict

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into Syria. The most recent mass exodus of Syrian and other migrants to Europe has increasingly transformed the wider MENA region into a source of instability and a growing security threat resulting from failed states and the violent rise of ISIS—after the Paris bombings, increasingly referred to as DAESH—(Stone 2015). The crucial role of the countries of the Gulf in the fight against Islamic fundamentalism is therefore another factor for growing scholarly interest. Numerous articles, reports and books have been published within the last two years on the EU–GCC relationship with a prevailing security slant. European diplomatic activity increased as well, though it still has not secured concrete multilateral agreements. However, the increased academic research output continues to be confined either to security and, secondarily, economic aspects of the Gulf's relations with the West or to the foreign policies of a few powerful European countries that have strong and long-established contacts, agreements and relationships with the region, especially the UK, France and Germany (Legrenzi 2015; Ulrichsen 2015; Bicchi et al. 2015).

While the EU–GCC relationship remains the larger European framework for working with the countries in the Gulf, it is through bilateral negotiations that smaller EU member states can hope to build concrete, cooperative and productive ties in the GCC space. Until now, there has been extremely limited research on the foreign policies of smaller European countries towards the region, and on the ways that these interact with EU policies.

This chapter aims to partly cover this gap by studying Greece's relations with the GCC area. It attempts to define and analyze the actors and the factors that shape the Greece–Gulf relationship and to understand how a small European state in the middle of a serious and deep economic crisis tries to attract the attention of distant, but economically powerful, actors within the parameters of the wider European framework.

The chapter proceeds in the following way: the first part examines in brief the international politics of the countries of the Gulf—emphasizing current issues; the second part analyzes EU-GCC agreements that regulate Greece's trade relations with the region and presents the main challenges that Brussels confronts; the third part presents Greece's bilateral relations with the Middle East and North African (MENA) region, starting from an historical perspective but focusing on more recent developments. The fourth and final part tries to reach some more general conclusions that may be of use in the study of similar cases.

Strategic Challenges in the Gulf

The GCC was formed in 1981. It has been argued that the main impetus for its formation at that time was the growing security concern that followed the Iranian Revolution of 1979 and the start of the Iran-Iraq War of 1980 (Pradhan 2011: 265). There was a legitimate worry that post-revolutionary Iran would spread Shia radicalism to the Gulf countries, which was additionally fueled by GCC perceptions of Iran as a state seeking to play a growing regional role based on its ideology of civilizational supremacy.

Iranian occupation of three disputed islands in the Gulf claimed by the United Arab Emirates (UAE) has further contributed to GCC views of Iran as a hegemonic actor, solidifying concerns that Tehran may attempt to fully control the Strait of Hormuz (Pradhan 2011: 267). Iran's persistence in launching a nuclear program has further aggravated the lack of trust, leading GCC countries to embark on civilian nuclear programs of their own. Moreover, GCC leaders increased military cooperation and political coordination.

The Arab Spring raised new warning signals for the Gulf, putting Iran's behavior and capabilities under the microscope, especially following the uprisings and events in Egypt and Bahrain, in the Eastern Province of Saudi Arabia, in Yemen, and Syria. By 2011, an analyst concluded that "the traditional Arab perception of Iran as a dominating and expansionist power … colors the thinking in the GCC countries" (Pradhan 2011: 274).

Since then, as the Sunni Arabs have become increasingly marginalized in the new Iraq, and as Iran has increased its influence throughout the region—especially in Iraq, Syria and Yemen – these perceptions remain stronger than ever. Today, the deployment of military forces and the provision of arms and money to Iraq and Yemen by both GCC countries and Iran indicate that suspicions are running high and relations remain tense (Economist 2015).

To fan the fire of insecurities and military build-up, questions about US 'disengagement' from the region have been worrisome to the GCC states. Following decades of active intervention in the area, the US has been attempting to withdraw from the conflicts in Iraq and Afghanistan, and strategically pivot toward Asia where the rivalry with China is growing. Coupled with increased energy independence as a result of hydraulic fracturing, the US is clearly signaling that it is time for its Gulf Allies to take on new responsibilities (Shayji 2014). In response to these developments, the

GCC summit in Doha in 2014 agreed to "a plan to establish a joint military command and joint naval force to be based in Bahrain, and supported by an Abu Dhabi-based *Gulf Academy for Strategic and Security Studies*" (Katzman 2015).

While the security relationship with the GCC countries remains of pivotal importance, there are noticeable differences between the Gulf States on a number of policy issues. Of particular concern for Gulf States is the rapidity of the rapprochement and normalization of US relations with Iran. The local monarchies hold different views from the Obama Administration on several issues, but most important is the US rapprochement with Iran: they worry that the recent nuclear deal signals "… American acceptance of Iran's hegemonic regional ambitions" (Al Shayji 2014: 61). There were tensions over the nature of the Arab Spring. Its contagion made GCC leaders view it as a threat, while US inhibitions turned into support for democracy and freedom, once a number of regimes were toppled as a result of the upheaval. Moreover, disagreements loomed over policies vis-à-vis Syria, Iraq and Bahrain and have made the US–Gulf relationship even more complicated. It is the agreement of major powers with Iran on the nuclear question, however, and the rapid change of the world community's relationship with Tehran that has increased concerns about the importance of the Gulf's strategic significance for Washington, and has led to questions about whether this rapid change of stance will prove a wise strategy in the long run for all parties involved.

Disagreements on alliances and foreign policy are also prominent in the GCC itself. Qatar, for instance, maintains close relations with Iran and has actively supported the Muslim Brotherhood in Egypt and elsewhere (Guzansky 2015a: 114–115; Colombo 2012: 116–118). At the same time, Saudi Arabia declared the Muslim Brotherhood, a "terrorist organization". The UAE has also taken a more assertive stand toward regional Islamic movements, particularly when they are linked to the Muslim Brotherhood. On this position, they are aligned with Saudi Arabia and Bahrain. This specific foreign policy difference with Qatar led the UAE, Saudi Arabia and Bahrain to recall their ambassadors from Qatar in March 2014. The rift was repaired in November of that same year (Katzman 2015), when they all agreed to further coordinate their foreign policies in order to avoid working against each other's interests. The UAE would also prefer to separate the issue of the disputed islands from economic considerations: after all, the UAE is Iran's largest trading partner and Dubai is host to around 400,000 Iranian nationals (Guzansky 2015a: 115).

Oman, with its extensive commercial ties with Iran and its relatively modest military capabilities, continually emphasizes its traditionally independent foreign policy, although it remains an active broker in heated disputes. The Sultanate has decided not to join the tighter Gulf Union proposed by the Saudis. Thus, as Guzansky has argued, "the competition between Iran and Saudi Arabia set[s] the Gulf's security agenda, with the smaller Gulf monarchies maneuvering between them" (2015a: 119).

While there are differences, the GCC is not in fact as split in its foreign policy agenda as some analysts argue. Most of the Gulf monarchies would like to curb Iran's hegemonic ambitions and limit its exploitation of the Sunni-Shiite feuds, because their own ethnic and religious composition could leave them exposed to outside interference. Bahrain, for example, with its depleted energy resources and its delicate sectarian composition (a Sunni minority ruling over a Shiite majority) has become a strong supporter of closer cooperation among GCC countries (Guzansky 2015a: 116). And several disagreements have been solved with the help of Kuwait's Emir who "has been active in fence-mending mediation" (Al Shayji 2014: 68). Moreover, though in the beginning Saudi Arabia and Qatar had supported different parties and factions related to the Arab Spring, gradually their policies converged, leading to a "division of labor", a division based on an external/domestic dichotomy: "counter-revolutionary inside the Gulf and pro-revolutionary outside of it" (Colombo 2012: 119). Riyadh took the lead during the Yemeni and Bahraini uprisings, leaving Qatar to play the leading role in the Syrian revolution. Later, Saudi Arabia supplanted Qatar as the leading supporter of the Syrian rebels. This convergence of Qatari and Saudi foreign policies largely reflected the change of leadership in Qatar (Economist 2013).

As the situation in the wider MENA region remains explosive, the US has had to make significant efforts to strengthen the relationship with the GCC, creating a US-GCC Strategic Cooperation Forum and discussing with all six countries as a group, treating the GCC, at least at the security level, as one bloc (Al Shayji 2014: 68). Other actors, however, have been given space to operate with the Gulf, while the US remains present but less engaged than in the past. These developments offer new opportunities for the EU and its member states. The Europeans have also been encouraged by Washington to undertake more responsibilities—especially at the security level—in the region as part of "burden-sharing". As early as 1990, Henry Kissinger had noted that "over a period of ten years, many of the security responsibilities that the United States is now shouldering in the Gulf ought to be carried out by the Europeans who receive a larger share of oil from the region" (US Senate 1990). Nevertheless, the EU, cognizant of the fact that relations at the institutional level have remained static, is more inclined to abandon its multilateral approach and deal with the Gulf monarchies individually.

The EU and the Gulf

EU–Gulf relations are based on the 1988 Cooperation Agreement that came into effect in 1990. The GCC's establishment of a customs union in 2003 gave a new impetus to negotiations with the EU, and there was hope that the first ever region-to-region Free Trade Agreement (FTA) would be signed (Antkiewicz and Momani 2009: 218). However, in December 2008, the negotiations were suspended, signaling significant disagreements. There was renewed hope of success for regional cooperation when, in 2010, the Joint Action Program (JAP) was approved by the EU–GCC Joint Ministerial Council meeting in Luxembourg. It contained 14 priority areas with suggestions for cooperative initiatives (European External Action Service 2010). As a result of this program, several projects were initiated creating "a variety of networks whereby individuals and institutions from the GCC states and the EU c[a]me into regular contact to exchange information and expertise" (Koch 2013: 10). However, in 2013, the parties failed to produce a new JAP. In 2015, the 24th GCC–EU Joint Ministerial Meeting was held in Qatar. The final communiqué noted vaguely the "determination to address together common political, social, economic, and security challenges".[1]

It is abundantly clear that multilateral cooperation between the EU and the GCC has stalled. The impasse is unfortunate for both sides. While both the EU and the GCC could be considered as leading examples of regional cooperation and integration, there are obstacles and weaknesses that hinder a more productive collaboration, even though a strategic dialogue between the parties is warranted (Colombo 2015).

The EU is the first trade partner of the GCC, accounting for 13.8 percent of its total trade in 2014, followed by China, Japan and India with around 11 percent each. The GCC is the EU's fifth largest export market. EU-GCC total trade increased spectacularly in recent years from €100.6 billion in 2010 to €148 billion in 2014. About three-quarters of EU imports from the region are fuel and mining products, while its exports are manufactured products, mainly machinery, transport, equipment and chemicals. The value of EU exports of goods to the GCC is almost double the value of its imports. As far as the trade in services is concerned, the EU also maintains a surplus (€24.3 billion in exports compared with €12.4 billion of imports) (European Union 2015).

Nonetheless, the EU's share of the GCC trade is falling. In the words of an analyst: "Six or seven years ago the EU accounted for about 31 percent of Saudi's imports, but now that is down to 25 percent, while China has doubled its share during the same period" (EUI 2014: 18). The same is true of investment. Traditionally, GCC countries have invested heavily in the EU and the US. However, their investment is mainly of the portfolio type—bonds, shares etc.—and, as a result of the recent economic crisis in Europe, GCC countries have increasingly been directing their investments to Asia (Toksoz 2010: 205).

The failure to conclude a FTA has been attributed to several factors. An important issue was repeated EU attempts to include political clauses (Demmelhuber and Kaunert 2014: 579). The particular push came mostly from the European Parliament, which requested a series of political reforms in order to endorse such an agreement (Colombo 2015). On the part of the EU, moreover, the low level of Europeanization of EU policies toward the GCC played a negative role in negotiations, especially since, as previously mentioned, member states' bilateral ties still dominated the discussion. Another significant aspect that hindered an agreement was a condition posed by the EU in order to "stabilize carbon dioxide emissions and improve energy efficiency". To achieve these aims, "the EC proposed a new energy and carbon dioxide tax aimed at lowering imports" (Colombo 2015). This would adversely impact the GCC countries that are fossil fuel exporters.

Political disagreements aside, there are major areas of dispute between the EU and the GCC that impeded progress on the FTA such as tariffs, export subsidies and public procurement. A study funded by the Commission concluded that it would be the GCC—not the EU—that stood to gain the most from a FTA (PWC 2004: 105). However, rather strangely, EU member states "have not contested the EU-GCC FTA" (Antkiewicz and Momani 2009: 222). Two sectors, specifically, dominated negotiations: petrochemicals and aluminum. Within the last decades, the GCC countries moved away from relying on basic petroleum exports and moved into the production of high-value-added petrochemicals. Thus, the GCC asked for a reduction of the relevant EU trade barriers (PWC 2004: 164).

Gradually, the main issue in the negotiations became the GCC export subsidies to its petrochemical industry. For many years, the EU's petrochemical lobby forcefully fought against trade liberalization, arguing that the double pricing policy of raw materials by GCC countries constituted an indirect subsidy that would result in dumped imports entering the EU. The European Council of Chemical Manufacturers' Federation exerted significant pressure on the Commission to charge GCC countries, especially Saudi Arabia, with anti-dumping measures (Antkiewicz and Momani 2009: 227). However, the Saudis managed to convince the World Trade Organization that export prices reflected added costs. This has put an end to the EU petrochemical industry's allegations (European Parliament 2010: 11).

The second issue of trade disagreements was related to aluminum. The GCC had become a significant producer of aluminum products—almost 10 percent of global output—while the EU imposed a 6 percent duty on aluminum imports (Antkiewicz and Momani 2009: 224). Any liberalization of trade was expected to have adverse effects on the EU aluminum industry.

Though some progress has been made within the last few years, it seems that trade continues to dominate the talks. As aptly put by an EU official ten years ago:

> "The EU position is that we can offer some compromise and give some possibilities, but we cannot allow a completely free hand, otherwise it is not a real FTA" (EUI 2014: 19).

In addition, negotiations seem to have stalled because of GCC countries' "lack of transparency in public procurement procedures and barriers to entry for foreign investors in the services sector" (European Parliament 2010: 11).

A third and important factor for the failure to conclude a FTA was the disagreements among GCC members themselves. This is partly related to the different benefits that a FTA would bring to them (with Saudi Arabian petrochemical industry—especially SABIC—and the Bahrain aluminum industry benefitting the most), but it also reflected the difficulties of GCC countries to act unanimously. EU officials noted that GCC monarchies with domestic social contracts are antithetical to the concept of giving supranational authority to the GCC secretariat and, as a result, it is "structurally difficult to come to an agreement" (as quoted by Antkiewicz and Momani 2009: 223).

In many respects, the GCC—with its lower degree of institutionalization—"had very little experience in collective diplomacy and interregional dialogue and their negotiation team did not have a proper mandate" (Baabood 2003: 274).

A European Parliament report (2010: 20) suggested that, "given the institutional weaknesses of the GCC Secretariat and the previous episodes of regional divisions", the EU "should adopt a hybrid approach, consisting in maintaining some relations on a multilateral basis while at the same time starting a more substantive approach to the individual countries". In a sense, this was a belated adoption of US economic policy in the region that generally preferred signing bilateral FTAs with GCC members (Antkiewicz and Momani 2009: 231).

There continues to be no specific time-horizon for finalizing the FTA, although events such as the 2013 EU decision to end the system of Generalized System of Preferences for the GCC starting from January 2014, which led to the taxation of GCC petrochemical exports to the Union, may "pressure the GCC to conclude the FTA" (Konstandinova 2013: 10).

Greece and the GCC

As the EU and GCC seek ways to restart their inter-regional relationship, member states of the EU cultivate their own ties to the region. While it is the United Kingdom, France and increasingly Germany that have long-standing ties in energy, security and trade, smaller members like Greece have been looking for ways to strengthen their relations, especially in the economic sector.

Greece has traditionally maintained strong ties with the Middle East. It was the only European state, for example, to vote against the partition of Palestine in the UN General Assembly in 1947 (Tsakaloyannis 1983: 128), and since then it has consistently backed the Palestinian cause.[2] Even the leaders of the pro-US military dictatorship (1967–74) had refused to grant the US over-flight or ground facilities to supply Israel with arms during the 1973 war, while allowing the Soviet planes to pass through Greek airspace for the airlift of military supplies to Egypt (Tsakaloyannis 1983: 128). As a result, Greece was excluded from the Arab oil boycott.

In the 1980s, Greece developed even closer relations with the Arab world. This largely reflected a policy aimed at gaining support in the dispute with Turkey. Andreas Papandreou's October 1981 decision to raise the status of the Athens Information Office of the PLO to the same diplomatic level as Israel's representation in Greece (Keesing's Contemporary Archives 1982: 31264) was a clear response to Turkey's 1978 decision to accord a similar diplomatic recognition to Arafat's representatives in Ankara (Mackenzie 1984: 19). The PASOK Government's rapprochement with the 'radical' Arab regimes of Syria and Iraq was aimed, in the words of Greece's Foreign Minister Papoulias, at "detaching them from the influence of Turkey" (Oikonomikos 1987: 8). Furthermore, the diplomatic recognition of the PLO was based "on the similarities between the Palestinian and the Cyprus tragedy" (Huliaras 1990: 164).

Yet there were also economic factors behind the Greek-Arab relationship. Since the 1970s, some Greek companies had achieved a prominent role in the Arab world where they were executing significant construction projects. Furthermore, the Arab markets were important for the export of Greece's agricultural products. The Arab world continued to be the second-largest export market for Greece (after the EC) throughout the 1980s and the first half of the 1990s.

In the first half of the 1980s, however, the Greece's extreme pro-Palestinian stance complicated relations with moderate Arab regimes (especially in the Gulf) and Syria, and led Athens to gradually adopt a 'lower profile' in the region. In 1988, a Greek diplomat said that "even the PLO is thinking of recognizing Israel. Why not we?" (quoted in Huliaras 1990: 173). Finally, in 1990, the newly elected New Democracy Government granted Israel de jure recognition (Abadi 2000).

While the Greek-Turkish relationship and the division of Cyprus remain high on Greece's foreign policy agenda, these issues have also been Europeanized. The entrance of Cyprus into the EU during the wave of enlargement that officially ended Cold War divisions on the Continent allowed Greece some respite because Cyprus was now a member of the European family.

A constraint to the development of Greece's relations with GCC countries was the close relationship between Athens and Tehran. The fact that Iran's relations with Turkey were strained gave the incentives to Greek foreign policymakers to seek a political rapprochement with Tehran. In 1997, Iran, Armenia and Greece signed a Treaty of Friendship and Cooperation that included a clause on military cooperation. The Greek defense minister noted that his country aimed at developing a military partnership with Syria, Iran, Iraq, Armenia, Bulgaria and Russia, "that is with all countries that have problems with Turkey" (quoted in Mirzoyan 2010: 123). Greece's NATO partners reacted negatively (Stratfor 1999) and Armenia finally decided not to join the military bloc (Mirzoyan 2010: 123). Athens also had second thoughts on the real potential of such a military rapprochement, and defense cooperation was largely abandoned. However, a trilateral cooperation was established, with officials from Armenia, Iran and Greece meeting regularly to discuss common projects on energy, transport and investment. Though not much was achieved, Iran gradually became an important provider of Greece's energy needs, offering extremely favorable credit terms that allowed Athens to buy Iranian oil on 60 days' credit without the need for bank guarantees (Patterson 2013: 134). In the 2006–11 period, Iran ranked first among Greece's oil suppliers (Brakoulias et al. 2015). In 2011, as major oil companies and banks refused to provide oil credit to a bankrupt Greece or asked for high-risk premiums because of the possibility of Grexit, Tehran agreed to provide a credit line. Thus, Greek oil imports from Iran exceeded 50 percent of the country's needs (RT News 2012). However, the 2012 decision of the EU to impose a ban on the import of Iranian oil was a major blow for the relationship. Greece—which was the EU country that was expected to lose most from the embargo—was pressured by Washington to accept the sanctions (Patterson 2013: 134). In the end, Greece as well as Italy and Spain were partly successful in persuading their EU partners to grant them a longer transition period in order to find alternative supplies. Athens was able to replace Iranian oil with imports from Russia, Saudi Arabia and Iraq (Giumelli and Ivan 2013: 18).

In parallel, Greece tried to find ways to attract Iranian funds. In October 2015, an Athens newspaper revealed that the Greek general secretary for international economic relations had visited Tehran to persuade the Iranians to buy Greek government bonds (Ta Nea 2015). It can be argued that Greece's relationship with Iran did not act as a serious constraint for the development of ties with the GCC (Interview 1); indeed it may have acted more as a disincentive, since Iran provided much of the country's oil needs.

Another development that initially seemed to have the potential to endanger relations between Athens and the Arab World was Greece's rapprochement with Israel. Turkey's rift with Israel in 2009 hastened and intensified cooperation between Israel, Greece and Cyprus (Tziampiris

2015). However, the relations with Israel—which soon expanded into several sectors, ranging from energy to military cooperation—did not seem to have a direct impact on relations with the Arab world and the GCC in particular.[3] This is partly related to Tel Aviv's relations with the GCC: though Israel does not have official diplomatic relations with the countries of the Gulf, the common threat, Iran, has led to the maintenance of active, albeit tacit, avenues of communication (Guzansky 2015b). As a result, Greece's growing ties with Israel have not acted as a constraint for cooperation with the GCC.

From Security to Economics

Greece's adoption of the euro in 2001 coincided with high growth rates and a campaign to attract foreign investment. A shift to 'economic diplomacy' soon became visible. A clear indication of the new priority was that the Kostas Simitis Government decided to incorporate commercial attachés, employees of the Ministry of National Economy, into the Ministry of Foreign Affairs. While this was a sound decision, it remained problematic in its execution. Unfortunately, as we will discuss later on, the Ministry of Economy, Infrastructure, Maritime Affairs and Tourism continued to maintain the responsibility for foreign direct investment, creating a bureaucratic division that has complicated efforts to broker important economic deals. Therefore, despite efforts to facilitate decision making and improve coordination, Greek foreign policy has remained largely separate from foreign economic policy throughout the last 15 years.

Because of its traditionally good relations with the Arab world, the dominant perception was that relations with Gulf states would automatically and naturally produce fruit that would benefit Greece in its time of need. The situation, however, was far different. While Greece has maintained a pro-Arab stance throughout the last few decades, it should be underlined that its political and economic ties were largely limited to the Mediterranean region. It would, therefore, be a mistake to conflate these countries (Egypt, Syria, Jordan, Algeria, Libya, to name but a few) with the Gulf, where relations were not as pronounced. Secondly, the past 40 years have brought about a dramatic transformation of the Gulf countries as they have taken over the management of their own energy resources and have benefited immensely from a prolonged period of high oil prices, rendering them global economic powerhouses and leading them in quite different directions to those of the rest of the Arab world.

Today, these relatively sparsely populated lands have attracted millions of people—mostly from Europe, Asia and Africa—who are contributing to the diversification of their oil economies with the building of new ultra modern infrastructure, the creation of world class universities and research centers, and the development of tourism. The Gulf countries either as states or at an individual level are major investors all over the world, but they are also seeking to work with reliable partners, preferably large and established companies, to help them build the physical environment and to buy financial and other prized assets in all corners of the globe. They are also attracting the world's brightest to lead in education and innovation in industry, energy, design, health etc. Furthermore, in response to the new security environment and the growing instability in the wider MENA area, the Gulf States are heavily investing in defense and security. Their view of security is not limited to traditional arms purchases and defense alliances. Having factored in the threats of climate change and their water resource poverty, they are exploring ways to ensure food security, as well as investing heavily in agricultural land all across the planet. These are the parameters that interest them as they seek investment opportunities and a diversification of their economic portfolios so as to no longer rely exclusively on the sale of fossil fuels.

As a member of the EU, Greece's multilateral economic relations inevitably comply with the more general EU-GCC framework. Interestingly enough, a possible FTA agreement may not prove beneficial to Greek economic interests. Under an FTA agreement, there are two economic sectors of vital importance for Greek exports that are particularly vulnerable: petrochemicals and aluminum. The next paragraphs examine each of them in turn.

Almost all the crude oil used in Greece, accounting for some 45 percent of the country's energy needs, is imported. Most of it comes from Middle Eastern countries, as well as the Russian Federation (IEA 2014: 220–221). The Greek refining industry is dominated by two companies: Hellenic Petroleum and Motor Oil Hellas. The Greek state currently owns 35.5 percent of the largest one—namely, Hellenic Petroleum—which is, however, in the process of privatization. The companies' four refineries produce around 575,000 barrels a day, providing more than 40,000 jobs, mostly in the wholesale and retail sectors. Greece is a net exporter of refined products to a number of countries (mainly Turkey). It is a strange situation: nearly 38 percent of Greece's export revenue in 2012 was generated from refined products, while crude oil accounted for 24 percent of the country's imports (Ausick 2015). With decreasing domestic demand due to the economic crisis, Greek domestic refinery production exports have increased in recent years. An FTA agreement with the GCC could pose a serious challenge for the sector (see Fig. 1).

The second sector is aluminum. Greece has some of the largest bauxite deposits in Europe, and has become one of the few European countries that has a vertically integrated aluminum industry where the different processing stages, from bauxite to internationally certified end use products, are all located in close proximity, especially Boeotia and Central Greece. The industry comprises about 8,000 large and small companies that employ around 30,000 people. Aluminum is the second most important sector for Greek exports, accounting for €1.3 billion or 4.7 percent of the total.[4] The largest company is Aluminum SA, part of the Mytilineos Holding company, that has an annual production capacity of over 170,000 tons of aluminum and 810,000 tons of alumina. It employs 1,100 workers. High electricity prices have been an area of persistent renegotiation and litigation battles with the Greek Public Power Corporation. If an FTA with the GCC were to become a reality, this would further impact the competitiveness of the Greek aluminum industry.

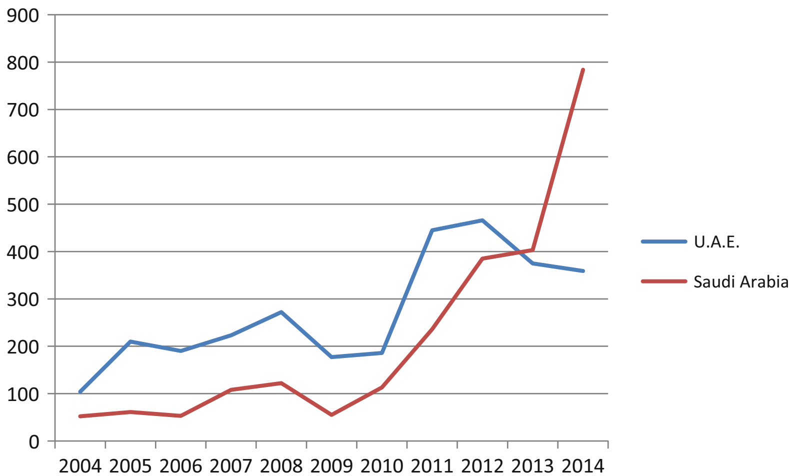

Fig. 1 Greek Exports to Saudi Arabia and U.A.E. (2004-–14) Million US $ (Source: ELSTAT, Greek National Statistics, calculations by the authors)

However, and despite the possibility of particularly high costs from the signing of a trade agreement, there is no evidence whatsoever that Greece has contested the EU-GCC FTA at the initial discussion in the Council or at any stage of the negotiations during the past 20 years. The authors could not find any reference in official documents on the issue, ranging from commercial attachés' reports to communiqués of bilateral or multilateral meetings.

In general, the Gulf has not been much of a factor in Greek external trade. In 2013, Greek imports from the GCC accounted for 4.6 percent of the total, and Greek exports to the GCC for 5.1 percent of the total. Greece has a trade deficit with all GCC countries, with the exception of the UAE. Despite a recent rise, Greek exports are very low in terms of value. For example, in the case of Saudi Arabia they usually cover half to one-fifth of imports and are limited to very few products, mainly refined oil and crystalline limestone (marble). In the case of the UAE, after petroleum products, Greece exports furs and leather.

With Saudi Arabia, political relations are anemic at best. Official visits have decreased over the last few years. Moreover, the Joint Ministerial Committee—that is of crucial importance for promoting relations—has not met since 1999 (Interview 2). But some Saudi investors have a strong presence in Greece. For example, Olayan, Saudi Arabia's biggest investment group, has a longstanding presence in Greece, being one of the biggest stakeholders in Greek bottler Coca-Cola HBC and the Chipita food company. The Saudis have also participated in the share capital of Athens-listed company Flexopack. In late 2014, it was reported in the press that Olayan is entering Costa Navarino, a resort in southwestern Peloponnese, as the fourth shareholder with an equal stake to those of the Konstantakopoulos family (Dokas 2014). Olayan is chaired by Khaled Olayan who, with his three sisters, is estimated to control a fortune of $12 billion, making him one of the world's richest people. Khaled's father is Greek. However, these moves are not linked to official contacts. There were some official initiatives that, however, failed to reach the stage of implementation. A proposal of the local Greek embassy to offer members of the Saudi Royal Family and government officials visa-free entry to Greece was not endorsed by the Greek foreign minister (Interview 5). Political and economic relations with Yemen and Oman are insignificant. Greece's relations with the GCC countries are centered on the UAE and Qatar.

Opportunities in tourism, education and health are increasingly attracting Greek human capital to these two states. While there is still much untapped potential for Greek enterprises as well, the past few years have seen investment activity in Greece from both UAE and Qatar. The crisis of the past years, however, while offering interesting business opportunities for foreign investors has also been characterized by Greek governmental inconsistency. Some projects have moved forward, but others have ended in failure, tarnishing the reputation of Greece as a reliable place to do business.

In May 2014, the UAE announced the launch of a $9.75 billion investment project in Greece. The project is a joint venture of the Abu Dhabi-based Al Maabar International Investment with the Greek shipowner and real estate developer Latsis Group, Lamda Development, and the Chinese company Fosun. It aims at the redevelopment of the old Athens airport, Hellenikon, a site of 6.2 million square meters next to the sea. The project is expected to generate around 50,000 jobs (Sambidge 2014). However, the SYRIZA-led government that was elected in January 2015 seemed to have second thoughts. The minister of productive reconstruction environment and energy at the time, Panayiotis Lafazanis,[5] told the Greek Parliament in February 2015:

> "the acquisition of Hellenikon was scandalous and the development plans are extremely destructive to the environment. We will review this scandalous purchase with the aim of cancelling it" (quoted in Glass 2015).

Nevertheless, it seems that other members of the Greek government did not share this position. At the same time, there is much continuity in Greek foreign policy in the region, despite the change of government. In March 2015, the new Greek foreign minister, Nikos Kotzias, visited the UAE and met with the foreign minister, Shaikh Abdullah Bin Zayed Al Nahyan, to discuss "ways to bolster relations" (Gulf News 2015). One year before, during the previous New Democracy-PASOK Government,[6] the UAE's Foreign Minister Shaikh Abdullah Bin Zayed Al Nahyan officially visited Athens where he co-chaired the second meeting of the UAE-Greece Joint Ministerial Committee along with Greece's Deputy Prime Minister and Foreign Minister Evangelos Venizelos, in the presence of Minister of State Dr Sultan bin Ahmed Al Jaber (Gulf News 2015).

This kind of diplomatic activity, with Greek officials visiting Abu Dhabi and Doha, is typical of the crisis years. In 2010, the emir of Qatar, Sheikh Hamad bin Khalifa Al Thani, met the Greek prime minister, George Papandreou, in New York at the sidelines of the 65th UN

General Assembly session. The two leaders attended "a visual presentation about the Qatari investment opportunities in Greece, and witnessed the signing of a memorandum of understanding to set up a joint committee between the Qatar Investment Authority and the Greek government regarding the Qatari investments in Greece."[7] In 2011, it was announced that Qatar Holding agreed to provide the Canadian-owned European Goldfields with $750 million to fund the development of two goldmines in Chalkidiki, northern Greece. Thus, the Qatari sovereign wealth fund became the largest single shareholder in Greece (Rowley 2011). However, the investment has divided local residents in Chalkidiki, with some fearing environmental damage and a drop in tourism, and others welcoming the nearly 2,000 jobs the investor provided at a time of economic crisis and high unemployment.

Apart from Qatar, there are also investments in Greece from the UAE. In 2014, two Greek government members—the minister of infrastructure, transport and networks and a deputy minister on development and competitiveness—visited the UAE. Talks included investment, tourism and energy cooperation. More recently, Greece has been strengthening its ties in the area of defense and specifically in the supply of defense materials. There have been a number of official visits to the Gulf, and particularly to the UAE, by Minister of Defense Panos Kammenos.[8] Furthermore, the Abu Dhabi MAR holds shares in the Greek Marfin Investment Group (Greek Embassy 2014). The Greek Defense Systems company cooperates with UAE's IGG for the provision of ammunition, and the Greek Restis Group signed a memorandum of understanding with the UAE International Petroleum Investment Company on energy cooperation. Also, the state-run Abu Dhabi Investment Council has offered to buy the Astir Palace resort in Athens (Shahine 2014). Greek companies have also invested in the UAE. The Greek Commercial Attaché in the UAE remarked that 170 Greek companies are present in the Emirates, mostly in the construction, fur and shipping sectors (Greek Embassy 2014). Among others, Vivartia, a member of the Marfin Group, signed an initial agreement with Exeed Industries for the production of dairy products, juices and tea in Abu Dhabi (Greek Embassy 2014). Reflecting the growing Greek entrepreneurial activity in the country, a Greek Business Council was created in Dubai.

Prolonged fears of a Grexit as well as the imposition of capital controls seem to have worried at least some GCC investors—although other policy inconsistencies and bureaucratic obstacles acted as stronger deterrents.

Though the direct impact of a Grexit on the GCC economies was considered as "minimal", mainly by affecting the euro's exchange rate against the US dollar, institutional investors and high net worth individuals seemed rather worried about the future value of their investments in Greece (Augustine 2015). Nevertheless, the Greek economic crisis also offered new opportunities. For example, Kuwait's Al Ahli Bank bought Piraeus Bank's unit in Egypt, paying $150 million cash for a 98.5 % stake in the business and giving Greece's Piraeus a much-needed liquidity boost (Reuters 2015).

Greek officials, however, seemed undeterred by the negative milieu. The Greek alternate minister of tourism, Elena Kountoura, made an official visit to the UAE in June 2015, trying to attract tourists and investment. In an interview she noted that Greece was a "strong supporter" of the Schengen visa waiver for the Emirates, which was granted to the UAE in the summer of 2015 (Carroll 2015). Other Gulf countries have not secured such a waiver.

Exchanges continue unabated and perhaps some success can be achieved from the mere fact that investors in Greece can now acquire immediate citizenship by investing 2.5 million euros, assets which can be sold only after three years, or are granted EU permanent residency by depositing €250,000 into a Greek bank account. If there is any hope, however, of building long-term healthy ties with countries in the Gulf, Greece needs to rethink its entire approach to investment. Thus far, all attempts to attract investment have been hobbled by a lack of strategic planning, coordination and continuity, resulting in different business deals that rely almost exclusively on private relationships.

However, it should be underlined that GCC investors were until very recently almost non-existent in the country (UNCTAD 2012). The Greek economic crisis and the fears of Grexit proved insufficient to deter GCC investment decisions: new plans were announced and deals were sealed. Nevertheless, GCC capital in Greece—as in the rest of the EU—consists mostly of portfolio investments in deposits, bonds and equities (Fürtig 2004: 30).

Greek construction companies have won several bids in the Gulf, usually taking part in bids along with foreign companies undertaking major infrastructure projects. The Greek company Ellaktor, owned by the Bobolas family,[9] is the leader of a consortium that includes the Indian multinational Larsen & Toubro, the Turkish companies Yapi Merkezi and STFA, and Qataro Al Jaber Engineering; together they won a contract of €3.9 billion for the construction of Doha's "Gold Line Underground" that forms part of the Qatar Integrated Rail Project and is by far the largest single construction package of the Doha Metro (Roussanoglou 2014). This is the largest contract ever signed by a Greek company abroad. J&P construction, that has a strong presence in the Middle East, has also won several bids for the construction of roads in Qatar and other countries of the Gulf.

Greek construction companies, however, work mainly as subcontractors in the Gulf, having missed an important wave of opportunities to win bids there during the period of high oil prices. At that time they were all heavily involved in the construction of facilities and infrastructure required for the 2004 Olympic games in Athens (Interview 2). The first decade of the 21st century saw a record construction push in the Gulf that is now significantly slowing down because of the low prices for oil. In addition, companies from India, China and elsewhere have already been in the region long enough to form the necessary ties and track records to continue to bid and build.

With direct services in short supply since the breakdown of Olympic Airways, Greece's flag carrier, Qatar Airways, Emirates of Dubai and Etihad of Abu Dhabi have become important carriers for linking Greece with the East. The location of the Gulf is crucial for eastbound flights to destinations such as Australia, home to the second-largest overseas Greek population. The passenger tally on the Emirates service, for example, reached 224,000 in the year through March 2015. Carrying seafarers for Greece's shipping industry has also played a role in these increased numbers (Yousef and Weiss 2015).

Greece has a long history of emigration, and the recent economic depression has led to a new exodus. From 2010–13, about 218,000 Greeks emigrated, according to an estimate from the Greek statistics agency (Angelos 2015). Many are highly skilled, with degrees in engineering and medicine. It is estimated that around 135,000 have post-secondary education. The GCC has witnessed an impressive rise in Greek migrants. Especially Dubai and Abu Dhabi and to a lesser extent Saudi Arabia and Qatar have become major recipients of Greek professionals, mainly working as engineers in the construction sector, the hospitality industry and in retail businesses. The majority of migrants are skilled laborers who hope to return to Greece soon and have not brought their families with them. The fact that the construction sector is highly vulnerable to changes in oil prices means that the emergence of a permanent Greek diaspora in the region should not be considered a certainty.

Greece's relations with GCC countries are characterized by long-established friendships, networks of personal trust, and connections formed by kinship (usually marriage). A few dozen key figures have facilitated or impeded relations. Some of them can be found in the higher echelons of the Greek political class, but most of them derive from the private commercial sector. Some were visible in public life and others hidden in agreements that remained secret. Indeed, several Greek prime ministers—including Papandreou and Samaras—approached the region by sending personal envoys. For example, in 2010, when Greece tried to settle a four-year dispute with Germany about an allegedly unseaworthy submarine, the Greek prime minister George Papandreou approved the sale of 75 percent of the Scaramanga shipyard near Athens, that was owned by the German company ThyssenKrupp, to Abu Dhabi Mar. Nikos Papandreou, the prime minister's brother, who held no official position, was sent to Abu Dhabi to "seal" the deal (Hope 2010a). Officials of the Greek foreign ministry argued that the choice of bypassing the diplomatic service was made because of the "urgency of the situation" (the German company had decided to sell the shipyard after the production of other submarines was canceled). After his trip to the Gulf, Nikos Papandreou told Athens newspapers that "I would turn somersaults if I had to, in order to rescue Greece" (Hope 2010b). However, it was not the only instance when Nikos Papandreou was involved. The same year, he failed to persuade the Qataris to be involved in the Liquefied Petroleum Gas project in Astakos, Greece.

General investment pledges by GCC countries to Greece have largely failed to materialize because of planning inconsistencies in Greece that have led to over-expectations and unfulfilled promises to investors. For example, though the then emir of Qatar, Hamad bin Khalifa Al Thani, paid €8.5 million for six Ionian islets (Smith 2013), Qatar withdrew from the international tender for the redevelopment of Hellenikon Airport. Although, Antonis Samaras, Greece's prime minister at the time, visited Doha in a desperate attempt to persuade the Qataris to change their minds and to secure new concrete investment pledges (Reuters 2013), he failed.

Conclusions

While Greece has prided itself of having close historic links with the Arab world (Agnantopoulos 2007), this has proved far from enough for promoting collaboration with GCC states. In fact, the region had been neglected by Greek foreign policymakers until very recently.

As a member of the EU, Greece's relations with the Gulf inevitably fall under the framework of any agreements that may be achieved at a multilateral level, even if a particular FTA agreement may not be in Greece's interests. With the important role of the petrochemical and aluminum industries for its exports, Greece has much to lose from the liberalization of trade with the GCC. Of course, FTAs concluded by the EU still require national ratification by each member state (Glencross 2009: 188). Moreover, the Lisbon Treaty has introduced a procedure whereby the European Parliament's consent is necessary for all international agreements the EU makes (Glencross 2009: 104). Thus, Greece and other member states can exert influence at various stages of the process. Still, while an EU-GCC FTA may not be concluded in the near future, there remain important questions concerning the impact of EU Common External Trade Policy on its poorer members, which require further study.

Greece's belated diplomatic turn toward the Gulf is a result of two significant changes in the country's fortunes and focus. First and foremost, it can be attributed to a clear reprioritization of diplomacy toward the fulfillment of the nation's economic agenda, aiming at attracting foreign investment and, to a lesser degree, promoting exports. Second, the economic crisis itself has made economic diplomacy a matter of paramount importance.

The systematic cultivation of two relationships reflects this emphasis on economic issues: Greece's rapprochement with China (Huliaras and Petropoulos 2014) and the relationship with the Gulf States examined in this chapter. In both cases, the ties developed within the last decade have almost a dominant, if not exclusive, economic dimension. In both, the role of private players (businessmen and companies) has been crucial. In both, there has been much continuity regardless of the governments in power; their objectives and methods have been nearly identical. Above all, in both, the high expectations have remained largely unfulfilled. Despite some investment activity, mainly of the portfolio type, exports remain at low levels. Similarly, attempts to involve the Gulf States in the privatization program of public assets has yielded mixed results and future outcomes remain to be seen.

Undoubtedly, the prolonged threat of a Grexit and the imposition of capital controls have, in themselves, served as a strong deterrent to investment in Greece. It is important to note with regard to Greece–GCC relations that Greek ties to Iran and, more recently, to Israel have not constrained, impeded or complicated the rapprochement with the countries in the region. The main obstacle continues to be one of a domestic nature reflecting the fragmentation and lack of coordination within Greek institutions themselves.

Thus far, with regard to investment flows, Qatar and the UAE have dominated Greece's relationship with the Gulf. Foreign investments in Greece, mainly of the portfolio type, have come largely from these two countries. However, very little of this investment is related to government contacts. Official visits have been numerous in the post-2009 period, but there is no evidence that, apart from in a small number of instances, they have produced substantial results. The fragmentation of policy making on the Greek side along with the persistent lack of coordination among ministries and government agencies dealing with foreign economic policy, have proven important constraints on the development of a more structured and possibly more successful policy.

In short, Greek official initiatives have looked spasmodic, lacking clear objectives and specific plans. In the words of a Greek diplomat, "we received no directives from Athens and there was a lack of organization, planning and coordination throughout" (Interview 2). Greek prime ministers and ministers may have visited Abu Dhabi and Doha, helping to put Greece on the map, but they have not yet produced conclusive results.

While foreign policy concerns such as the Cyprus problem, relations with Turkey, and disputes about the name of FYROM remain at the center of Greece's diplomatic efforts, increasingly it is economic diplomacy that is taking precedence. In order for Greece to have any chance of success, be it in its overtures to the GCC or its own recent rapprochement to China (Huliaras and Petropoulos 2014), it will clearly need to reorganize internally (institutionally, first and foremost), to set clear rules and goals for attracting foreign investment, and to systematically explore export opportunities abroad. Without a clear plan and an institutional overhaul, outcomes will be haphazard and economic relations will continue to be based on individual ties and single projects.

Notes

1. http://eeas.europa.eu/statements-eeas/2015/150524_01_en.htm
2. In December 2015, the Greek Parliament unanimously voted to recognize Palestine as an independent state.
3. Interview with the Director of the Institute of International Economic Relations, Dr Charalambos Tsardanidis, Athens, 14 October 2015.

4. Aluminium Association of Greece (http://www.aluminium.org.gr/index.php?language=en).
5. Lafazanis left SYRIZA and went on to become the founder of the radical left party Popular Unity (Laiki Enotita).
6. Following the resignation of the Democratic Left (DIMAR) party from the Greek coalition government, the remaining parties—New Democracy (ND) and the social-democratic PASOK—formed a new government in June 2013.
7. Embassy of Qatar in Athens (http://www.qatarembassy.gr/index.php?new_language=2).
8. Mohamed bin Zayed receives Greek defense minister, WAM Emirates News Agency, 9 November 2015, viewed on 1 December 2015, https://www.wam.ae/en/news/emirates/1395287787543.html
9. An influential Greek family whose business interests range from construction to media.

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Greece in the Emerging Eastern Mediterranean Security Sub-System: The Capabilities–Expectations–Motivation Gap

George Voskopoulos

Introduction: The Concept of Security Sub-System and Greek Security Environment

A state system is defined as "the totality of relations which exist between the autonomous units in a particular arena" (Cantori and Spiegel 1972: 3). In its turn, a subordinate system is defined as a state system that "consists of one state, or of two or more proximate and interacting states which have some common ethnic, linguistic, cultural, social, and historical bonds, and whose sense of identity is sometimes increased by the actions and attitudes of states external to the system" (Cantori and Spiegel 1972: 6). These state interactions define the security parameters of a particular security environment and turn it into a zone of peace or a zone of turmoil (see e.g. Singer and Widalvski 1993: 4).

A suggested subordinate system model builds it on three axes of state participants. The first refers to the core actors, states consisting of the local, internal elements of the subordinate system. The second is the sum of peripheral actors, neighboring[1] to the system states with immediate

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interests in the region; and the third consists of non-system actors (the intrusive system), external to the system powerful actors with their own geostrategic weight and the ability to project their interests locally.

According to Roy Jones's (1967: 23–24) functioning model, systems operate at three distinctive but interrelated levels. The first refers to the system's capabilities, as reflected in its relations with its external environment and the way it interacts with it. These interactions define almost by default the ability of core states of a system to deal with security challenges. In the case of the Eastern Mediterranean, domestic changes not inter-state interaction triggered internal changes that spilled over and destabilized the region.

The second refers to the system's way of responding to input coming into it, which is converted into output and eventually defines cooperative or conflictual outcomes. This level primarily results from the character of the system, which defines its ability to produce consensual outcomes.

The third level refers to the system's maintenance mechanisms—self-stabilizing mechanisms—that could absorb non-cooperative patterns of state interaction. The nominal aim of these mechanisms is to avoid zero-sum games and provide at least a minimum level of cooperation.

Greek foreign policy in the Eastern Mediterranean has been an issue of making choices or refraining from making choices in an attempt to match divergent needs, deal with political-ideological restrictions, take advantage of opportunities, and overlay long-established structural setbacks created by a lack of clear macrostrategic orientation. In reality an inclusive and in-depth analysis of Greek foreign policy illustrates an overt or covert substantial multilevel gap between capabilities–expectations and ideological motivation.

The scrutiny of Greek foreign policy includes a number of interlinked ideological and organizational hindrances in the country's quest to make a clear rational choice between idealistic and pragmatic aims in an effort to define its strategic goals in a fluid, transitional environment. Transitional phases are by nature characterized by ambiguity, and evolve under the impact of twin dimension: time and space. Eventually, these two dimensions have not affected, to the desired degree, the choices made by political leadership.

Greece's foreign policy choices have not met its own expectations or the expectations of its allies due to numerous deficiencies related to domestic ideological cleavage (pragmatism–idealism), limited structural and financial capacity to play the role of a facilitator, and the country's cognitive difficulty in operationally de-linking national goals from idealistic and abstract values.

In 2011, the Eastern Mediterranean region emerged as a regional security system characterized by immature anarchy triggered by the collapse of the old autocratic regimes. In theoretical terms and based on a description bearing certain Hobbesian elements, this defines by default a conflictual setting where choices of local actors fall within a zero-sum framework. In such a structural setting, system-stabilizing efforts are expected to be defined by features to be found on its three operating levels.

Greece operates in a crossroads where unstable security sub-systems meet without domestic stabilizers that could provide an internal equilibrium. The Balkans[2] and the Eastern Mediterranean constitute immature security systems, thus forming a structurally unstable environment. However, this fact has not forced an active policy on Greece, although the Eastern Mediterranean has set a multilevel security challenge for the country. Due to the intensity of input into the Greek security framework from the Eastern Mediterranean flashpoints, Greece may be seen as a peripheral actor to the Eastern Mediterranean security system, as the refugee crisis has illustrated. Eventually, it is the intensity of security challenges not the proximity factor that defines Greece's mode of interaction with the Eastern Mediterranean.

Greek Foreign Policy: Defining Elements of an Operating and Cognitive Regularity

Before scrutinizing Greek foreign policy in the Mediterranean, it would be enlightening to provide a number of definitions of foreign policy with a view to decoding Greek choices/no-choices and its operational milieu (that is, the space dimension factor).

Foreign policy includes by default making choices and eliminating alternative courses of action. It describes a wide spectrum of state action critically defining inter-state relations. Operationally it involves co-decision processes among multiple domestic actors (see e.g. MacMahon 1953), while decision making is understood as "a process of defining a certain course of action" (Frankel 1963: 1). In his turn, James Rosenau (1969: 37) defines foreign policy as "an effort of an organized society to control its external environment, taking advantage of favourable circumstances and altering unfavorable conditions". Foreign policy is also defined as the outcome of evaluations made by a number of foreign policy-making centers (MacMahon 1953).

In the Greek case, two factors lead to foreign policy choices, while evaluations have been made on a static axis, thus creating a vacuum in action towards a region from which several Greek security considerations emanate. Greek foreign policy remained not only dormant in the Mediterranean region but also one-dimensional, since for several decades it was built on a sole aim that was to sustain relations with one parameter of the security equation, the Arab world. This choice eliminated alternative courses of action and deprived it of a desired cognitive pluralism of alternative courses. Directly or indirectly, this framework of involvement builds upon a "positivist" model—in terms of limited or non-existent alternatives—that may distort the input to the international environment. It is suggested that such a mental model may distort real images either by "exaggerating some features of the real world" or "ignoring others" (Kegley and Wittkopf 1995: 11).

The interpretative approach to international politics points in the same direction to unclear choices. It focuses on the underlying values that dictate national policies, which, in turn, practically impose particular patterns of state behavior. As noted by Mervyn Frost, "the interpretative approach does not require the social scientist to accept or evaluate the values of the participants. It requires merely that she/he understands them" (1996: 28). In the Greek case, choices or no-choices are tested against rationality, motives and [mis]perceptions. As noted, "the way we act is shaped by what we perceive, we must continually question the validity of our images of world politics and ask if they are accurate views of reality or misperceptions" (Kegley and Wittkopf 1995: 10).

The above operational, strategic, perceptual and cognitive elements have defined Greek international behavior, the way it interacted with regional actors and the way it has conceptualized its national interests. As plausibly pointed out, "when we refer to the international behaviour of a state eventually we refer to its international conduct" (MacMahon 1953: 2). In effect, Greek choices were formulated on the basis of ideas most often conceptualized by its leaders outside an institutional framework. As suggested by Goldstein and Keohane:

> ideas … as beliefs held by individuals help to explain political outcomes particularly related to foreign policy. Our argument is that ideas influence policy when the principled or causal beliefs they embody provide road maps that

> increase actors' clarity about goals or ends–means relationships, when they affect outcomes of strategic situations in which there is no unique equilibrium, and when they become embedded in political institutions. (1993: 3)

In the Greek case, goals have been unclear, while ends and means were vague or not defined by Greek leaderships in a way that described a tangible end goal. This has not been a sporadic or ephemeral feature but rather an inherent element of looking at the Mediterranean from a distance. The financial crisis deteriorated the ontology of Greek foreign policy priorities by enhancing the introvert aspects of governance due to the intensity of financial problems and the pressure put on the country by the troika and the restrictive policies it imposed. As a result, inaction or limited action became the axis of Greek foreign policy in a domestic environment characterized by growing political instability. Due to financial setbacks, the country was forced to limit its international presence and eventually withdrew valuable diplomatic resources.[3]

Inaction or Limited Action as a Norm of Exercising Greek Foreign Policy in the Mediterranean

International politics are not static almost by default. Power configuration, systemic changes and state antagonism are only a few of the endemic features of the world system. In their turn, these overtly or covertly define issues of global order emanating, among other things, from polarity, power configuration, incentives, opportunities and choices made by leaderships.

In the Mediterranean, the Arab Spring phenomenon gave vent to a new security sub-system without clear structural features, at least in terms of key players. Its transitional phase did not alter Greek foreign policy in the region, thus exposing the ability of political leadership to seize initiatives and take advantage of its long established relations with the Arab World. This would have been an asset to its European partners and the USA, since Greece could operate as a broker of the West in a number of security and non-security related issues.

However, Greek mediating potential did not unfold, due, among other things, to the introvert character of Greek diplomacy and the limits imposed on the country by the sovereign debt crisis. In terms of international initiatives and participation, Greece's mass inefficiencies and lack of managerial rationality gave the impression of a failing state (e.g. Krasner 2004; Litsas 2014). This [mis]perception existed despite the fact that

Greece had tried for decades to formulate a web of alliances in order to enhance its security environment (see e.g. Hatzivassiliou 1995).

Greek foreign policy choices or no-choices in the post-Cold War era have been a typical example of an inherent inability to adapt to the emerging world system and particularly to the new given in the Mediterranean. The ontology of Greek foreign policy lies in defining its international role vis-à-vis a capabilities–expectations gap. Often, the theoretical approach to similar issues falls within a role determined in terms of "net gains within the context of global negotiation defined by a minimalist and a maximalist agenda" (Manners and Whitman 1998: 239). Under this spectrum, Greek policy in the Eastern Mediterranean should be scrutinized through its overall ability to set macrostrategic goals and advance them by using the means disposed.

Greek foreign policy should be analyzed on the basis of three defining qualitative criteria; namely, international role, international presence and international significance (Manners and Whitman 2000: 6). When looking into the international role of Greece, a number of crucial and ontological questions arise. The first is cognitive, and relates to the ability to operate as a smart state and produce results in an antagonistic international environment. Greek priorities were only subtly expressed, and thus were inefficient in affecting outcomes. This relates to the desire not to get involved in conflicts or conflict management processes by providing military means. Greek involvement or rather the choice of non-involvement in regional crises (such as the Arab Spring revolts) brings to the surface an inherent unwillingness to take risks in terms of military engagement.

The second criterion should be analyzed on the basis of the Greek presence in conflict mediation or conflict resolution efforts, and its disposition (or not) of military means to allies in NATO and partners in the EU.

A third criterion relates to the international significance of the country as illustrated by the impact of its choices in regional conflicts. This directly or indirectly refers to leadership priorities and the domestic debate and public opinion about the relative benefits and costs of acting or not acting, participating or not participating, taking or not taking risks.

Setbacks in drawing up foreign policy did not assist the country to take advantage of its participation in overlapping regional mechanisms, the EU and NATO in an effort to formulate the blueprint of a certain security system of governance framework (Adler and Greve 2009). In terms of international influence, Greek foreign policy added little to the re-establishment of a new regional order. Operationally, although strongly motivated, Greece did not operate as a peripheral actor in the region, nor did it take advantage of its long-established relations with the Muslim world. This deprived the country itself and the West of a useful Western interlocutor in the region.

Being situated at the crossroads of a multi-dimensional, multi-religious environment, it illustrated an attitude at odds with the common sense view of the state of affairs. Cognitively, the desire to act or facilitate establishing a dialogue among the parties involved was only subtly present or expressed. More evident was the post-Cold War attribute of supporting US foreign policy in the region, but without getting directly militarily involved.[4] In terms of applied foreign policy logic, Greek self-restrained activism as a peripheral to the Mediterranean actor was to a substantial degree built on the basis/strategic priority of not being exposed to any major involvement in military activities that could threaten its soft power basis in the Arab world.[5]

The Importance of the Mediterranean for Greece and the West

The Arab Spring uprisings and their intensity came as a surprise to many in the political milieu and media of the West (Medzini 2014). The same attitude was evident in Greece, which was already engaged in finding viable ways to avoid the imminent climax of its sovereign debt crisis. Idealistic approaches in the West (see e.g. Voskopoulos 2015) were formulated in response to impending domestic changes in the Arab Spring states.

The Mediterranean has been a multilayered bridge connecting Europe, Asia and Africa, a place where different religions and divergent economic models have met with various outcomes (Abulafia 2011). Viewed in terms of its spatial dimension, this has been an area of strategic and economic interest for Greece since ancient times. Being traditionally a sea nation, Greece has had very many incentives to define an active and involved role for itself here. Athens is tied to the region for historic, economic and security reasons.

The Eastern Mediterranean as a security sub-system and its eufunctional (stabilizing) mode of operating have heavily affected not only Greek but also European security.[6] That was evident particularly after the threat of radical Islam emerged as a side-effect of systemic instability. Within this structure, Greece became a key player in the effort to deal with Jihadism in a region which presents distinctive security challenges[7] for core, peripheral and intrusive actors. To all these states, the instability of the Eastern Mediterranean has constituted an actual or potential threat of differentiated intensity defined, inter alia, by the spatial dimension (the proximity factor).

A common threat, actual or potential, requires a common evaluative norm and convergence of foreign policy systems[8] that will eventually lead to common responses. In the Greek case, the financial crisis has not allowed the country to deal with the refugee influx. Greek financial restraints should not be underestimated, as they have affected not only the country's autonomy in political choices, but also its position in the EU. Greece's Western European partners have not been ready to accept Greek policy, on the grounds that it has been expressed by a deeply indebted state with an enormous public debt. This monetary reality reflects an aspect of international relations and the importance of economic power. The evaluation is based on the country being an economically failing state whose structural power and ability to produce desired outcomes are therefore limited.

The Arab Spring has affected migration flows to Greece to a degree that has risked destabilizing the country. Its ability to react was also limited due to, inter alia, limitations imposed on foreign policy issues by the sovereign debt crisis. In the past this has led various British journalists to suggest that:

> Greece's indebtedness to the EC should bring it in line with the foreign policy options of its creditors. However, even if there had been such a thing as a majority position among EC members on Yugoslavia, it is hard to imagine the net beneficiaries of Community funds (Portugal, Ireland, Spain and Greece) always falling in line with the position of the net contributors. (Veremis 1994: 64)

This attitude applies even in today's crisis, and—at least cognitively—operates as a de-evaluative norm of Greece's potential to intervene and mediate.

The Eastern Mediterranean is at the same time a uniting bridge and a dividing wall. The Arab Spring revolts have created different reactions in the EU, with the southern countries being more cautious about this transitional phase (Voskopoulos 2015). Proximity to emerging flashpoints has dictated this attitude, although it was not clear at the start that events would escalate beyond control. Gradually, issues of migration have become central to Greek governments across the political spectrum, and have triggered a heated political debate.

Greek policy was set on a marginal basis within the European policy towards the region in an institutionalized effort to set up multilayered cooperative partnerships (see e.g. Carrera 2011). Security considerations inaugurated the 1995 Barcelona Process as well as the Euro-Mediterranean Partnership[9] that nominally offered Greece a forum to advance foreign policy goals. Yet the multiplicity of agents involved and their respective bilateral relations eventually constituted a major hindrance in formulating a genuine common European strategy (Biscop 2003). Initiatives on the part of the Europeans were seen by Arab countries as an orchestrated effort to unilaterally advance the policy goals of certain EU countries (Biscop 2003), a fact that limited its actual prospects.

In terms of geostrategic importance, the Mediterranean became the post-Cold War apple of discord among intrusive actors, since its role and positioning heavily affected not only international order but also central elements of international security. Greece's ability to initiate policies had to come to terms with a crucial decision (Mitchel 2005: 11–17): to support US-led NATO and EU absenteeism, at least in terms of producing desired outcomes. Prior to the sovereign debt crisis, its status as a middle power allowed it at least a nominal role in the Mediterranean.

Greek Foreign Policy: The Capabilities-Expectations–Motivation Gap and Middle State Statesmanship

There is a triangular relation among capabilities, expectations and motivation defining state behavior. Capabilities directly or indirectly refer to the various means disposed. Expectations emanate from the application of a macrostrategic approach to drawing up foreign policy, while motivation is related, inter alia, to the conscious choice of active involvement or non-involvement made by leaderships. The multilayered interaction of these three crucial parameters has defined alternative choices, no-choices and eventual policy outcomes.

The above are related to the psychological milieu of exercising foreign policy as portrayed by Robert Jervis (1976). In his approach, Jervis points out a number of constitutive elements formulated by leaderships through a cognitive axis. These affect evaluative judgments and eventually choices made in the foreign policy domain. Jervis linked the process of foreign policy decision making with certain aspects of cognitive psychology that affected the judgment of leaderships.

Following Jervis's cognitive logic,[10] or what has been termed "political psychology", a [mis]perception related to choices or no-choices by Greek leaders refers to overestimating the ability of the country to support policies outside two defining factors: first, its participation in the Europe–Atlantic axis; and second, its unwillingness to be a military contributor to any attempts to operationally deal with the Arab Spring crisis in the Mediterranean. However, the sovereign debt crisis has affected its international behavior and its status as an equal interlocutor or mediator, a fact that eventually threw into doubt its status as a middle power.[11] This created uncertainty about how, when and who responds to which questions under what circumstances.

Of equal importance is the issue of evaluating foreign policy as a portfolio (Palmer and Clifton-Morgan 2006: 143). One approach focuses on a state's priorities at a specific point, thus paying particular attention to the time dimension under given circumstances. Within this context, foreign policy priorities are related to issues of change and continuity (Palmer and Clifton-Morgan 2006: 143) and depend on—among other things—the country's participation in alliances and the way this affects its alternative foreign policy choices. Portfolio building and its time dimension illustrate the importance of the Greek debt crisis as a massive input in the process of making choices on the part of a middle power whose security is heavily tied to the Mediterranean.

Within a general context, middle powers are defined in terms of influence, role and power criteria (Chapnick 1999). As suggested:

> middle power international behavior has been characterized as middle powermanship described as the tendency to pursue multilateral solutions to international problems, the tendency to embrace compromise positions in international disputes, and the tendency to embrace notions of good international citizenship to guide … diplomacy. (Mitchel 2005: 13)

This description captures the cognitive and operational axis of Greek foreign policy with a substantial degree of accuracy.

Nominally being a middle power and an accepted interlocutor by many Muslim states, Greece has had the potential to be a net contributor of ideas in the EU. Yet, the financial crisis tarred its image and prestige within the

EU and as a result the potential for Greek intervention was limited. Prior to the Arab Spring revolts, Greek foreign policy was in line with European and US choices to cooperate with or tolerate autocratic regimes in the Mediterranean "as a practical instrument against Islamism, terrorism and unwanted migration" (Schafer 2011: 20–24). Eventually, the side-effects of the Arab Spring uprisings illustrated the difference between pro-Arab Spring idealism and the realism that followed the overthrow of the old regimes (Voskopoulos 2015).

Defining a middle power has diachronically been a painful issue, involving contested approaches. As a result, the term has been applied using different contextual, systemic and evaluative meanings within specific behavioral patterns (Holbraad 1971). If traditional middle power states are wealthy, stable, egalitarian and social democratic (Jordaan 2003), then the Greek sovereign debt crisis deprived the country of motives, crucial means and diplomatic weight to play a role in the Mediterranean. The crisis enhanced political instability, affected the functioning of institutions and the degree of legitimacy of the political elite. These factors have impacted not only the operation of the Greek demos but also the country's international behavior and prestige.

The behavioral description attributed to traditional middle powers covers in a substantive way the image of Greece and its international behavior. As suggested, "traditional middle powers opt for reformist and not radical global change, exhibit a strong regional orientation favoring regional integration but seek also to construct identities distinct from those of the weak states in their region" (Holbraad 1971: 78). This description fits Greek foreign policy choices in the Balkans, but also its choices in the events that reformulated domestic order in the Arab Spring states. Being a traditional status quo country, Greece has consistently been skeptical of any territorial changes,[12] while regime change was rather an issue of interpreting specific situations, predicting and evaluating outcomes as opposed to national interest goals and their prospects of realization.

Epilogue: What Greek Foreign Policy in the Mediterranean?

Greek foreign policy in the Mediterranean has balanced between two trends. The first is related to a policy of limited action and inaction, while the second has been heavily influenced by elements of an operating, cognitive idealism. By default this choice of limited involvement or non-involvement is related to idealism, a term "applied to any idea, goal, or practice considered to be impractical" (Wilson 2011). The suggestion implies a form of irrationality in terms of perceived choices or, in the Greek case, a mixture of vague idealism and inaction.

As suggested, "all state behavior is the product of human decisions" (Welch 2005: 22) taking the form of making choices among alternatives. The participation of Greece in the EU and the unfolding 1995 Barcelona Process—later defined as the Euro-Mediterranean Dialogue—were not operationally treated as an opportunity, thus leading to a state of limited action or inaction. In effect, Greece was operationally and strategically only marginally present or absent from the framework of involvement set up by a number of EU states, and refrained from getting involved in action. This affected the country's interests[13] in the region as well as its overall ability to make its particular security stakes a common European issue. At a later stage, Greece did not manage to make its refugee problem a common European issue. This only happened after it was obvious that it could not handle the massive influx of refugees.

Greek cognitive choices were hindered by the existence of a variety of suggestions made at the EU level, particularly suggestions made by those with a special interest in safeguarding their relations with North African states. Even for those EU member states that have always had a special interest in the Mediterranean, the road was difficult. The Union for the Mediterranean, a French initiative,[14] served rather limited aims (Whitman and Juncos 2012) on a national level and did not open to a wider spectrum of actual participants. Practically, it did not allow political space for any other initiative on the part of smaller states within the institutionalized framework of the EU. Traditional good relations between France and Greece did not assist the efforts to establish multilevel links between the Arab Spring states and the EU.

At this point, one needs to focus on two co-determinant factors of Greek foreign policy formulation. The first relates to drawing up foreign policy on the basis of cognitive elements and trends in domestic public opinion (see e.g. Foyle 1997). The impact of domestic public opinion on foreign policy issues has been a determinant factor in creating Greek foreign policy. This is an aspect that prevents adaptation to needs, making rational choices and flexibility. The second co-determinant refers to Greek foreign policy not being exercised in an institutionalized way. Choices are mainly formulated on the basis of personal attitudes made by leaderships, a fact that empirically enhances aspects of Robert Jervis's approach and concept of psychological milieu.

Greece's contribution to actions or policies involving soft power was limited. Emphasis has been given to soft power, since the country has been skeptical of any use of military force or military involvement. During the period since 2010, the financial crisis has affected the country's international behavior not just in terms of willingness to engage or offer to engage in military operations but also on the level of operating as an idea provider, an honest broker. That was a central choice in a region where domestic (Arab states) and overall Euro-Mediterranean order was totally reshaped in a way that produced uncontrollable, multifaceted, centrifugal powers with distinctive and extreme elements (see e.g. Boening 2014).

The Greek debt crisis had a twofold effect on two levels. On the EU level, the Greek need for substantial funding affected the overall ability of the EU to finance military operations in the Arab Spring states. This constituted a major financial drawback for the EU and its ability to dispose the necessary means to operationally deal with the crisis and its side-effects (Eran 2011). Discourses on the means to be used to cope with the crisis took place under the impact of the danger of the sovereign debt crisis spreading across the EU's southern members. On the Greek level, the debt crisis operated as a twofold problem for the country. On the one hand it created an introverted mood in terms of governance, since the country was threatened with collapse. On the other hand, it affected its nominal ability to militarily assist its partners. The same applies to the EU as a whole and the collective ability of politically autonomous states to agree on the means to be used within a contingency plan framework.

Greek international behavior in the Mediterranean had two constitutive elements. The first relates to its unwillingness or financial inability to be part of any military engagement. The second stems from its need and determination to retain its good relations with the Arab world. In reality, it was a question of protecting its soft power projection in the Arab world, as well as its unwillingness to be involved in actions involving hard power. Greek soft power in the region has resulted from its neutral position in regional conflicts, at least in terms of getting militarily involved. To an extent, behaving as a smart power[15] would be rather unviable, since this would involve elements of both soft and hard power that would annul one another. This, along with cognitive deficiencies in formulating foreign policy as well as the lack of a macrostrategic plan of involvement substantially eliminated its prospects for producing desired outcomes on a national interest basis.

Notes

1. In the case of Greece and the Eastern Mediterranean, "neighboring" does not necessarily imply direct geographical proximity but rather refers to the interaction between systemic changes and Greece's security given.
2. For a systemic approach, see Voskopoulos (2006, 2011).
3. In 2012, Greece was forced to close down a number of embassies around the world, while in 2015 the Greek government requested its embassies to return funding allocated for their operational needs (The Guardian, 15/5/2015).
4. Ian Lesser (1992) points out the drastic changes that took place in the Mediterranean, and the way they affected NATO's allies in the region as well as the implications for US strategy. Threats in the region are multifaceted and often interconnected in a complex way that demands the use of hard and soft power. In the past, NATOs allies in the region, with the exception of Greece, were more willing to support military operations. Yet, Greece's orientation brings it closer to the EU's strategy and use of soft power, although US influence and initiatives are considered a precondition for regional stability.
5. This attitude was not always viable. For instance, in the case of the military intervention in Libya, Greece supported providing protection to the civilian population in the war zones. Eventually, 19 states participated in enforcing the UN-led no-fly zone, a policy adopted afterwards by the Atlantic Alliance. Among the 19 states that participated were 15 NATO members, namely Albania, Belgium, Bulgaria, Canada, Denmark, France, Greece, Italy, the Netherlands, Norway, Romania, Spain, Turkey, the UK and the USA as well as four non-member states, namely Jordan, Qatar, Sweden and the United Arab Emirates.
6. Sara Wolff (2012) provides a bundle of proposals in order to reformulate European policies in the region after the political and social changes introduced with the Arab Spring.
7. For a full account, seeAmbrosetti (2001: 83–89).
8. Defined as the outcome of the interaction of variables such as security perceptions, and geopolitical setting within which foreign policy choices are formulated; as well as domestic variables affecting the choices of political elites.
9. Although the partnership set political, economic, security, social and cultural goals, it failed to turn into a concrete, inclusive framework of cooperation due to major goal divergences among participants. This affected any perceived Greek mediating potential.
10. The psychological aspects set forward by Robert Jervis (1976) illustrated the complexity of the decision-making process. Two facts are important in

evaluating Greek foreign policy. The first refers to the non-institutionalized character of Greece's foreign policy formulation process; and the second to the dominance of personal cognitive elements. Moreover, the financial crisis enhanced the aspect of stress suggested by Jervis, thus imposing time and means limitations on decision making.

11. Differences arise, inter alia, from the plethora of criteria used in the evaluation process. Under this crucial setback there has been an effort to define them in terms of international behavior and situational criteria such as the form of the international system (i.e. bipolar, multipolar). For an in-depth analysis, see Holbraad (1971: 77–90).
12. This stems, inter alia, from its being a status quo power in a region where irredentism has been a time-resisting feature of state international behavior defining qualitatively interstate relations and security perceptions.
13. As suggested, the term "interest" refers to what "it concerns, it makes a difference to, it is important with reference to some person or thing". For an in-depth analysis see Sonderman (1977).
14. In effect, the logic on which France built its strategy vis-à-vis the Mediterranean region proved partly unworkable. For a full analysis seeHenry (2012).
15. Nominally smart powers are expected to "combine elements of soft and hard power in ways that are mutually reinforcing such that the actor's purposes are advanced effectively and efficiently". For the institutional, conceptual and political dimensions of the issue see Wilson (2008).

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Greece and Regional Dynamics in the Eastern Mediterranean

Sotiris Roussos

Introduction

In the last decade, Turkey has been perceived, both in Greece and Israel, as assuming a leading role in the Middle East and the Eastern Mediterranean through economic and political as well as ideological influence. Israel, in particular, feels alienated from Adalet ve Kalkınma Partisi (AKP) policy towards political Islam, and isolated in the region. As a result, its political elite is in search of new alliances in the Eastern Mediterranean. Meanwhile, Greece's strategic concerns are heavily influenced by the inability of the European Union (EU) to build a comprehensive and integrated solution to the economic and social crisis in the European South and the poor results yielded by the Europeanisation of Greek-Turkish relations in terms of resolving bilateral territorial disputes in the Aegean or over the Cyprus issue. These concerns were further affected by the loss of Greece's window of opportunity to assume a leading role in the post-Cold War Balkans, as well as by new security threats such as illegal migration. Another factor in the equation is possible new opportunities for hydrocarbon exploitation

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in the Eastern Mediterranean. These developments have brought back old dilemmas over Greece's strategy of alliances, and produced three main schools of thought regarding Greek-Israeli relations which are examined in this chapter. One of these approaches is embedded in the logic of deterrence vis-à-vis aspiring regional hegemons, while the other two seek to 'Europeanise' Greece's relations with Israel.

The Players: Regional Dynamics in the Middle East Power Vacuum

Eurasia is increasingly becoming an area of competition between China, India, Russia and the Euro-Atlantic powers. As Anoushiravan Ehteshami has argued, we are facing the 're-construction' of Eurasia—the 'heartland' of the globe according to nineteenth century geopolitics—as the world's true central arena. In the Asian part of Eurasia, envisaged to include the area between the Pacific and the Mediterranean, we can see a multipolar security complex where power is divided unevenly between China, Russia and India in the East, and smaller players aspiring to play an influential regional role in West Asia (Ehteshami 2007: 76). In this context, the USA is expected to search for regional partners for sharing the security burden in Western Asia but, it seems, will be ever less engaged in the region directly.

At the same time, a series of unfolding uprisings in Tunisia, Egypt, Syria, Libya and Yemen created new regional circumstances overthrowing the old regime "Presidents-for-life" as in Tunisia, Egypt, Libya and Yemen, leading the countries to bloody civil wars in the cases of Syria, Libya and Yemen.

There were three types of dynamics that led to these changes. First, there were disputes and antagonisms within the regimes or among the socio-economic alliances at the basis of the regime. Second, there were social forces comprising liberal educated youth, organisations of civil society and labour movements and the forces of political Islam. Third, there were external factors, which either supported or resisted the change of the regimes.

The US leadership in particular has came to the conclusion that the old regimes were incapable of leading their countries to free market economy and some sort of democratic reform and thus, though very reluctantly at the beginning, they saw in these uprisings an opportunity for change and integration of the region into the realm of the market oriented Western type of government (*The Economist* July 17–23 2010). In the case of Syria, Washington could reckon one more major advantage in overthrowing Assad's regime: casting a blow at the strategic alliance between Iran, Syria and Hezbollah.

Saudi Arabia extrapolated from the fall of Mubarak a potential grave danger that its own monarchy could be dragged in, and so supported fiercely the overthrow of Morsi and the ascent of Sisi and the army to power. In the case of Syria and Libya, they supported the rebels, seeking to rid themselves of dangerous rivals. Turkey and Qatar initially found themselves in the same camp, supporting the Muslim Brotherhood, with Qatar distancing itself from this line under the new emir.

In this context, Saudi Arabia, though rich and influential among the conservative pious Sunni Muslims in the region, is far from becoming a regional hegemonic power due to its lack of military strength and because it is in the throes of a long transition from the old to a younger royal generation. In Egypt, too, the fall of Mubarak and subsequent developments which have necessitated putting its own house in order have led the country to pursue introverted policies. The transition from Morsi to Sisi, though it seems to be a restoration of the old regime, has not elevated Egypt back to the status of a regional power. Under such circumstances, Egypt can neither guarantee regional stability nor play the role of mediator and crisis moderator. This has produced a power vacuum which may be filled by the two main non-Arab states, Turkey and Iran—while Israel remains a major player.

In response to this shifting state of affairs, Israel has had to review its position in the region. In the 1990s, it had developed a strategic plan for economic cooperation with neighbouring Arab states as a means of confidence building and developing common interests which could empower peace. However, most if not all Arab states saw in the project a 'Trojan horse' of Israeli hegemony (Landau 1999: 76–82). The breakdown of the peace talks and of their multilateral track vis-à-vis the Arab world brought the collapse of the then Israeli leadership's 'New Middle East' project.

Israel followed with a plan for an alliance with its 'moderate' neighbours: Turkey, Jordan and Egypt. Close relations between Israel and Turkey—above all, security and military ties—led many observers, especially in Israel, to believe that this strategic alliance would be the mainstay of Middle East stability. Though their analysis had certain elements of wishful thinking, it was not wrong per se. After all, Israel and Turkey are non-Arab states, part of the Western political paradigm, close allies of the USA, with problematic neighbours and common economic interests. The approach, however, could not take into account the eventual US invasion and occupation of Iraq, which created the power vacuum in the region. As Oğuzlu (2010) has pointed out, this vacuum increased Turkish uneasiness regarding the Kurdish issue and the possibility of an independent Kurdish state with Israeli presence in northern Iraq. Second, the new Turkish political elite represented by the AKP saw in the collapse of Iraq and the weakening of Egypt an opportunity to play a leading role in the region. Third, contrary to Israel's view of Iran as an existential threat, the AKP thought of Tehran as a partner in the region despite existing fields of antagonism (Ehteshami 2007: 76).

Iran, in the 2000s, found in the power vacuum an opportunity to assert its role as protector of Shi'a communities across the region. It has surely expanded its influence over Iraq since, which is now led by Shi'a for the first time after centuries of Sunni domination. At the same time, the Iranian regime, and particularly the conservative partnership of Khamenei (as supreme leader) and Ahmadinejad (as president), felt besieged and threatened by the prospect of a US-Israeli attack for the purpose of regime change. Their response was to speed up Iran's nuclear program, creating serious concerns in the international community that Iran would go nuclear as the ultimate deterrent. At the same time, in the context of the Arab-Israeli conflict, Iran continued its policy of support for Hezbollah, Hamas, and Palestinian Islamic jihad.

With the weakening of Egypt, Syria and Iraq, Turkey found itself in a position to represent the religious Sunni Muslim middle-class entrepreneurial strata in the region (Kardaş 2010: 124). Indeed, under the AKP, Turkey appears drawn towards playing a leadership role in the region. As Gökhan Çetinsaya points out, 'Turkey [thinks of herself as] a pivotal country in Eurasia, in terms of both its geographical and historical depth. And in the self-confidence of this fact (that is, the strategic and historical depth of Turkey in Eurasia), Turkey [aspires] to develop its own project in terms of the Greater Middle East … and implement it in its own paradigms or parameters. Then, according to this view, Turkey could manage or lead great transformations in the region without any foreign intervention' (Çetinsaya 2005: 47).

Such ambitions were already evident in the 2000s, especially in the second half of the decade, when Turkey appeared to pursue a leading role in the region through a strategy of 'zero-problems' with neighbouring countries as it sought to foster its bilateral economic relations across the region. What matters for Turkey, according to President Abdullah Gül, is combining its hard and soft power resources and translating these into 'virtuous power' in the region (Tepperman 2013: 7). Turkey's prestige[1] as a virtuous power was called into question, however, in the wake of two dramatic incidents: the Syria–Israel proximity talks and, most importantly, the Mavi Marmara incident. In the first case, Israel did not inform Ankara about Operation Cast Lead against Gaza, and this led the peace mediation of Erdoğan to culminate in an embarrassing failure. In the second incident, the deadly—though operationally unnecessary—Israeli raid on a Turkish ship was a blow to Turkey's image among its Middle Eastern friends. If Ankara had not reacted, its policy would have resembled the toothless anti-Israeli rhetoric of various past Arab regimes, would alienated the 'Arab street' and, perhaps most importantly for the AKP, the perennial anti-Israeli sentiments of middle-class religious Sunni Arabs (Freedman 2011). Thus, by the end of the decade Turkish-Israeli relations were under considerable strain.

The Arab Spring also altered Turkey's relations with Iran. First, if it did indeed give AKP-led Turkey the ability to influence the rise of a new middle-class stratum of pious Muslims, this could have fostered the formation of credible, moderate political Islam compatible with regional stability. This was in keeping with the view of Turkey as a 'model' for the emerging political order in the Middle East as it has been envisaged by many of its allies in the West. As Tariq Ramadan has observed, Erdoğan's statement during his visit to Egypt, where he underlined the importance of secularism in government affairs regardless of piety in private, is evocative of a will to promote the Turkish approach in contrast to Iranian theocracy (Ramadan 2011: 21). The emergence of the Muslim Brotherhood and its affiliate parties as the dominant political powers in countries across the region also gave the impression that the AKP could play a leading role. According to Bayram Sìnkaya (2011), 'coinciding almost with Erdoğan's visit to the "revolutionary" countries [in the Arab world] Iran hosted the first "International Conference on Islamic Awakening", which indicated […] the Turkey–Iran rivalry in the region'. Rivalry was also evident over Syria, where Turkey decided to support the opposition and seek to change the regime. Iran, in contrast, regards the possible fall of the Alawite-Baath regime as a serious blow to its geopolitical axis in the region. Syria, after all, has been the lifeline of Hezbollah and an outpost of Iranian presence in the Mediterranean and the Levant, along the frontline of the

Arab-Israeli conflict. In sum, despite areas of shared interests, issues such as the Iranian nuclear program, the fate of the regime in Syria, and the race for ideological-political leadership in the region make Turkish-Iranian relations increasingly fraught.

In the 2010s, US policy against the Iranian nuclear program also placed Turkish-Iranian relations in a quandary. On the one hand, Turkey did not wish to pursue severe sanctions against Iran, as it imported around 10 billion m^3 of Iranian gas every year, a third of the country's annual consumption, helping to balance energy dependency on Russia. Indeed, overall, Turkish-Iranian trade reached $10 billion in 2010 and approached $15 billion in 2011 (Weitz 2012: 3). Nevertheless, Prime Minister Erdoğan could not afford to disagree with the USA on all matters in the region after falling out with the Israeli government. Nor could Turkey alienate Gulf monarchies, particularly Saudi Arabia and the United Arab Emirates (UAE), which were militantly opposed to the Iranian nuclear program. Gulf FDI (foreign direct investment) flows into Turkey reached $6.5 billion in the period 2004–11, and some 500 Turkish companies are operating in the UAE alone (Isaac 2012). Thus, Turkey agreed to install US radar on its soil within the framework of the NATO missile defence shield, causing a setback in Ankara's relations with Tehran.

From an Israeli perspective, the upshot of this situation was that Israel found itself with no allies in the region. Uncertainty in Egyptian-Israeli relations due to the Muslim Brotherhood Government, the hesitation of Jordan to continue open cooperation with Tel Aviv, the Syrian uprising, and the Palestinian bid for a seat in the United Nations, all made Israel feel isolated and cornered. As Israeli analysts have described it, the country faces a triangle of unpredictability consisting of Turkey, Egypt and the negotiations with the Palestinians on the one hand, and its weakened intimacy with the USA on the other. The same Israeli analysts, among them fervent ex-supporters of Turkish-Israeli alliance, believe that Turkey has turned its back on the EU, and they insist that it had taken an exceptionalist view of its role in NATO, particularly with regard to the prospect of American-led military action against Iran. They had also pointed out that Turkey was turning a blind eye to the Iran-Hezbollah axis and supported terrorist groups such as Hamas (Inbar 2012a).

In addition, the right wing, which held power in Israel, seemed unwilling to prevent further escalation by taking conciliatory steps towards either the Turks or the Palestinians, despite criticism from then government partners (Barak) and from the main opposition (Tzipi Livni). Yet there were few alternatives, even if some Israeli analysts believed that 'on the face of it, there seems to be a foundation for extensive cooperation and strategic understandings between Israel and Saudi Arabia, but there is a limited possibility of realising such intentions as long as the conflict between Israel and the Arab world, and especially the Palestinians, escalates' (Brom and Stein 2011).

Thus, for the first time in its history, Israel has turned its eyes to the sea (Klieman 221–231). Its interest is focused on the discovery of up to 120 trillion cubic feet of gas deposits (equivalent to half the USA's reserves) in the Levant Basin, which comprises Israel's offshore territory as well as that of Lebanon, Cyprus, and Syria, and the Palestinian territories. In this context, Cyprus was thought to be an ideal hub for LNG (liquefied natural gas) transport to European energy markets. Such a development might relieve Europe of a considerable part of its energy dependence on Russia (Filis 2012). It would decrease the importance of Turkey as an energy hub and energy East-West transit route. Some within the Israeli elite recognise that this creates a conflict of interest with Turkey. As Efraim Inbar has put it, 'Turkey is interested in gaining control or partial ownership of the maritime gas fields in the Eastern Mediterranean, as this would help fulfil its ambitions to serve as an energy bridge to the West. This puts Turkey at loggerheads with Cyprus and Israel, who share an interest in exporting gas to energy-thirsty Europe' (Inbar 2012b: 67).

The protracted Syrian civil war, the ascent of ISIS and the agreement on Iran's nuclear program and the subsequent lifting of the related sanctions brought new elements into the regional arena. It became evident in Washington and major European countries that the only viable way to repel the jihadist threat was for some sort of power share with the Assad's Regime in Damascus. With the thorny issue of Tehran's nuclear program resolved, the Obama Administration seemed more likely to find an understanding with Iran on Syria (Rozen 2015). For Tehran, there are two major objectives that inform their attitude in the region. The first is the steady integration of the country into the world economy; and the second, maintenance of their most valuable alliance with Baghdad, Damascus and Hezbollah in Lebanon. Both Israel and Saudi Arabia feel very uncomfortable with both Iran's objectives as they will lead to a Persian hegemony over the region. Equally uncomfortable is the Turkish side. Although the country seems to be the obvious route for Iranian oil and natural gas to Europe, Turks always suspect an empowered Iran at their borders (*Stratfor* January 22, 2016).

This transforming regional picture—in which Turkey and Iran as well as Israel jockey to manage the power vacuum which has emerged in the wake of the US occupation and withdrawal from Iraq and of the Arab revolutions—is being closely watched in Greece, giving rise to an emphasis on Greece's southern rather than northern neighbourhood.

Greece's Strategic Choices

The emerging regional tableau has brought back old dilemmas regarding Greece's strategy of alliances. As Monteagle Stearns has argued, the fundamental strategic choice for Greece has always been between a land-based alliance to the North and a sea-based alliance to the South (Stearns 1997).

In the 1990s and much of the 2000s, conditions favoured the North. One reason for this was that Greece had a unique systemic opportunity to assume leadership in South East Europe, due to the considerable political, economic, military and institutional superiority of Greece over Romania, Albania, Bulgaria, and the successor states of the former Yugoslavia (Fakiolas 1997: 148–149). Greece was also poised to play a leading role in facilitating closer connections between the Balkan states and the EU, and in building a framework for multilateral cooperation (Kontonis 2005: 41–45). However, despite the efforts of Greek state and non-state actors, hardly any of the schemes for regional cooperation in South East Europe was able to deal with key issues such as the rise in Balkan nationalisms, the dismemberment of Yugoslavia, political volatility in the new states, the name issue surrounding Former Yugoslav Republic of Macedonia (FYROM), which Skopje calls the 'Republic of Macedonia', massive illegal migration, and the need for shared infrastructure in energy, and much more. On the contrary, these issues created certain obstacles to Greek political influence on neighbours such as FYROM and Albania; and, despite initial expectations, they did not bring Greece any closer to Romania or Bulgaria, as the projected energy bonanza of the trans-Balkan Burgas–Alexandroupolis oil pipeline project did not materialise (RIA Novosti, 1 July 2011).

A second pillar of Greece regional strategy in the 1990s—the Europeanisation of Greek-Turkish relations—likewise remains incomplete and rather superficial, focusing on policy style and some aspects of 'low' politics without touching the core issues of the Greek-Turkish disputes (Tsardanidis and Stavridis 2005: 234). The most important reason for the shallowness of the Europeanisation process may be the growing disaffection between the EU and Turkey since the mid-2000s, a process in which Greek-Turkish disputes have played a rather minor role. Rather, there is increasing hesitation among EU political elites about proceeding with negotiations for the country to join the EU. What is more, the immense reformist trend in Turkey of the 2000–05 period has been followed by a dramatic slowdown, which was coupled with deadlock on the Cyprus issue that has become a European as well as an Eastern Mediterranean problem (Open Society Foundation and the British Council 2009).

In this context, Turkey, and particularly the new elites of AKP, have been searching for strategic autonomy and, at least in a narrow sense, have moved away from the Europeanised context of Greek-Turkish relations. For example, it has sought to be more active in regional and other multilateral institutions (for example, the Organisation of Islamic Conference). It has also tried to play the role of policy producer instead of policy implementer, mediating in various issues from Iran's nuclear program to the Syria–Israel peace negotiations. Thirdly, Turkey has pursued increasing business and strategic relations with the Gulf and Arab world more broadly, mostly by building mutual economic and political cooperation with countries like Jordan, Saudi Arabia and Qatar (Kanat 2010: 210–212). This amounts to a sort of Turkish 'second-wave' of AKP foreign policy activism in the wake of its initial drive towards Europe in the early 2000s. This time, the goal appears to be strategic autonomy mainly based on soft power, economic ties and civilian leadership. This is pursued through increasing convergence with other regional players, as well as ambitions to build global partnerships (Kardaş 2011: 2).

Last but not least, the EU project, the much greater land-based alliance on which Greece has anchored its national project, is now reaching its high-water mark. As Stephen Walt sees it, it is very unlikely that the recent failures of the EU will permit a further expansion of pan-European institutions and the possibility of significant consolidation of power in either South East Europe or the Eastern Mediterranean in the near future (Walt 2010).

This situation suggests that a sea-based alliance which looks southward could be an attractive alternative and could be pursued through partnership with Israel and the USA in the Eastern Mediterranean. This entails an alternative regional conception which emphasises the Eastern Mediterranean in bringing together South European countries with other Mediterranean littoral states, rather than envisaging the latter as part of the wider Middle East, with its overwhelmingly security-oriented concerns (Ibrahim 1996).[2] Such an alliance resonates with a Greece that for the best part of its modern history has allied itself with naval powers with significant interests in the Eastern Mediterranean. While a southern-oriented, sea-based approach could by no means replace Greece's strategy as an integral part of the EU project, it could substitute for the stagnated Greek policies in the Balkans and, most importantly, help Greece meet the challenge of massive waves of migration from the South and the East.

Three Approaches to Greek-Israeli Relations

Greek views on how to pursue relations with Israel in light of the transformed dynamics in both the EU and the Middle East, not least Turkey's presumptive rise, can be aggregated under the three schools of thought examined below. All reflect the fact that, since the mid-1990s, Greece has been vacillating between a close relationship with Israel and its traditional partnership with the Arab states. Improvements, particularly in the area of economic relations, have been flowering, though the tendency to describe this as a very recent trend is misleading. During the 1990s, the volume of bilateral trade volume doubled, and by the early 2000s Israel had become Greece's biggest trade partner in the region. There was a decline in 2007–08, but overall trade relations remained at a very significant level (Israel Export and International Cooperation Institute, The Economic Department, 2011).[3] A turning point in upgrading bilateral political relations was the first official visit of a Greek president to Israel (Konstantinos Stefanopoulos, VI President of the State, 1995–2005). In the same period, the Europeanisation of Greek foreign policy helped strike a balance between relations with Israel and the Arab states, as European consensus-based policies on the Arab-Israeli conflict have tilted Greek policies away from heavily pro-Arab stances.

The first programmatic articulation of this shifting orientation could be called the *strategic approach* to evolving relations with Israel. It is based on the view that an alliance between Greece and Israel would deter Turkey from using force or threats of force in order to advance its interests in the Aegean Sea with regard to demarcation of the continental shelf, territorial waters and national airspace, as well as Cyprus. According to the same analysis, cooperation between Israel, Greece and Cyprus should take the form of an energy and defence alliance. It maintains that what we call the 'Arab Spring' will become an 'Islamist Winter' in which political Islamic forces dominate the region. It is thought that such a development could threaten Greek vital interests in the Mediterranean, especially regarding the delineation of the Greek Exclusive Economic Zone (EEZ) and the exploitation of potential hydrocarbon resources. For adherents of this school, a Greek-Israeli axis could be a major stabilising factor in the region against the 'Islamist threat'.[4] It is also worth pointing out that this school of thought anchors its argumentation to US interests in the region, particularly with regard to the role a Greek-Israel alliance could play in thwarting Iran's nuclear program. In effect, the strategic approach is linked to a view in which security and culture overlap; thus, Greece, Israel and Cyprus, as the only non-Muslim states in the region, are seen as natural partners of the USA with regard to Iran on one hand, and the rise to power of Muslim Brotherhood-type Islamic governments on the other.[5] Proponents of this approach have also argued in several articles that fear of Turkey has kept Greece from exercising its right to expand its territorial waters and to delineate its Exclusive Economic Zone (EEZ) (Gilson 2011a). Along the same lines, they propose that an alliance of Greece and Israel would successfully balance Turkish power in the Eastern Mediterranean, and that this too would influence US policy-making favourably with regard to Greek and Cypriot interests

The second school of thought in Greece takes a more *economic approach*, emphasising the importance of energy and trade partnership with Israel. Its advocates believe that despite the repercussions which such an alliance would have on Greece's relations with the Arabs, there would be an overall benefit for Greece in terms of energy, investment, tourism and access to the US-Jewish lobby (Gilson 2011b). The same school believes that Greek-Israeli partnership is not by definition inimical to relations with Turkey, and that synergies could be found, more so since total bilateral Greek-Turkish trade volume in 2009 was almost $3.5 billion in comparison to approximately $400 million with Israel (Kutlay 2009: 100). Thus, the proponents of this school of thought do not attribute to Greek-Israeli partnership a strategic character, but view it as a close economic partnership. They do not see it, moreover, as any alternative to Greece's strategic decision to be part of the EU's political and economic processes. The Europeanisation of Greek foreign policy is irreversible, while becoming part of the Eastern Mediterranean or the Middle Eastern strategic calculus are not realistic prospects (Tsardanidis and Stavridis, 2005: 222; Agnantopoulos 2010: 9,14).

A third school of thought takes a *balancing approach* to the Eastern Mediterranean. It, shares the views of the economic approach about the energy, investment and tourism benefits of enhanced ties with Israel, as well as regarding access to Washington policy-making centres, but with serious reservations. First, its adherents see Turkish claims in the Levant Basin as focusing not only on the Cyprus-Israel EEZ, but expanding to the whole of the Eastern Mediterranean, including the Aegean and the delineation of the Greek EEZ. They also doubt whether Tel Aviv would be interested in taking sides in a Greek-Turkish showdown in the Aegean.

They believe that Turkey's 'zero problems with neighbours' policy is facing real hurdles with the militarisation of the Arab Spring in Syria and the resurgence of the Kurdish issue, and the overthrown of Morsi in Egypt. Egyptian political elites, both Islamic and secular, are unlikely to surrender what they perceive to be Egypt's rightful place as leader of the Arab world to Turks or Iranians. Egypt, despite its relative decline as a regional power in the last decade, has never fully relinquished her leading status in the Arab order, and, even under Morsi, seems to reaffirm this role with his proposal for a meeting of Egypt, Saudi Arabia, Turkey and Iran on Syria (Onar 2012). Baghdad too is no longer ready to tolerate Turkish involvement in its domestic affairs, and it has been taking steps to end Turkey's military presence in the North, where the Partiya Karkerên Kurdistanê (PKK) maintains several bases (Tuğal 2012: 14, 19–20).

This school also believes the most important antagonist to Turkey for hegemony in the region is not Israel but Iran. As such, they anticipate some sort of rapprochement between Israel and Turkey which might leave Greece and Cyprus without alternative regional partners (Roussos 2011). Thus, adherents of this school of thought argue that Greece should maintain balanced ties with both Israel and Turkey as well as with the other states in the Middle East, and avoid committing to an exclusive strategic axis with Israel.

Deterrence and Triangles Strategy

To place these schools in context, it is helpful to recognise that each of the approaches to relations with Israel and the Eastern Mediterranean emanates from traditional deterrence and more recent Europeanisation frameworks for Greek foreign policy and geopolitics.

The first school of thought reflects a deterrence approach based on the premise that present difficult relations between Israel and Turkey will remain unaltered by regional developments. Hence, Israel will seek to ally with Greece for a strategic axis in the Eastern Mediterranean at the expense of Turkey. This notion has been reinforced by the views of US-Jewish organisations and their threat perceptions regarding Turkey. For example, in a visit to Athens, the chairman of the Conference of Presidents of Major American Jewish Organisations, Alan Solow, stated that 'to the extent that Turkey leans to the East rather than West and associates itself with more radical elements in the region—that threatens stability. That Turkey, as a UN Security Council member, did not vote for the latest round of sanctions against Iran is very disturbing'.[6] In a similar vein, reports that joint Greek-Israeli-US naval exercises 'involve simulations of combat against submarines, air battles and protection of offshore natural gas platforms' in the Eastern Mediterranean may not be accurate but can be interpreted as part of a new configuration of Greek deterrence discourse (Ravid 2012). Such discourse has been reinforced by leading Greek newspapers' reporting about growing US interest in promoting energy alternatives to the Russian route for South East Europe. The USA would welcome, such reports assert, a route connecting Cypriot and Israeli gas fields with potential fields south of Crete, as this would decrease (if to a small extent) Europe's dependence on Russian gas (Peloni 2012).

The deterrence perspective also appeals to those in Athens who have never trusted the notion that the Europeanisation of Turkey would effectively transform the conflictual relationship between Greece and Turkey into a partnership within a new European framework. Nor do they share the notion of the Europeanist counterparts that the terrain of the EU institutions is advantageous to Greece in resolving Greek-Turkish issues or that European institutions can influence Turkish foreign policy. Instead, the approach advocates containing Turkey in all international fora—first and foremost in the EU (Ifantis 2004: 44, ft. 36). To this end, they demand a national strategy of military and political deterrence through mainly regional alliances. They argue too that Turkey will pursue a policy of honest negotiations for resolving Greek-Turkish disputes only insofar as it believes that antagonism with Greece will create a strategic impasse (Platias 2005: 234–236).

The weakening of the EU anchor and the power vacuum which recently emerged in the Middle East has empowered the deterrence approach and has produced the 'triangle strategy', first between Greece, Cyprus and Israel and second, between Greece, Cyprus and Egypt. This strategy seems to be premised on three assumptions. First, that the triangle strategy would deter Turkish claims on EEZs in the Eastern Mediterranean. Second, closely related to the first, that there are sufficient hydrocarbon fields in this region to trigger Greek economic development. Third, that controversial relations between Turkey and her two Eastern Mediterranean neighbours—Israel and Egypt—are of a strategic and not tactical nature and, thus, hardly reparable.

In doing so, Greece seems to alienate Iran and the Palestinians, though to a different degree. Greece was forced by the USA and her European partners to impose oil sanctions on Iran despite the fact that 'Iran supplied crude to Greece on highly favourable terms that would have been difficult to match elsewhere. Greek refiners did not have to make payment until 60 days after receiving shipments' (Chaffin and Blitz 2012). Greece and Israel had, in 2014 joint drills in the Aegean and Crete Island where Israel forces focused on S-300 anti-aircraft that are stationed in Crete, after Russia's supplying Iran with the same missile system (JPUpdates 19 May 2016). This military cooperation could not but create suspicion in both Ankara and Tehran.

The rise of jihadism in Syria, the eclipse of the Muslim Brotherhood in Egypt, the Russian involvement in Syria and most importantly the resurgence of the Kurdish issue, made Ankara far less assertive. The insecurity of Ankara is further aggravated by her ongoing rivalry with Iran for influence on Iraq and Syria. Moreover, Ankara is afraid that Iran is encouraging PKK's armed struggle inside Turkey, in order to avoid a Kurdish guerrilla war on its soil, which could be triggered by fleeing PKK fighters (Ayman 2014: 19–20). Under such circumstances Turkey feels isolated in a turbulent region and, thus, has an interest in mending fences with both Israel and Egypt.

Turkey is dependent on Russian and Iranian oil and natural gas and eager to reduce this dependency, using Israeli natural gas. Turkey's natural gas consumption was 48 bcm in 2014, and is expected to reach 75 bcm by 2025. According to Charles Ellinas, executive president of the Cyprus National Hydrocarbons Company (CNHC), 'gas exports to Turkey had always been the preferred option for [the Israeli field] of Leviathan' (Ellinas 2015). As Israeli gas exports to Egypt are now facing serious difficulties and may be reduced to a minimal level after the discovery of the Egyptian Zor offshore field, Turkey seems to be the most obvious customer. What is more, a 'plan to build a gas terminal on Cyprus and an undersea pipeline to Crete, Greece and Italy, is seen as expensive and impracticable' (*The Economist* 15 February 2014).

In the end, trade relations between Turkey and Israel kept on following an upward trend. According to Brookings, 'statistics released by the Israeli government document an overall volume of $5.44 billion in Turkish-Israeli trade during 2014. This marks an all-time high point in Turkish-Israeli economic relations, up 11.5% from 2013, including $2.75 billion in Israeli exports to Turkey (a 10% year-on-year increase) and $2.68 billion in Turkish imports to Israel (13% higher than 2013)' (Arbell, 2015). The figures show that trade more than doubled in the previous five years. In contrast, Greek-Israel trade is marked by a steady decline of 25 percent between 2013 and 2014 and around 11 percent in 2015 (Office for Economic and Trade Affairs, Embassy of Greece in Israel, 2015).

Israel, on the other hand, as Arad Nir points out, 'feels threatened by what it calls a "concept switch" that the West and Russia have developed regarding threats in the Middle East. That is, Israel's allies see the Sunni Islamic State as the central threat, and Shiite Iran, which supports terrorism, as an ally, so they've been neglecting cooperation and alliances with the Sunni Muslim states'. Israel, however, sees Iran as an existential threat and welcomes a Sunni bloc, including Turkey, which could thwart Tehran's regional ambitions (Nir 2016).

In this context, a rapprochement between Israel and Turkey will test the deterrence premise of Greek 'triangular strategy'. Two more elements would further challenge this strategy. The first is if Egypt, under the economic and political pressure of Saudi Arabia, were to join the Sunni bloc against Iran, along with Turkey. Moreover, Turkey's gas consumption is expected to rise at about 60 percent until 2025 and this might attract Egyptian gas after the discovery of the gigantic Zor gas field. The dilemma of Greek strategy is becoming acute as Greece's major European partners have opted for close trade and economic relations with Tehran. Greece needs foreign investments and Iran has been interested in purchasing a major share of Greek oil refineries (Liaggou 2015). The Government of the Left in Athens seems to understand the limits of this triangular strategy and attempts, albeit reluctantly, a balancing act through visits by the Greek prime minister to Ramallah, recognition of the state of Palestine by the Greek Parliament, and the visit of the foreign minister N. Kotzias to Tehran (Roussos 2015).

Iran in particular is interested in creating an energy corridor through Greece in order to re-enter the European market after the lifting of the sanctions.[7] Greek-Iranian relations had been in a state of hibernation since the early 2000s. Describing that cooperation, Robert M. Cutler had very rightly noted in 2002 that 'an entente among Iran, Armenia and Greece [had] developed into increasing trilateral cooperation. Iran's natural gas [would] reach Southern Europe through Greece …'. He added that

'Turkey [had] not stood in the way of elaborating the project taking Iranian gas to Greece and southern Europe', and that 'Greece's role in all this [was] key' (Cutler 2002). The visit of the Greek prime minister, A. Tsipras, to Tehran on 8 February 2016 sought to reactivate this strategic relationship between Iran and Greece (Athens News Agency 2016). This approach seems to have been informed by the third school of thought, which takes a *balancing approach* to the Eastern Mediterranean and believes the most important antagonist to Turkey for hegemony in the region is not Israel but Iran.

Conclusion

In the last decade, Turkey has been perceived in Greece, Egypt and Israel as assuming a leading role in the Middle East and the Eastern Mediterranean, through economic and political influence. Israel feels particularly alienated by AKP policy towards political Islam, and isolated in the region more broadly. As a result, its political elite seeks new alliances in the Eastern Mediterranean. Meanwhile, Greece's strategic concerns are heavily influenced by the inability of the EU to build a comprehensive and integrated solution to the economic and social crisis in the European South and the poor results that the Europeanisation of Greek-Turkish relations has yielded in resolving either bilateral territorial disputes in the Aegean or over the Cyprus issue. These concerns were further affected by the loss of Greece's opportunity to assume a leading role in the post-Cold War Balkans, by new security threats such as illegal migration, and by new opportunities for hydrocarbon exploitation in the Eastern Mediterranean.

All these developments have brought back old dilemmas regarding Greece's strategy of alliances, and produced three main schools of thought regarding Greek-Israeli relations. The first strategic approach is deeply affected by an old deterrence debate and advocates that Israel and Greece should form a strategic axis in the Eastern Mediterranean in order to balance a supposedly ascending Turkey. The other two schools, which emphasise bilateral economic relations with Israel and balancing respectively, advocate balanced and more nuanced policies towards the wider Eastern Mediterranean and the Middle East. The third school, in particular, emphasises the need to build bridges with Iran. Meanwhile, a possible convergence of interests among Israel, Turkey and the Sunni bloc in the Middle East could seriously test the deterrence premise of Greece's triangular strategy in the Eastern Mediterranean.

Notes

1. For prestige conceptualisation, see Robert Gilpin, *War and Change in World Politics*, pp. 30–31.
2. For various Middle East/Mediterranean regional 'paradigms', see Saad Eddin Ibrahim, 'Future Visions of the Arab Middle East'.
3. From $576 million total trade in 2007 to $496 million in 2009. However, there is a rise of Greek exports to Israel from $206 million in 2010 to $264 million in 2011.
4. Interview with Professor I. Mazis for the Cypriot newspaper *Phileleftheros*, 4 March 2011 [in Greek].
5. See presentations of Marios L. Evriviades and Shalom Kital at the Workshop on 'Greece – Cyprus – Israel: Cooperation and the New Geopolitics in the Eastern Mediterranean', Institute of International Relations, Athens, 25 January, 2012. Available from <http://www.idis.gr/EN/index_en.htm> [28 January 2016].
6. Interview with Alan Solow by George Nilson, *Athens News*, 7 February 2011.
7. According to Reuters, 'Greece's biggest oil refiner Hellenic Petroleum agreed on Friday to buy crude oil from the National Iranian Oil Company (NIOC), the first European refiner to restart trade relations with Iran after the lifting of international sanctions'. It also noted that 'Hellenic Petroleum was a major buyer of Iranian crude, which accounted for about 20 percent of the southeast European country's annual crude oil imports before sanctions were imposed on Tehran in 2011' and that 'under the deal, the refiner will start buying oil from Iran immediately and will settle its 600 million euro outstanding debt to NIOC'. A. Koutantou, 'Greece to restart crude oil purchases from Iran', *Reuters*, 22 January 2016, Available from <http://goo.gl/zPYXwT> [28 January 2016].

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Greek-Turkish Relations During the Greek Crisis: The Impact of the Crisis on Partnership Efforts

N. Raptopoulos

Introduction

The deep and long-standing economic recession in Greece paved the way for a severe crisis with unexpected socio-political and international consequences for the Greek people. Greek foreign policy towards Turkey, an important actor in the Eastern Mediterranean and neighbor, is not exempted from this general tendency that rules the Greek state's affairs.

The economic impasse that Athens has experienced in its domestic affairs since 2009 affects Greece's status in the international system. It is a commonplace to say that the economic strength or weakness of a state affects its efficiency in the conduct of domestic and international politics alike. The role that the economy plays as a link between the two spheres is of considerable importance, since economic affairs hold a central place among the factors that determine a state's overall power. Consequently, the constrained economic capabilities of the Greek state influence not only its capacity in domestic affairs, but also its efficiency in interactions with its international environment.

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At the onset of the recent Greek crisis, Greece and Turkey were pursuing a rapprochement that followed decades of tensions and efforts toward achieving détente (late 1990s) at détente. The global economic crisis of 2008 that struck Athens soon after, found the two states in a different orbit. While Greece was facing economic decline, Turkey, having experienced the consequences of a devastating economic crisis some years before (2001), was better prepared to escape the negative effects of these latest problems. As a matter of fact, the rapprochement entered a very particular phase, according to which the goals and priorities of the two neighbors were to be modified in a short space of time. While Greece would be struggling, on one hand, to keep pace with the economic reforms dictated by the Western Troika, and on the other, to preserve its socio-political consistency and pursue its interests, Turkey was looking ahead towards meeting regional challenges. Nevertheless, in this particular era, an effort to improve relations beyond the rapprochement and to establish a partnership between the two states has been undertaken.

The purpose of this chapter is to examine the impact of the Greek economic crisis on the pursuit of a partnership and more balanced Greek-Turkish relations. In order to do so, first, the state of the Greek-Turkish politico-diplomatic relations and patterns of interaction between the two neighbors will be outlined. Second, the new strategic doctrine of Turkey, the national goals of the new leadership, and the place that Greece holds therein will be studied. Third, the impact of the Greek crisis on the Greek-Turkish efforts for rapprochement will be scrutinized. Finally, the prospects for bilateral relations and some conclusions will be drawn about how the crisis has affected current Greek-Turkish relations.

The importance of the study lies in its effort to shed light on the consequences of the domestic (economic) politics for the bilateral (politico-diplomatic) relations. Such a study could be useful for conducting further research on either particular aspects of contemporary Greek-Turkish relations related to the Greek crisis, or on bilateral relations of nations with a similar conflictual past exploring fresh conciliatory endeavors.

Greek-Turkish Relations: Between Competition and Cooperative Efforts

The history of Greek-Turkish relations is often related to regional antagonisms and confrontations over a series of sensitive issues touching upon national sovereignty and independence. At the margins of this general rule of competitive interactions, the complex legacy of which plays a determining role in the decision making process, one can observe also conciliatory efforts that aim to create regional cooperation.

The interactions between the two sovereign units of the regional subsystem of Southeastern Europe took various forms and patterns over time. These depended heavily on the strategy that the leaderships of the two nations had set in order to achieve their respective national goals. The most common interactions were either a challenging stance adopted by the side that followed a revisionist policy, aiming to increase its power, upgrade its status and establish regional hegemony, or a resisting one adopted by the state that favored the preservation of the status quo and loyalty to the norms of international law in order to safeguard its political autonomy and guarantee national survival.

Throughout the decades that followed the establishment of the new Turkish Republic, the Turkish leadership defined the national goals according to the needs of the Kemalist project: the creation of a new, Western-oriented nation and state. Besides the domestic factors, international circumstances also played an important role in the conduct of the new state's foreign affairs. In that respect, the obligations arising out of the Treaty of Lausanne (1923), which replaced the Treaty of Sevres (1920), have often been respected partially in order to attain the national interests of the state. In this first phase, the Turkish Governments adopted a competitive attitude vis-à-vis Greek interests, disregarding the provisions laid down by the Treaty of Lausanne concerning the rights of the Greek-Orthodox minority in Turkey and compensation of the refugees who had fled Asia Minor (Alexandris 1992; Akgönül 2004). The minority fell victim to consecutive pressures from the Turkish state, with the most prominent examples being the wartime "Wealth Tax" (Varlık Vergisi) in 1942 (see e.g. Alexandris 1992: 207–233; Akgönül 2004: 62–83), the state-organized pogrom of September 1955 (Vryonis 2005), and the sudden expulsion of those residents with Greek citizenship in 1964 (Alexandris 1992: 280–298). The controversy over the Cyprus question, which erupted in the mid-1950s, offered Ankara the opportunity to augment pressure on the Greek minority of Turkey, while Athens attempted to retaliate by putting pressure on the Muslim minority in Western Thrace, whose fate was linked to the former due to the "reciprocity clause" of the Treaty of Lausanne (art. 45). The effort to secure strategic advantage in the Eastern Mediterranean pushed both states into fierce competition, resulting in the Turkish occupation of the northern part of Cyprus (1974) and subsequently in the establishment of the so-called "Turkish Republic of Northern Cyprus" (1983). Since the mid-1970s, Greek-Turkish relations have been dominated largely by the Cyprus affair. This competition soon spread into the Aegean Sea with Turkey seeking to increase its influence in the area. Not only did Ankara demand a share of the territorial shelf, but in the mid-1990s it also prevented Greece from extending its territorial waters to 12 nautical miles by calling such a gesture a casus belli.[1] These four areas constitute the core of the Greek-Turkish rivalry, and also affected their co-existence within the Western alliance and the accommodation of the Turkish bid in the European institutions, where Greece is already a member.

The aforementioned antagonistic pattern of interaction between Athens and Ankara witnessed too some intervals of good neighborly relations, such as the conciliation effort during the 1930s that inaugurated a new era of "friendship" between the two nations. The second was at the end of 1940s, when the two states were preparing to join NATO. Nevertheless, the most notable case is considered to be the recent process of rapprochement that has taken a more cooperative form in recent years.

This rapprochement between the two nations began in the early 2000s, and is considered to be, among other reasons, a result of the "earthquake diplomacy"[2] which provided prospects for further improvement and amelioration of bilateral relations. These efforts, which sped up at the beginning of the new millennium, focused mainly on issues of "low politics" that concern less vital aspects of socio-political life rather than issues of "high politics" involving decision making processes with high risks and consequences for national security, independence and national well being. Nevertheless, the fact that the rapprochement was pursued in a way that avoided dealing with essential and crucial issues which had been haunting the bilateral relations for decades—such as the Cyprus issue and the declaration of a casus belli by Turkey—prompted considerable doubts and reservations about their durability (Oran 2013: 560).

Turkey's New Strategic Doctrine and Greece

The rise to power of the pro-Islamic Justice and Development Party (JDP) in Turkey in 2002 signaled a significant shift in the national goals of the state. The redefinition of Turkey's strategic objectives by the new leadership directly affected the course of Greek-Turkish Relations.

The new strategic doctrine of Turkey, an unofficial early version of which is considered to be the seminal work *The Strategic Depth. The International Position of Turkey* by Professor Ahmet Davutoğlu (2001), attempts a genuine breakthrough away from the previous national strategy in force until the beginning of the 2000s. The new doctrine proposed the adoption of a fresh approach, which would eventually lead Turkey to gain a most important position in the regional and international arena. According to Davutoğlu, the foreign policy that the secular and Kemalist governments had followed until then was a major obstacle to achieving such a goal. The policies they followed, Davutoğlu claimed, were a failure for at least two reasons. First, they focused almost exclusively on the resolution of conflicts with their neighbors, which prevented the state from developing other international policy tools and aspects (Davutoğlu 2001). Second, they fell short of making optimal use of Turkey's available power factors, thus turning away the nation from its potential Eastern friends and allies (Davutoğlu 2001). In order to achieve the above mentioned goal, the realization of a thorough change in the strategic design was essential.

In the *Strategic Depth Doctrine*, Davutoğlu adopts a Westphalian nation-state-centric approach to international affairs, shifting away from the previously expressed inclination for the religion-centered organizational principle of the international system (Davutoğlu 1994). As soon as he was assigned ambassador and became involved in the strategic design and conduct of the state's foreign affairs, Turkish foreign policy underwent a process of change. The previously followed cautious—but at the same time daring—foreign policy was gradually abandoned in favor of a bolder and more active one (Mufti 1998, 2009). The achievement of the set goal— that is, to make Turkey a respected international power, as was once the case for the Ottoman Empire—necessitated not only an optimal use of some crucial power factors—such as history, culture and geography, from where the term "the strategic depth doctrine" originates—but also important influence zones. In order to increase Turkish power, Ankara made diplomatic overtures towards nations in its immediate neighborhood, especially the Arab and Muslim states (Raptopoulos 2004). This approach necessitated the adoption of new policies and principles.

The most important policy in dealing with neighboring states in the new strategy is considered to be the "zero problems policy with neighbors". According to this, the leading policymakers declared themselves ready to resolve all the problems that Ankara was facing in its interactions with neighboring capitals (Davutoğlu 2008). In order to resolve these and make steps forward into a more beneficial coexistence, Turkey assumed the leading role in creating high-level "Cooperation Councils" with most of the states with which it shares borders. Promoting good neighborly relations could not ignore close economic cooperation. The principle of "economic interdependence", which is a loan from the liberal scholarship, was expected to complete aspects not covered by the "zero problem policy", such as creating the necessary environment for economic cooperation, which eventually would create "interdependence". The aforementioned policy and principle had limited success.

In practice, the "zero problem policy with neighbors" proved to be insufficient and problematic in resolving Turkey's conflicts with neighbors (Kouskouvelis 2013: 47–56). The perception of the Turkish leadership on the power held by the Turkish state and the status it should have in the regional subsystem had a negative impact on the successful implementation of this policy. The manner in which the neighboring states were approached in *The Strategic Depth* by the later chief of Turkish diplomacy sheds light on this matter. Both Greece and Syria, with which Ankara had never enjoyed easy relations, are considered to be "athletes of inferior weight", which prevent Turkey from making the most of its potential and thus weaken it (Davutoğlu 2001: 147).

Power calculations are not absent from the principle of economic interdependence, either. As Davutoğlu puts it:

> [I]n order to limit foreign policy risks that are caused by neighbors, steps towards the augmentation of the interdependence would create certain margins of maneuver. The interdependence creates mechanisms that function in favor of states with a coherent projection of foreign policy. (2001: 146)

These mechanisms, which according to Davutoğlu have an economic (and cultural) character, are conceived of as strengthening primarily the economic power factors of the Turkish state. Besides, elsewhere, while treating Turkish-European Union relations, Davutoğlu perceives the Turkish-Middle Eastern economic relations as a factor essentially strengthening Ankara's position in the accession negotiations (2001: 263–264). The above rational approach concerning the benefits of economic relations highlights the weaknesses and contradictions of the above mentioned policy and principle.

The "zero problem policy with neighbors" that Davutoğlu proposes in his writings aspires to replace the traditional policy of "balance of threat" that Ankara followed vis-à-vis its neighbors, such as Greece and Syria. Its most important expression in the 1990s is considered to be the strategy of "2½ Wars", explained by Ambassador Ş. Elekdağ in *Perceptions*, the official journal of the Turkish Foreign Ministry (1996: 33–57). Davutoğlu follows an indirect strategy that aims to restore friendly relations through the resolution of any conflict of interest by developing close diplomatic and economic relations. At the same time he adopts an ostensibly alternative posture that places the bilateral relations on a frame with a strong religious-cultural character, avoiding any nationalist controversies. Taking into considerations the roots of political Islam in Turkey and the conservative Islamo-nationalist path (Turkish-Islamic Synthesis) that the official state adopted in the 1980s (Çetinsaya 1999: 350–376), such a change in posture leaves little space for any alternative to safeguarding the nation's absolute gains.

According to the above, some of Turkey's neighbors—such as Greece, with which in the past there had been antagonistic relations and which could potentially challenge Turkey's place in the regional subsystem—are perceived as units whose opposition must be avoided through peaceful means. In an effort to dominate and reconstruct the regional order, an attempt should be made to integrate the rival states within it by offering them partner status as a "compromise'. Greece had to respond to such a desired but unexpected and controversial partnership policy in a context of economic recession and quasi isolation in the European family.

The Crisis and Its Impact on the Greek-Turkish Rapprochement

The global economic crisis affected Greece later than was expected. The economic difficulties that Athens started experiencing in early 2009 soon gained a political dimension soon. Since October 2009, Greece had experienced a period of political instability with coalition Governments succeeding one another. Besides the economic crisis, this political instability in Greece gradually diminished the country's international status (Litsas 2014: 52–64). The incapacity of the Greek political system to provide an efficient solution to crisis would also affect its efforts at rapprochement with Ankara.

Pursuing the Rapprochement on the Eve of the Crisis

The overwhelming crisis, which reversed the course of the Greek economy and provoked the imposition of radical measures after the spring of 2010, took place shortly after the acceleration of efforts towards attaining the goal of rapprochement by the political leaderships of both nations. Such an accomplishment could have offered the opportunity to Greece and Turkey of raising their relations to the level of *partenariat*.

The leadership of the Pan-Hellenic Socialist Movement (PASOK)[3] that came to power in the elections of October 2009 in Greece gave positive signs concerning its will to continue the rapprochement policy followed in bilateral relations with Turkey. This had begun in 1999, especially after the earthquakes that caused considerable damage on both sides of the Aegean. The progress made in Greek-Turkish relations during the ruling period (2004–09) of the center-right party New Democracy (ND) was promising. The Greek prime minister during that period, Kostas Karamanlis, had even made the first official visit of a Greek head of government to the Turkish capital for almost 50 years (see e.g. *Vatan* 23 January 2008; Tavernise and Karassava 24 January 2008). Although positive signs had been given concerning the settlement of thorny issues at "high politics" level, in reality only limited progress had been made. The ND Government had followed a policy favoring removal of obstacles at "low politics" level, as had the previous PASOK Government.

The first official visit of Giorgos Papandreou, the leader of PASOK, as the newly elected Greek prime minister was to Turkey in mid-October 2009 after a landslide victory a few weeks earlier. Papandreou visited Turkey as part of a Summit of Foreign Ministers of the Southeast European Cooperation Process that was taking place there. However, by breaking with a tradition that requires Greek premiers' first overseas visit be to Cyprus, his gesture was a clear sign that his Government would pursue the amelioration of relations with Ankara (Berberakis 10 October 2009). After all, he had assumed an important role as Greek foreign minister, cooperating closely with his counterpart Ismail Cem, at the turn-of-the-millennium initiation of the rapprochement process (see e.g. Hürriyet 5 February 2000; Papachelas 6 February 2000). Papandreou's policy towards Turkey became clearer when—from Cyprus, where he had gone for an official visit in late October 2009—he highlighted firstly the need for resolution of the Cypriot problem, and, secondly, of Turkey's EU accession (Naftemporiki 20 October 2015). In this way he attempted to link the EU accession of Turkey to the progress that would be made on the Cyprus issue. This conditionality would bring Turkey closer to the EU and eventually augment the positive impact of Brussels on Ankara.

The reaction of the Turkish premier Recep Tayyip Erdogan was to propose concrete steps towards reinitiating the Greek-Turkish dialogue in a letter addressed to his Greek counterpart dated 30 October 2009 (Adam 5 November 2009; Milliyet 4 November 2009; Takvim 6 November 2009). In this letter, Erdogan proposed a dialogue that would deal with all unresolved issues, such as the Cypriot and the Aegean issues, Turkish-EU relations, the state of the minorities, and illegal immigration flows. The most advanced point of the proposal was the creation of a high-level "Cooperation Council", following the example of similar councils that Ankara had established in the framework of its political dialogue with neighbors such as Iraq (2008) and Syria (2009). The aim of such a mechanism would seemingly be to offer the opportunity for members of both governments to pursue a process-based dialogue and cooperation in a series of portfolios, while increasing their commitment (Oran 2013: 568).

The Greek government was probably not eager to provide more hints about its position on the Turkish issue in case this were discussed in the next EU summit in mid-December 2009.[4] At the end of January 2010, the Greek premier responded to Erdogan's letter, expressing his wish that this historic opportunity would not only be beneficial for both nations but also provide a model for others in the future (Zaman 26 January 2010). Concerning the Aegean question, Papandreou noted the fact that his Government's priority was to provide a secure environment and establish a climate of mutual trust, which necessitated the mutual respect of territorial integrity, international law, and the bilateral and multilateral agreements. In his letter, Papandreou also stressed the fact that Turkish activities—such as maintaining the casus belli,[5] the overflights of the Aegean islands, and research operations on the continental shelf that had not yet been delimitated according to the existing International Law of Sea—were not helpful in improving bilateral relations (Abatzis 2010; Cumhuriyet 26 January 2010). Hence, he proposed the revival of the exploratory talks on the Aegean that had been initiated in March 2002 (Adam 2010; Zaman 26 January 2010). As for the Cypriot question, he stressed the need for a lasting solution that would be agreed by the two communities of the island in accordance with UN resolutions and without external interventions (Naftemporiki 25 January 2010; Antoniou 2010; Zaman 26 January 2010). Finally, he invited Erdogan to join him in commencing the proposed high-level Cooperation Council, which could focus, as he mentioned, on a series of issues of "low politics" such as energy, commerce, investment, culture, illegal immigration etc. The essence of the letter—inviting Turkey to a comprehensive dialogue—provoked criticism from the leading opposition party in Greece, which demanded disclosure of the entire content of the letters (Naftemporiki 27 January 2010). The leader of the opposition, Antonis Samaras, berated the Greek government for its "comprehensive dialogue policy" given the fact that "Turkey was continuously adding problems and increasing in demands on the agenda of the Greek-Turkish relations" (To Vima 27 January 2010). Besides, as noted in a collective volume edited by Baskin Oran (2013: 569), the fact "that Greece was facing an economic crisis, which meant that politically Athens was not in a strong position, was increasing the risks of making concessions to Turkey, which was allegedly pursuing a Neo-Ottomanist policy and was attempting to augment its regional power in the context of a 'zero-problem policy with neighbors'". Nevertheless, the two capitals agreed to move on and prepare the field for the first Cooperation Council.

As mentioned above, at the beginning of the economic crisis in Greece in 2010, taking into account the changes at leadership level, the two capitals were positive about improving the rapprochement process. In spite of this strong political will, the prospect of Greece's declining economy weakening Athens seems mainly to have mattered because of the security dilemma that had dominated bilateral relations for decades. This negative legacy was due to the competitive bilateral relations and revisionist policies often pursued by Ankara, which had kept the tension high.

An Attempt to Forge a **Partenariat** *at the Start of the Crisis*

The signals coming from international credit rating agencies concerning the Greek economy started deteriorating rapidly at the end of 2009. The Greek government would soon be obliged to take severe economic measures and, a little later, in spring 2010, to apply for international financial assistance. The efforts to forge a Greek-Turkish rapprochement took place in a rather turbulent political environment for Athens.

Preparations for the establishment of the high-level Cooperation Council between Greece and Turkey were pursued at ministerial level. In early April 2010, the Greek deputy minister of foreign affairs, Dimitris Droutsas, visited Ankara. Having signed a new cooperation package with

Turkey, he agreed on the establishment of the Council and the general rules that would govern the bilateral mechanism during the Turkish premier's forthcoming visit to Athens in May 2010 (Akşam 9 April 2010). Despite the progress made in this preparatory meeting, the two parties fell short of advancing on crucial issues of "high politics", such as those concerning Cyprus and the Aegean. Nevertheless, the high-level Cooperation Council was established in May 2010.

Erdogan visited Athens for two days in mid-May 2010, accompanied by ten ministers and numerous businessmen. During this time, the Cooperation Council was finally set up and operated under the co-chairmanship of the two premiers. The two sides agreed to hold a high-level meeting once a year on a rotating basis, and between two and four ministerial meetings a year was agreed, depending on the portfolio (for example, on Economy, Tourism, Finance, Foreign Affairs, Transportation, Communication etc.). In these meetings, ministers would discuss and seek solutions for issues that blocked the advancement of bilateral affairs. The first meeting was considered to be successful, judging by the number of agreements (22) that were concluded or signed (To Vima 15 May 2010; Milliyet 15 May 2010). Erdogan expressed his satisfaction at the outcome, and wished that it might signal the "opening of a new chapter" in Greek-Turkish relations (Ta Nea 14 May 2010; Naftemporiki 15 May 2010). He also expressed his wish that the bilateral relations would soon be upgraded to the level of partnership (Akşam 15 May 2010). During this visit, some progress was also made on issues to do with minorities.

The establishment of a bilateral mechanism that would permit cooperation between Athens and Ankara in issues of "low politics" issues was certainly a positive step. However, the lack of visible progress on issues of "high politics" overshadowed the Cooperation Council's successes, limiting its breakthrough character with regard to important decisions. The Greek efforts to prevent its airspace violations received no positive response by Turkey. The Turkish premier's offer was to prohibit aircraft flying armed with missiles in the Aegean. In his own words, "if the warplanes fly without missiles they will cease to be warplanes and will become planes of peace" (Milliyet 15 May 2010). In line with the above, and having considered the difficult economic situation of Greece, he added: "In this way cuts in the defense spendings can be achieved. […] When I came to power, defense spendings were at the top of our budget. This is no more the case. Greece has to take this into consideration" (Milliyet 15 May 2010). At the time of the visit, the Turkish leadership was aware of the serious economic impasse that the Greek government was facing. Its unwillingness to make any compromises on security issues in the Aegean can be interpreted as an effort, first, to keep the advantage on issues of "high politics", and second, to force Athens to keep the pace up with the armament race while struggling with the economic crisis. In other words, Ankara had fully understood the strategic importance of the economic factor. Its refusal to make any changes in its policy in "high politics" issues was a clear sign that Ankara had no intention of ending the competition for regional hegemony. Athens had expected that rapprochement with Turkey would soon ease its burden. Instead, it found itself dragged into a vicious circle.

Moreover, regional developments brought about unexpected changes in peripheral realignments in the Eastern Mediterranean. The Gaza Flotilla (MV *Mavi Marmara*) incident[6] and the tension between Turkey and Israel in June 2010 signaled a serious rupture in the bilateral relations between those two states.[7] Henceforth, Athens observed a positive change in its immediate environment. The Greek government soon responded favorably to Israel's call for improvement of bilateral relations (Tziampiris 2015: 82–86). Following the break with Turkey, Israel was attempting to fill the balance gap that had been created. Ankara was assured by Athens that the new strategic axis under formation had no anti-Turkish character. According to a leading Turkish think-tank, the Israeli-Greek strategic approach had no prospects in the immediate future because of the poor condition of the Greek economy (Özhan et al. 2011: 126).

The establishment of the bilateral mechanism that would lead to even closer relations between the two nations coincided with important regional economic, diplomatic and security developments that rendered further cooperative steps less probable. The transition of cooperation from the level of "low politics" to "high politics"—such as the Cyprus and Aegean issues—was difficult to achieve.

Security Concerns and the Fading Away of Expectations

The rapid improvements that took place in Greek-Turkish relations following establishment of the high-level Cooperation Council soon reached their peak. Ankara's unwillingness to commit itself to the resolution of security issues in combination with other important regional developments resulted in a serious slowdown in bilateral relations.

After the May 2010 meeting in Athens, the Greek and Turkish leaderships made an effort to keep up the momentum in order to improve political dialogue and find solutions to crucial bilateral issues. Such key issues were discussed on a couple of occasions during the summer and autumn of that year, with no concrete results. Finally, the impasse that the dialogue had reached and the impossibility of reaching a solution to these matters was clear. In January 2011, the Greek premier visited Ankara at the invitation of his Turkish counterpart to assist, among other things, at the Third Annual Turkish Ambassadors' Conference. During the press conference that followed bilateral talks, Papandreou expressed his dissatisfaction at Turkish violations of Greek airspace in the Aegean and Ankara's attitude to the Cypriot question. Precisely, he noted that "as long as Turkish military occupation doesn't end in Cyprus, Turkey's EU accession could not be realized" (Cumhuriyet 15 January 2011). Erdogan's response was in the same tone. He noted the lengthy approvals that Turkey endured and that Europeans should announce to Ankara whether they didn't want to accept Turkey in their ranks. Finally, he added: "[I]f you are testing our patience, [you should know that] of course it has a limit" (Cumhuriyet 15 January 2011). The Turkish minister of foreign affairs repeated the essence of this statement the following day. At this stage the rapprochement, that had seemed so promising a few semesters before, seemed to have reached its limits. There is little doubt that the prospect of a sincere rapprochement was blocked by serious considerations related to national interests and core values. Ankara was unwilling to take bold steps and negotiate either resolution of the Cyprus question, or to comply with international law both in the island and in the Aegean; Athens was not satisfied with the proposed modus vivendi.

Despite the severe economic problems that Athens was facing, and despite its uneasy relations with the Troika, regional developments were favorable to an improvement of the strategic ties with Israel. A few days after Papandreou's visit to Turkey, Greek and Israeli governments agreed to create a Joint Greek-Israel Ministerial Council, thus accelerating their strategic cooperation (Ellis 2011). Israel and Greece had found common ground for cooperating to promote their national interests in the Eastern Mediterranean. Soon this strategic partnership would acquire new members, such as Cyprus. Because of its strategic location in the Eastern Mediterranean, Nicosia was considered a natural connector between the two states. Besides, the natural energy sources of Israel needed a safe gateway to Western markets, which the triple strategic partnership could offer.

Much later, when important regime changes took place in Cairo as a result of a coup d'état in July 2013, Egypt also joined this axis.

Rising popular tensions and pressure from the Troika for radical changes in the socio-economic life of Greece obliged Papandreou's Governments and the coalition cabinets that PASOK supported to resign. The Greek Coalition Governments that had been formed after June 2012 were eager to continue exploring possibilities for closer cooperation with Turkey, too. Seemingly the momentum had been lost. Given the unwillingness of the Turkish government to commit itself to serious negotiations, the prospect of a mutually beneficial cooperation with Israel was quite tempting. Nevertheless, during the premiership of the center-right politician Antonis Samaras, the Greek coalition government agreed to participate in two more high-level Cooperation Councils with Turkey. The first took place in Turkey in early March 2013 and focused mostly on economic cooperation, while the two parties agreed to work hard on crucial "high politics" issues, such as Cyprus (Zaman 3 March 2013). The second one took place in Greece in early December 2014. The two parties attempted to revitalize their ties and promised to deal with crucial issues such as Cyprus, the Aegean, and illegal immigration flows (To Vima 6 December 2014; Anadolu Ajansı 6 December 2014).

Economic weakness coupled with domestic political instability and uneasy relations with its Western partners rendered Greece's efforts to make Turkey commit to serious dialogue less credible. In that sense, the rapprochement remained strictly in the domain of the "low politics" issues, with economic cooperation attracting the most attention. In the vital "high politics" issues related to national sovereignty, matters failed to gather as much attention. The sole exception was the case of the ethno-religious minorities, which were no more considered hostile and ceased to be treated as "hostages" by the respective states. This was true for both the tiny Greek Orthodox community of Turkey and the more significant Muslim minority of Western Thrace.

The Crisis, Opposing Viewpoints and Prospects for Cooperation

The global economic crisis, that afflicted also Greece, in theory offered the opportunity for closer cooperation in all matters between Athens and Ankara. In reality, the interests of the party that initiated the rapprochement process and had no serious crises to face prevailed. In this respect, it was Ankara's projects that had found a favorable environment in which to be implemented rather than those of Athens.

The pressing economic needs of Athens brought home to the Greek leadership the urgent necessity for Ankara to refrain from its abusive strategy in the Aegean Sea. This had been responsible to some extent for the heavy Greek debt accumulated through important arms procurements in the 2000s, procurements needed for the defense of national airspace and territorial waters. Notwithstanding this priority, Athens was not the best prepared side in initiating the dialogue and leading the "friendship attack". As a matter of fact, it accepted in principle the Turkish proposal for the Cooperation Council, which Ankara had earlier implemented in its relations with other—mostly Middle Eastern—nations.

Both the "zero problems policy with neighbors" and the "economic interdependence principle" of the "Davutoğlu Doctrine" are parts of a strategic plan focused on maximizing the Turkish state's power. Behind Ankara's efforts to have its proposals adopted lies the goal of furthering its national interest to the utmost and dominating the region. The exercise of hegemony is directly linked with the capacity of a state to neutralize or submit its adversary to political and economic projects. Such a project of "mutual regional and economic integration" had been proposed in the Greek-Turkish Economic Forum in early December 2014 by the Turkish foreign minister, Ahmet Davutoğlu. Ankara was proposing the initiation of an even closer cooperation formula, which would include both nations' territories and economies. Having in mind the fact that the "zero problem policy with neighbors" in reality served not the purposes mentioned, but rather the creation of a more favorable operational environment, one can say that Turkish diplomacy managed to promote effectively its own interests by overlooking the vital bilateral problems with its neighbors. Similarly, the "principle of interdependence" functions as an instrument in the service of the overwhelming side, which creates not relations of economic interdependence between two equal entities, but a hierarchical relation of dependency of the weaker upon the stronger.

In light of the above, even if one accepts that chances of mutually beneficial economic cooperation between Greece and Turkey exist, these cannot be realized while other problems remain unresolved. Such progress requires common viewpoints concerning the essence of power and the rule of international law. The statements delivered by Davutoğlu are instructive for the Turkish approach to this matter (Ellis 2013). Although he accepts the supremacy of international law and the importance of national sovereignty, when it comes to the Aegean this does not apply fully. It is first and foremost the Turkish interests that have to be taken into account in the framework of a political dialogue. Moreover, he insists that the problem is of a psychological order, which prevents rational solutions being taken. Thus, it has to be treated successfully in order to eliminate any reason that could lead to war (Ellis 2013). The least that one could say is that the aforementioned apprehension of power and the role of international norms by the Turkish leadership creates confusion about the seriousness of Ankara's "friendship attack" and its political will to resolve effectively any crucial problem.

The above-mentioned attitude of the Turkish leadership plays a confusing and disorienting role for the neighboring states that currently face security threats. The oxymoron of simultaneously receiving a "friendship attack" and facing security threats or challenges to their national sovereignty is the most difficult to treat. Such was the experience of Greece vis-à-vis Turkey during the economic crisis and the efforts of rapprochement. The most puzzling repercussion of this to Greece's international relations was due to difficulties in handling the incessant flow of illegal immigrants and refugees from the Ionian coasts of Turkey towards the Greek islands in the Aegean. This incapacity of the Greek authorities—first, to secure the European borders, and second, to offer decent humanitarian aid to immigrants/refugees—pushed EU member states to suggest "joint Greek-Turkish sea patrols" (Kathimerini 13 October 2015; Kathimerini 15 October 2015), thus openly undermining the national sovereignty of an EU member state. Another example is the insistence of Turkey on blocking the delimitation of the Greek Exclusive Economic Zone (E.E.Z.) and efforts to appropriate part of the Cypriot one in the Eastern Mediterranean during the early 2010s.

The economic crisis undermined the capability of Athens to manage effectively its international affairs. Turkey's diplomatic overture that seemingly aimed at leading Ankara and Athens to a *partenariat* proved unrealistic because of the lack of consistency between the stated goal and the policy pursued.

Conclusion

The Greek economic crisis proved to be a double-edged sword for Greek-Turkish relations. On the one hand it created the necessary conditions for closer cooperation between the two nations, which led to important efforts at rapprochement. On the other, it reproduced the same antagonistic patterns of interaction between the two neighbors. These cooperative efforts remained mostly in the domain of "low politics" issues and in particular economic affairs. The treatment of more essential and urgent "high politics" problems whose resolution could have lifted important economic —and political—burdens from Athens was systematically ignored by Ankara, since such a gesture would have undermined its national interests and its goal to establish its hegemony in the region.

The insistence on the pursuit of revisionist policies by Ankara constitutes the most serious obstacle to attaining viable and friendly relations between the two neighbors. Athens has to convey the right message to Ankara in order to pursue unbiased bilateral relations based on the mutual respect of sovereignty and independence. The prospects for good neighborly relations between Greece and Turkey remain open. Their realization depends firstly on the ability of Athens to develop a sound and efficient regional counterbalancing strategy. Such was the case with the recent effort that aimed to create an axis with Israel, Cyprus and Egypt. Secondly, a revision of Greece's national strategy could redefine its domestic and international priorities, which, in combination with an optimal use of its power factors, could enhance its power and influence in the international system.

Notes

1. During its session of 8 June 1995, the Turkish National Assembly (TBMM) adopted a decision "granting the authority, any necessary military authority included, to the government of the Turkish Republic in order to preserve and defend the vital interests [of Turkey] in the event that against any expectations the Greek government would take the decision to expend its territorial waters in the Aegean Sea beyond 6 n.m., thus disturbing the balance established in it by the Lausanne [Peace Treaty of 1923]". (T.B.M.M. 1995: 136–137).
2. At the end of summer 1999, important cities in Turkey (August) and Greece (September) were hit by devastating earthquakes. The leaderships of both countries attempted to transform these unfortunate events, which triggered empathy for the victims and expressions of solidarity on both sides, to an opportunity to accelerate the improvement —until then—strained relations (Kelman 2012: 32–33; Ker-Lindsay 2007: 52–72).
3. Established in 1974, PASOK became one of the two major forces of the Greek political system at the beginning of the 1980s. As a socialist movement that rose to power in the elections of 1981, it had both positive and

negative influences regarding the social, economic and political life of Greece.

4. Despite successive visits of high-level Turkish officials to Greece—such as Egemen Bağış, Turkey's chief negotiator with the EU, who visited Athens on 5 November 2009, and Ahmet Davutoğlu, the minister of foreign affairs, who visited Athens on 2 December 2009—the Greek government refrained from providing a quick answer. It has to be mentioned that a week before the EU summit, a General Affairs Council meeting in Brussels (7 and 8 December 2009) on EU's enlargement strategy took place. In this meeting, the Turkish candidacy and Ankara's stance on the Cyprus issue were discussed.
5. It refers to the authority given to the Turkish government by a decision of the Turkish National Assembly to prevent and defend the country's vital interests in the Aegean Sea in the event of Greece expanding its territorial waters from 6 n.m. to 12 n.m., a right provided by the UN Convention on the Law of the Sea of 1982, in its session of 8 June 1995 (see above, Note 1). In April 2005, the speaker of the Turkish National Assembly, Bülent Arınç, stated that the decision of June 1995 should be canceled on the basis that, although it was unanimous, in reality no voting had taken place (Hürriyet, 8 April, 2005; TBMM 1995: 137). Nevertheless, in a document entitled "Strategy of the Turkish Navy", issued by the Turkish Admiralty in May 2015, the "casus belli" is still implicitly maintained (Deniz Kuvvetleri Komutanlığı 2015: 12, footnote 20).
6. In late May 2010 an international flotilla tried to deliver humanitarian aid to Palestinians in the Gaza Strip. The M/V *Mavi Marmara*, operated by a Turkish NGO (IHH), tried to breach the blockade against Israeli warnings. The bloody intervention of the Israeli forces triggered a serious crisis between Ankara and Tel Aviv, which is considered as the end of the Turkish-Israeli axis.
7. The rupture lasted until mid-December 2015, when Turkey and Israel announced the restoration of their diplomatic ties. According to an agreement concluded in Switzerland, Israel agreed to compensate the families of the victims of the *Mavi Marmara* incident with about $20 million, while Turkey agreed to pass a law dropping all criminal charges filed against Israeli officers, and to prevent Hamas's leadership from making use of Turkish Territories (Kershner and Arango 2015). The agreement became official in late June 2016.

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Greek Foreign Energy Policy

Nikos Tsafos

Introduction

Greece's foreign energy policy has remained remarkably consistent over the last two decades, with governments across the ideological spectrum pursuing similar policies and articulating their aspirations in similar ways. Policymakers see energy as an engine of economic growth and a magnet for foreign investment, and they see energy as a vehicle to upgrade Greece's geopolitical role. Successive governments have operationalized this consensus by seeking to turn Greece into a major energy producer and a corridor between east and west. The details might change over time due to political, economic or commercial realities, but the broad thrust remains the same.

There is no doubt that Greece would benefit if it became a major energy producer and if there were pipelines and electricity cables crossing its territory en route from producers to consumers. Yet Greece's vision is not only ambitious but also unrealistic—even delusional at times. Policymakers talk about energy as if Greece were at the center of a grand geopolitical chess game whose outcome would determine the fate of Europe and beyond.

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This lofty rhetoric plays well with voters and appeals to politicians who grandstand at conferences and other public forums. But the country pays a heavy price: time spent aggrandizing and pursuing projects whose commercial rationale is marginal is time not spent on more sensible goals; and investors are turned off when countries do little to resolve the tangible, specific issues they care about.

In short, Greece's grand energy vision makes for good theory but bad practice. Therefore, Greece should re-orient its foreign energy policy in two ways. First, it should adjust its ambitions and rhetoric: it should stop pursuing myriad projects whose viability is questionable and play down the "geopolitical" aspects of its strategy. Instead, it should focus on initiatives where state resources truly matter. Second, Greece should focus on domestic institutions rather than diplomacy: competent domestic institutions are far more likely to yield results than trips to foreign capitals and lobbying of foreign officials.

This chapter has three sections. The first discusses the roots and basic tenets of Greece's foreign energy policy. The second analyzes Greece's successes and, mostly, failures in achieving its goals, and explores the reasons for those failures. The final section offers an alternative vision for Greece's foreign energy policy, one rooted in a more modest but realistic strategy rooted in strong domestic institutions and capabilities.

Greece's Foreign Energy Policy Ambitions

Greece aspires to become a major energy producer and corridor in order to boost economic growth and enhance its geopolitical standing. That goal should be understood as the composite of five strands of thought and long-term Greek preoccupations. First, there is energy policy per se, a set of priorities that one encounters in other European states: a desire for competitively priced energy, a preference for markets and consumer choice, a focus on energy security through supply and route diversification, and a need to balance economic growth with sustainability. Second, the desire to turn Greece into a hub builds on the same language that Greeks use in other sectors such as shipping or logistics. Third, attracting foreign investment is a long-standing priority of successive Greek governments, which regard it as a "vote of confidence" in the country's prospects. Fourth, there is a near consensus among policymakers that Greece holds considerable hydrocarbon potential whose exploitation could offer a pathway out of the crisis. And fifth, there is a tendency to inflate Greece's role, and, as such, energy is just another arena where politicians see their country as being center stage in the grand geopolitical rivalries of our time.

This worldview towards energy is shared at the highest level of government, journalism and academia. Kostas Karamanlis, who was prime minister from 2004–09 with the center-right New Democracy party, was a firm believer in "energy diplomacy" and believed that energy could bring both political and economic benefits. In 2006, he said: "The dynamic development of a New Energy Policy is one of our main priorities. In promoting major trans-national projects, Greece is becoming an important actor in the international energy scene and enhancing its geopolitical importance" (Karamanlis 2006). Two years later, at the 73rd annual Thessaloniki Trade Fair, one of the most high-profile settings in Greek politics, Karamanlis devoted his second paragraph to energy: "The international energy agreements we have achieved—the Greek-Turkish and Greek-Italian gas pipelines, the Burgas–Alexandroupolis oil pipeline, and now South Stream—integrate Greece into the global energy map, bring revenues and guarantee new jobs in Northern Greece" (Karamanlis 2008). And when traveling overseas, Karamanlis would underline energy as one of the sectors where Greece hoped to attract foreign investment (along with banking, tourism and ports; Nikolaou 2006).

George Papandreou, who led the socialist PASOK party and served as Greece's prime minister from October 2009 to November 2011, was a firm believer in energy as well. At heart, however, Papandreou focused on green energy and sustainable development rather than energy diplomacy, even though he too practiced it while in office. Papandreou believed that energy was one of Greece's "comparative advantages" (Papandreou 2013). His speech at the 2010 Thessaloniki Trade Fair summarized the broader significance that he attached to energy:

> It is a strategic choice for our country and our children to decide to turn an economy that for years depended on consumption and borrowing to a new productive model based on green development. It is our greatest weapon against climate change. But also the biggest lever of change for our society. It touches the core of our mentality and our practices. The way we consume, our upbringing and our culture. It affects the way we live and produce. From the daily life at our neighborhoods to the factory and our agricultural production. It is a revolution to upgrade our quality of life. And it is the most important precondition to transition to a competitive but also sustainable—in every way—economy. (Papandreou 2010)

Papandreou's short-lived successor, Lucas Papademos, was a former central banker who was a compromise candidate put in charge of a caretaker, coalition government in late 2011. His tenure was short, but his views on energy combined a focus on renewable energy with a desire to turn Greece into a hub; he saw investment in renewable energy as "a national priority" and singled out the Helios solar project for its potential to make Greece "a hub for the European Union and third countries" (Tugwell and Krukowska 2012).

Antonis Samaras, who was prime minister from June 2012 to January 2015 from the center-right New Democracy party, was a big believer in the role of energy in economics and geopolitics. Like others, he often saw the energy challenge in very 'European' terms:

> Indeed we have four problems wrapped up in one … First, we need a long term program of controlling and eventually reducing the price of energy in Europe … Secondly, we need to reduce our dependence from abroad … Thirdly, we need to diversify our resources, so that we won't depend too much on a particular source of energy supply … Fourthly, we have to use the resources available to us in the most efficient manner. (Samaras 2013b)

But Samaras was probably the most consistent believer in the transformative role that energy could play for Greece:

> Any country that can play a role either in the safe transportation of energy sources, or in diversifying supply, or in expanding the available resource base, upgrades its geopolitical role … Greece can do both: transport and produce energy resources … and that will mean wealth for Greece, wealth for Europe, an important upgrade in Europe's energy security and an important upgrade in Greece's geopolitical role. (Samaras 2013a)

Samaras was similarly grandiose about the prospect for developing Greece's own resources; in a speech on Greece's "growth model," he said:

> Already, we are being visited by one energy giant after another. With contracts—you heard the other day—either to explore or to extract [hydrocarbons]. According to official forecasts from international banks, our energy resources, which are already seen as very probable, can bring the state a total of €300 billion over the next 30 years! I remind you that, two years ago, we had dared to mention a much smaller number, some in Greece were scornful. Now, no one is scornful. (Samaras 2014)

The coalition government of far-left SYRIZA and far-right ANEL (Independent Greeks), led by Alexis Tsipras, employed rhetoric that was similar to its predecessors. The prime minster, in a speech in Moscow in April 2015, explained the country's energy priorities:

> Participate in the European conversation about the completion of the internal market and promote initiatives to conserve energy; support the [gas] pipelines TAP [Trans Adriatic Pipeline] and IGB [Interconnector Greece-Bulgaria]; import LNG [liquefied natural gas] and upgrade our LNG infrastructure; and explore new possibilities to collaborate with the countries of the Eastern Mediterranean and the Middle East. (Tsipras 2015)

Tsipras has been careful to underscore the importance of adhering to European rules, especially when dealing with Russia; in talks about a proposed gas pipeline from Russia via Greece, he said that such an initiative should "respect the relevant Greek and European laws" (Tsipras 2015). The Tsipras Cabinet has held similar views on energy. Panayiotis Lafazanis was a firm believer in energy diplomacy; he served as energy minister from early 2015 until a cabinet reshuffle in the summer of 2015, when he left SYRIZA and established his own party with a group of SYRIZA members of parliament who refused to go along with Tsipras's decision to sign another bailout agreement. Lafazanis believed that Greece should be a "'pluralistic energy hub' in the region with a multi-level and independent energy policy based exclusively on national interests, cooperation and energy security in the region and Europe" (Kathimerini, 8 May 2015). For him, competition between Russia, Europe and the USA was paramount, and Lafazanis played up the prospect of cooperation with Russia as a counterweight to Europe—he even suggested that Russia would give Greece an advance for future transit fees for a gas pipeline that would be constructed through Greek territory—a prospect denied by the Russians (Russia Today, 18 April 2015; Tsafos 2015b). Foreign Minister Nikos Kotzias has expressed similar views on the role of Greek foreign policy; in a December 2015 interview he opined:

> We want to make Greece into an energy center. This will upgrade our geopolitical and geo-economic possibilities. It will give us an opportunity to have energy at a competitive cost and price. It will contribute to regional stability. We seek supplies for terminals and pipelines from Iran, Azerbaijan, the Eastern Mediterranean, Iraq, the Kurdish region, Russia and the United

> States. And that's not all. Our active multi-dimensional energy policy is expressed in the area of energy diplomacy as well. (Avgi, 26 December 2015)

The tendency to see broad links between energy and geopolitics, and to expect that energy projects will deliver political dividends is hardly a view held only by politicians (or Greeks, for that matter). Greeks almost always discuss energy in a broader nexus of geopolitical rivalry and great power competition. There is an assumption that foreign and energy policy are linked—that energy goals such as security, affordability and sustainability can be furthered through foreign policy, and, more importantly, that foreign policy goals can be achieved through energy cooperation and through the development of energy projects. Consider the following excepts, which are representative of how Greeks see energy and geopolitics:

> The government's decision-making centers have recently mobilized to exploit the advantages that could be gained from a new "energy diplomacy", since Greece has become part of the hub of a complex energy network (petroleum—natural gas—electricity) that serves major powers' geostrategic interests. Developments in this area are connected, directly or otherwise, with issues that have been the focus of foreign policy for many years—of which Greek-Turkish and Greek-US relations, the Former Yugoslav Republic of Macedonia, the Cyprus issue and the Middle East are only a few. (Bourdaras 2006)

> Greece is trying to reconcile its political and defense commitments to the USA with the cooperation it is pursuing with Russia in the energy sector. It is no easy task, as the often conflicting interests of West and East at the dawn of the 21st century are largely focused on energy. Athens is trying to make use of its gradual entry into Eurasia's energy sector for the obvious economic and geopolitical benefits that would result, but while doing so it must create an equilibrium between the superpower's priorities and demands on the one hand and pressure from the emerging Russian energy giant on the other. (Ellis 2007)

> The inauguration of a gas pipeline by Greece and Turkey on the border of the two countries on Sunday [November 2007] provided ample evidence that Athens's energy planning is the object of a tug of war between Russian and US interests. (Liaggou 2007)

> Energy-related projects can be instrumental in Greece's effort to repair its image, regain a leading regional role, increase its influence, accumulate diplomatic capital and fuel its economy in the medium to long term. (Dokos 2013)

> Whilst Greece's and Israel's interests align in several important areas, the two parties still lack the core raison d'être for an alliance … Energy cooperation, illustrated by the liquefaction of Israeli gas in Cyprus and the more long-term construction of gas and electricity lines to Greece, can constitute this missing lynchpin and turn a contingent alignment into a more enduring alliance. (Tsakiris 2014: 17)

> Amid the hard times Greece is going through, the assertion that it is turning into an important regional player in the natural gas scene is not an exaggeration. Its geostrategic location on the map offers a number of advantages, which can translate to an economic competitive advantage, as well as to an upgrade of its geopolitical role in South-East Europe … Greece's role in the international chessboard of pipelines becomes critical. (Andriosopoulos and Arvanitis 2014)

These ideas, of course, are hardly unique to Greece. When Russian president Vladimir Putin welcomed Tsipras in Moscow in April 2015, he refereed to the prospect of constructing a gas pipeline via Greece in these terms: "It upgrades the geopolitical status of Greece; it becomes a major transit country for the whole of the south of Europe and not only the south but maybe for central Europe" (Kathimerini, 9 April 2015). Similarly, the US embassy regularly saw energy as one of the top four issues in the bilateral relationship, and embassy officials advised visitors to "reinforce U.S. appreciation for Greece's courage in standing up to Russian pressure on gas issues and to build contacts with Central Asian suppliers" (Wikileaks 2008). Greeks frequently interacted with interlocutors who held similar perspectives.

This worldview has been operationalized into a foreign energy strategy that includes several initiatives that fall into three categories: promoting infrastructure projects to import, re-export or transit energy via Greece; attracting foreign companies to invest in the energy sector; and seeking to increase domestic production of energy in order to serve local and export markets.

Infrastructure projects are the most visible in Greece's strategy. The first major project that the Greek state put forward, in 1993, was an oil pipeline to bypass the Bosporus and alleviate tanker congestion in the Straits (Dimas 2010). Most of Greece's efforts, however, have focused on gas—gas pipelines, or other gas-related infrastructure such as terminals to import liquefied natural gas terminals or gas storage facilities (Sachinis 2012; Polychroniou 2013; Andriosopoulos 2015). On the pipeline front, Greece has pursued a long list of projects, some of which are dormant or abandoned: (a) The Trans Adriatic Pipeline (TAP), connecting the Greek-Turkish border with Italy via Greece and Albania, designed to carry gas from Azerbaijan and later from others in the Caspian or Middle East; (b) the Interconnector Greece-Bulgaria (IGB) to link the Greek and Bulgarian transmission systems and help Bulgaria access gas from Azerbaijan and other, non-Russian sources of supply; (c) the Interconnector Greece-Italy (IGI), which has sought to bring gas from Azerbaijan, Algeria, Russia or the Eastern Mediterranean to markets in Italy or the Balkans (IGI can ship gas in both directions); (d) the Eastern Mediterranean gas pipeline to bring Cypriot and/or Israeli gas into Greece and Italy via Crete; (e) the South Stream pipeline which would have carried Russian gas through Bulgaria and Greece into Italy; and (f) Greek Stream, a pipeline to be connected to the proposed but still uncertain Turkish Stream pipeline at the Greek-Turkish border. This web of pipelines is complemented by two proposed offshore regasification facilities to allow for the import of LNG in northern Greece and the Balkans (one in Kavala and another in Alexandroupolis, close to the Greek-Turkish border); and the conversion of the depleted gasfield in Kavala in northern Greece into an underground gas storage facility. There is also a proposed electricity cable that would transport electricity from the Eastern Mediterranean—a project that is, interestingly, often discussed in tandem with the gas pipeline, even though it is questionable that is enough of a resource base for both (Maniatis 2014).

In addition to infrastructure, the Greek state has sought investors to acquire stakes in state-owned firms, especially after the crisis started and the government committed to raising money through privatizations in exchange for loans from the European institutions and the International Monetary Fund. The main companies under discussion are the state-owned power company (Public Power Company, PPC), Hellenic Petroleum (ELPE), the Natural Gas Company of Greece (DEPA) and the Greek natural gas transmission company (DESFA). The country has also looked for foreign investment for specific projects—for example, the two proposed regasification terminals in northern Greece or the underground gas storage facility in Kavala, as well as smaller endeavors (for example, gas distribution in areas not currently linked to the main grid).

Finally, the Greek state has looked to increase its own energy production. In late 2011, Greece announced an ambitious €19 billion plan to develop 10 gigawatts of solar capacity to be exported to Europe (Papaconstantinou 2012). In oil and gas, after a 15-year hiatus, the Greek government awarded three exploration blocks in September 2014, and held two bid rounds in 2015, one of which included 20 offshore blocks on offer in the Ionian Sea (between Greece and Italy) and south of Crete.

Gap Between Dreams and Reality

Before assessing the realism of these aspirations and judging Greece's success, three observations about the country's energy market are worth making. First, over 90 percent of Greece's energy needs have historically been met by oil, coal and gas (IEA 2015). In recent years, that dependence has fallen to 86 percent due to declining energy use, which has boosted the relative share of hydroelectricity, as well as some growth in wind and solar (IEA 2015). But broadly speaking, in Greece, energy security means fossil fuels.

Second, the country is self-sufficient in coal but depends on imports for oil and gas. In coal, self-sufficiency has ranged from 80 percent to 100 percent since the 1970s, and was 100 percent in 2014 (IEA 2015). Oil is mostly imported, although Greece has produced minor volumes at the Prinos oilfield offshore from Kavala in northern Greece since the early 1980s. At its peak, domestic production covered 14 percent of the country's oil needs in 1986, but in 2014, production covered less than 1 percent of total oil demand, even though there is an investment program underway to quintuple oil production at the Prinos oil field (IEA 2015; Rigas 2015). Gas was introduced as a fuel in 1982 based on local production from the South Kavala field in northern Greece; but since the country started to import pipeline gas from Russia in 1996, self-reliance has declined to almost zero (IEA 2015). Therefore, energy policy might be about fossil fuels, but foreign policy usually means oil and gas.

Third, the country has built close ties with suppliers, neighbors and foreign investors. Greece has long been a net exporter of petroleum products, as the country's refineries process more crude oil than can be absorbed in the local market (OECD 2015). In fact, petroleum exports have become a sizable export in recent years as domestic demand in Greece has fallen, and exports have surpassed local demand (JODI 2015). The country has also leveraged this regional position to attract foreign investment: in 1996, Saudi Aramco, the national oil company of Saudi Arabia and the world's largest oil-producing company, acquired a 50 percent stake in Motor Oil, which owns a refinery complex in Corinth, one of the largest cities in the Peloponnese; Saudi Aramco ultimately divested its stake in 2005 (Motor Oil 2014). ELPE, which is 36 percent owned by the Greek state, has always been export-oriented: since the late 1990s, the company has owned a refinery in the Former Yugoslav Republic of Macedonia (FYROM), has built a network of retail gas stations in the Balkans and Cyprus, and has participated in joint ventures to explore for hydrocarbons in Albania, Egypt, Libya and Montenegro, although, by 2015, it remained only in Montenegro (ELPE 2013, 2015). By all accounts, Greece is a significant petroleum hub for the region.

In the electricity sector, Greece has a vibrant trade with all its neighbors, including Italy, to which it is connected through a subsea cable. In 2014, almost 15 percent of total electricity demand was met through imports, one of the highest levels in the European Union (Eurostat 2015). Moreover, the Greek power sector has attracted significant foreign capital over the last decade, with Engie and Edison having invested in large-scale, gas-fired power plants, while ENEL has built a big portfolio in wind and solar energy. In gas, there is foreign investment in the distribution (retail) sector, with foreign companies holding a minority stake in each of the three distribution companies serving the large population centers of Attica, Thessaloniki and Thessaly. There is also a joint venture between Russia's Gazprom and the Copelouzos Group aimed at developing projects in Greece. Moreover, Greece has two operational pipelines to import gas from Russia via Bulgaria and from Azerbaijan via Turkey, and has one of the most diversified portfolios of gas supply in the region. In the area of exploration and production of hydrocarbons, Greece has also attracted foreign capital, although by 2015, there were only a few foreign companies exploring for hydrocarbons in joint ventures with Greek companies (Zafiropoulos 2012; Grigoriou 2014; Rigas 2015).

In short, Greece's broad aspirations are in line with its experience: the energy sector has attracted foreign investment over the years, is well connected with its neighbors in oil, electricity and, less so, gas, and acts as a regional hub for petroleum products. Yet Greece's aspirations far transcend what the country has accomplished so far. To what extent has Greece been able to realize its strategic vision?

On the pipeline front, the Burgas–Alexandroupolis was effectively abandoned in 2011 when both Bulgaria and Russia announced they were withdrawing from the project (Bloomberg, 16 February 2011). In more recent times, there has been some talk about reviving the project but the prospects remain dim (Sofia News Agency, 19 June 2015). In gas, TAP was sanctioned in late 2013, but no other project has reached the critical milestone of taking a final investment decision, which is a notice to start construction. The IGB pipeline is closest to reach that milestone, but it too was conducting another "market test" in early 2016 since there was insufficient interest from shippers to use its capacity. Several other projects are effectively dead or on life support—South Stream, Greek Stream and IGI, for example; others are being pursued but with limited traction so far (the Eastern Mediterranean pipeline, the LNG facilities in northern Greece or the gas storage site in South Kavala).

In terms of attracting foreign investment, the Greek government has failed to complete a single privatization of energy firms. Some efforts have never truly got underway, such as the long-delayed privatization of PPC. In others, tenders have failed to produce results: the 2013 tender for DEPA and DESFA ended up with no bidders for DEPA, despite widespread speculation that Russia's Gazprom was interested, and one bid for DESFA, from Azerbaijan's state-owned oil company, SOCAR. The SOCAR purchase of DESFA, however, has remained mired in regulatory limbo as the acquisition is generally seen as a direct violation of the European Union's Third Energy package which seeks to separate ownership of supply from ownership of infrastructure (European Commission 2014). In the exploration and production area, where Samaras boasted that "we are being visited by one energy giant after another", very little has happened. Only three bids were received for the 20 offshore blocks, and ELPE was the main driver (although it had formed a joint venture with two foreign firms for one of the blocks)—by year-end 2015, none of these bids had been deemed successful and no awards had been made (Reuters, 14 July 2015). Nor has there been foreign interest or a resolution of the previous bid round in early 2015, with ELPE and Energean, which operates in Prinos, locked in negotiations to jointly explore for one of the main blocks on offer (Energy Press, 11 January 2016). And Helios—the plan to develop 10 gigawatts of solar capacity—vanished as quickly as it appeared and there has been no significant mention of it since 2013.

Rather, Greece has been losing foreign investors during the crisis. In 2009, Duke Energy, which held a minority stake in EPA Attiki, the gas distribution company that serves the broader Athens area, decided to abandon its position "in part due to the non-strategic nature of the investment and insufficient cash flow from the investee to cover non-recourse debt obligations" (Duke Energy 2009). Petroceltic, an Irish oil producer, announced a strategic review in late 2015, in part due to oil prices, and said it would exit Greece in due course (Kathimerini, 23 December 2015). In the downstream oil sector, BP sold its retail petrol stations and storage assets to ELPE in 2009, while Shell sold its Greek businesses to Motor Oil in 2010—moves explained in part by low oil demand in Greece and by a broader tendency by the majors to divest from the downstream, but also by the high distortions in the Greek oil market (Granitsas 2012).

In other words, Greece has lofty goals that end in disappointing results: projects are proposed with fanfare and then stall or die, while the foreign investors that are supposed to show up rarely do. Of course, there are some success stories: the redevelopment of the Prinos oilfield, the sanctioning of the Trans Adriatic Pipeline and the success in attracting foreign investment in the power sector in the late 2000s. Even so, these pale in comparison to what Greece hopes to achieve. What explains the disconnect between ambition and reality? In part, the answer is time: developing large-scale projects is a long-term process, and it can take decades between the point at which a project is conceived and when it comes to fruition. As such, one should not judge Greek policy too harshly—what matters is the long term.

At the same time, there is no doubt that Greece's ability to achieve its ambitions is hampered by three major limitations: constant change and uncertainty at the political level; an undue focus on politics and geopolitics in advancing Greece's goals rather than engaging with the tangible issues investors care about; and lack of institutional capability and clarity to follow through with a strategic plan. None of these challenges is unique to the energy sector, of course, and many describe the reasons why Greece struggles to attract and retain investment in general. But in an industry with a particularly long-term focus and strong government meddling, these limitations become crippling.

Stability and continuity are perhaps the biggest challenges. Energean, the company that holds the license to the only producing oilfield in Greece, Prinos, summarized its experience as follows: "8 years at Prinos, 8 Prime Ministers, 11 Ministers of Energy" (Rigas 2015). In that environment, any new administration comes in with different people and different priorities, and takes months to merely orient itself with the agenda; by the time this process is complete, the government or ministry leadership may change again. This uncertainty ripples through the sector as legislation is introduced but not passed, or maybe passed but not implemented. For state-owned companies due for sale, such as DEPA and DESFA, this fluidity can be doubly debilitating as it interferes with corporate-level decision making. Uncertainty shows up in other ways as well: for example, the SYRIZA Government that was sworn in in January 2015 announced that would revisit the inter-governmental agreement signed with TAP (Kathimerini, 11 February 2015); it even said it could delay or change the terms for the upstream bid rounds that were underway, although it chose not to in the end. This is not an environment in which to make long-term decisions.

Uncertainty and change are further undermined by deficiencies at senior leadership levels and weak institutional capacity down the chain. At the leadership level, the language employed by officials often conveys a complete lack of understanding of how the energy industry works. For instance, when Minister of Defense Panos Kammenos, of the far-right populist ANEL party, visited Washington, DC in March 2015 and proposed to US officials that Americans come to Greece and acquire a 70 percent stake in exploration, his counterparts were mostly left puzzled at why he would raise an essentially commercial matter with them (Sideris 2015). Similarly, in April 2015, the furor surrounding claims that Russia would pay Greece up to €5 billion as a pre-payment of transit fees for a future pipeline crossing Greek territory—and that this payment would be based on negotiations lasting a few days—showed leadership that did not comprehend the basic timing and complexity of large transactions (Tsafos 2015b). This attitude permeates Greece's senior leadership, which sees vague or symbolic government-to-government actions as definitive. Nor is this attitude linked to any particular party: both Karamanlis and Samaras routinely played up the country's prospects and held ceremonial events that amounted to nothing (for instance, a March 2007 event to "launch" the Burgas–Alexandroupolis oil pipeline). Years later, in 2013, Samaras would be disappointed after Gazprom declined to make an offer for DEPA—likely because he misinterpreted exploratory interest as a firm commitment to bid for DEPA. Here too, politicians were unable to maneuver between high-level political discussion and commercial realities.

Such attitudes are not unique to Greece, of course: the energy industry is particularly rife with high-flown rhetoric that usually amounts to little. The problem is not their existence per se, but their interference with progress being made at the working level. When Greek officials travel overseas and present their vision of Greece's strategic role, they often come across as grandiose, unprepared and somewhat naïve, especially when they tout projects whose commercial viability is questionable. Moreover by focusing on energy diplomacy at the highest levels, they undermine the development of serious institutional capabilities across the government and quasi-government bureaucracy. Perhaps the most prominent example is the Greek Hydrocarbons Management Company, which was set up and acquired an executive board in 2013 in order to facilitate the development of hydrocarbons, including the assessment of bids to explore for oil and gas, but which remains, essentially, a skeletal operation with minimal staff and with responsibilities that are essentially carried out by ministry officials instead. The general failure of the 2015 bid round for exploration was in part due to poor execution and confusing responsibilities. Similarly the focus on "geopolitics" skews decision making: for instance, the Greek government was keen to attract SOCAR as an investor in DESFA for "strategic" and "geopolitical" reasons, even though SOCAR's corporate interests would be to promote gas from Azerbaijan and insulate it from competition, which would directly undermine the Greek state's ambitions; only when the SOCAR investment remained stuck in the approval process, has there been a willingness to consider more appropriate investors such as companies focused on owning and expanding infrastructure (Kathimerini, 25 November 2015). This meddling has shown up in other areas as well: Samaras was routinely quoted in the press as asking Russia for a gas price discount, and the government-to-government approach could have protected DEPA from more aggressive tactics, such as a resort to arbitration, which is what drove price discounts for other Gazprom buyers. Once again, there are serious costs to not understanding business realities.

Towards a New Grand Strategy

What should Greece's foreign energy policy be? In general, Greece could benefit from a new grand strategy based on five pillars: first, Greece should get real and downplay the "geopolitical" benefits that are likely to accrue from energy; second, it should realize that state resources are not necessary to turn Greece into a hub; third, the state should scale back its equity in state-owned companies; fourth, it should work hard to fix the domestic energy market and ensure that domestic and foreign companies have a strong foundation on which to stand; and fifth, Greece should build domestic institutions to support a properly functioning domestic market, oversee the sector and expedite the regulatory approval of new projects. In short, Greece needs to rethink its strategy rather than its vision—turning Greece into an energy corridor has merit, but the Greek state has pursued this goal counter-productively. What Greece needs is a change in means, not ends: it should understand that the path to its goals is through domestic policy and institutions, not diplomacy; and it should focus its resources on a narrow set of issues where state sponsorship can make a difference. Let us examine each pillar in detail.

First, Greek policymakers should stop overplaying the "geopolitical" benefits of their strategy, partly because that would help manage expectations, but more importantly, because it would put an end to expending scarce state resources in pursuit of benefits that are unlikely to materialize. Politicians and scholars like to overstate the importance of energy in international politics, but experience shows that transit countries in Greece's case can expect some economic gains but no political ones: a transit country should see a construction boom and can receive direct and indirect benefits over time (transit fees, support services, etc.); if there is a sufficiently competitive market, multiple pipelines could even lower energy costs (Tsafos 2015a). But there is little evidence that transit countries can extract political gains from their position: "transit countries only survive if they are reliable; if they try to abuse their position, their partners will find alternatives" (Tsafos 2015a). Nor is there much evidence that an energy relationship would lead to either leverage or closer political ties (Tsafos 2014, 2015c). After all, Greece has been importing gas from Turkey since 2007, and it is hard to argue that this trade relationship, while important, has made a material impact on the bilateral relationship more broadly. Of course, energy opens new doors and allows countries that might not otherwise have cause to interact to do so; and energy can help reinforce political ties by adding another layer to an existing relationship. But energy is unlikely to either materially alter a political relationship or to allow Greece to accomplish objectives it cannot today. Greece's foreign energy policy should focus on energy, not foreign policy. The shift also means a different set of criteria for decisions: whether the sale of DESFA to SOCAR is prudent, for example, depends on whether one thinks that energy serves some broader geostrategic interests, in which case the sale could strengthen relations with Azerbaijan, or one thinks that these benefits are inflated, in which case there is a question about whether a company controlled by a supplier would pursue projects to diversify away from that supplier.

Second, the Greek state should understand that its own involvement may not be necessary to achieve its goals. Consider TAP, the only tangible infrastructure project to turn Greece into an energy corridor: the pipeline has no participation from the Greek state and, in fact, it was a rival to the DEPA-supported pipeline to carry gas from Azerbaijan into Europe and had considerably less state support, at least at the beginning from either Greece or other actors such as the European Commission or the USA, which tended to support the Nabucco pipeline that would bring gas into the Eastern Balkans and Central Europe. In other words, the most successful project for Greece from an energy corridor perspective is the one that the Greek state promoted the least.

Third, the state should scale back its participation in state-owned companies. It is probably no accident that Greece is a major regional player in petroleum products through ELPE and Motor Oil, with a presence across the Balkans and North Africa. While the state holds a 36 per cent share in Hellenic Petroleum, Latsis Group is an even bigger shareholder with 41 per cent. In Motor Oil, the other major player driving exports, the state has no ownership at all. Of course, these two groups are owned by two of the most powerful families in Greece—the Latsis and Vardinogiannis families—and the domestic oil market is distorted and overly protected. Limited state ownership is thus no panacea, but reduced state ownership can help free companies from the shackles imposed on them by the public sector (e.g. hiring and firing employees, compensation, procurement, and so on). Reductions in state ownership in the gas and power sector should deliver major benefits: more business-oriented practices, more risk-taking, greater capacity to innovate, easier decision-making processes, and so on. On that front, Greece faces some tough trade-offs: state owned companies often underperform and, thus, cannot command a premium when sold; but to be able to generate their true potential value, they need to be unburdened of state ownership. This is a chicken-and-egg problem that can be resolved through a partial and progressive selling-off of state ownership: the first tranche might not command a premium, but as state companies become more profitable, the later tranches would more than offset the initial losses. It is the inability to follow such an approach—and instead focus on the need for one major strategic investor to buy the state's shares—that has crippled DEPA and DESFA for years.

Fourth, the state should spend more time getting its own house in order. The distortions in the oil market have already been discussed, but similar problems exist in gas, where DEPA has been the subject of several antitrust complaints, and in electricity, where PPC remains a dominant player. A dysfunctional local market—where policies are unpredictable or where companies cannot make money—is not a market that can attract the kind of investment that can turn Greece into an energy corridor. After all, the first task for any prospective investor is to study how previous investors have been treated and whether they were able to recoup their investments. In Greece, recent foreign investment has focused mostly on the power sector, with gas-fired power plants showing disappointing results in recent years, in part due to market conditions (gas prices) and in part due to policy (the dominant position of state firm Public Power Company). These distortions discourage investment and prevent the emergence of strong domestic players that can operate internationally: How can companies with financial troubles, such as PPC, implement major infrastructure projects? They cannot, and, thus, the state is left trying to pursue policies without a strong corporate sponsor.

Finally, the state should build its domestic energy institutions. Successful energy policy emerges, first and foremost, from domestic policies. A shift towards investor needs, rather then diplomacy, means a singular focus on the four core responsibilities that the state has: to set the target fuel mix for the country (e.g. what share for coal, oil, gas, and so on); to design the market and set the rules for companies to play in; to set an appropriate level of taxation and a pricing regime for different fuels; and to define the way that the state will participate in the sector. All these are tangible issues that fall into the state's competencies and do not require any diplomatic efforts. The state can thus focus its attention on developing robust state-level institutions that can monitor and effectively regulate markets; that can ensure a level playing field among incumbents and new entrants; that can collect and publish timely, accurate, and comprehensive data on the energy sector to facilitate decision making and investment; and that can address tangible issues from licensing to regulation that are the true barriers to investment. Experience shows that such an approach is significantly more likely than international diplomacy to result in a country like Greece becoming an energy corridor.

Conclusion

Greece needs a more "boring" and technocratic energy policy. Haggling over complex regulations and writing rules lacks the fanfare and luster of traveling to Moscow, Brussels or Washington, DC to conduct "energy diplomacy". Selling off state assets limits the ability to dole our favors and support special interests; it is also politically charged, especially in a country such as Greece where dirigisme remains popular and where any privatization effort is seen as "selling out" to foreign interests. Yet it is internal strength and functionality which are the greatest guarantors of energy security; a strong internal market and competent institutions are much more likely to deliver Greece's vision of becoming an energy hub. To accomplish this, Greece needs to desist from grand visions and focus on the nuts and bolts of the energy business—talk less and do more to solve the tangible issues that hold back investment. Only then will the gap between dreams and reality shrink, and Greece be able to achieve its true potential.

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Greek Fiscal Governance: The EU's Impact on Fiscal Sovereignty

Dimitrios V. Skiadas

EU Institutional Developments on Economic Governance

Tackling the consequences of the financial crisis has become, since 2010, the most important item on the agenda of the European Union (EU) institutions, and the result of the relevant proceedings was the establishment of a new EU policy framework for crisis management, including policy instruments in the pursuit of: (a) crisis prevention; (b) crisis control and mitigation; and (c) crisis resolution (see European Commission 2009). This was a dual purpose approach: overcoming the specific crisis through a European Economic Recovery Plan (see European Commission 2008a, b) and creating a scheme for avoiding or providing responses to similar crises in the future.

Especially with regard to the eurozone, employing the main instrument of EU economic governance, the Stability and Growth Pact, was seen as the core of the scheme aiming to tackle exactly such problems, as its "raison d'être" was the fear of Member States' insolvency, given the anticipation

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that a country that could not rely anymore on monetary policy tools, but would focus on fiscal policy tools, especially borrowing and expenditure, thus causing interest rate increases for all Member States and deficits, leading to debt. The main objectives of the fiscal policy coordination in the EU were: (a) avoid moral hazard problems; (b) exchange information and analysis to improve policy making; (c) mutually adjust national fiscal policies to improve macroeconomic stability; and (d) promote fiscal discipline to induce countries to adopt more prudent macroeconomic policies (see Hallerberg 2004: 46–48 for more details).

Further to that, a mechanism to provide financial support to Member States facing difficulties with their public finances was established. It consists of a package involving substantial International Monetary Fund (IMF) financing and a majority of European financing, through coordinated bilateral loans. This mechanism is considered as an ultimum refugium scheme, in case market financing is insufficient. Any disbursement on the bilateral loans is decided unanimously by the Euro Area Member States, is subject to strong conditionality, in the context of joint EU/IMF support, and on terms and conditions similar to the IMF. Its intervention is based on an assessment by the European Commission and the European Central Bank. The objective of this mechanism is not to provide financing at average eurozone interest rates, but to set incentives to return to market financing as soon as possible by risk adequate pricing. Interest rates are non-concessional; that is, they do not contain any subsidy element. This is the European Financial Stabilisation Mechanism (EFSM), based on Art. 122 para. 2 of the Treaty on the Functioning of the EU (TFEU)[1] and the intergovernmental agreement of Euro Area Member States of 25 March 2010.[2]

A second step was taken shortly afterwards, in order to complement the EFSM, entailing the establishment of a Special Purpose Vehicle called the European Financial Stability Facility (EFSF), guaranteed on a pro rata basis by participating Member States in a coordinated manner, scheduled to expire after three years, respecting their national constitutional requirements. The IMF participated in financing arrangements and provided at least half as much as the EU contribution through its usual facilities in line with the recent European programmes. In practical terms, the EFSF was authorised to issue bonds which are guaranteed by the Member States of the eurozone, in order to support Member States of the eurozone that are in financial difficulty, subject to conditions negotiated with the European Commission in liaison with the European Central Bank and IMF and to be approved by the Member States of the eurozone. Thus, the overall amount made available through these schemes is €500 billion on behalf of the EU (€60 billion for the EFSM and €440 billion for the EFSF), and €250 billion on behalf of the IMF, reaching a total amount of €750 billion.[3]

As mentioned before, the EFSF scheme was a temporary measure with a three-year lifespan. The difficulties noted in the first Greek Economic Adjustment Programme (see further below), as well as the fact that Ireland was forced to seek and receive financial support in November 2010, necessitated further action with regard to the EU economic governance system. In late November 2010, the Member States of the eurozone issued a statement, in an effort to specify the operational aspects of a proposed permanent mechanism, called the European Stability Mechanism (ESM). The basic principles of the ESM operations are based on the EFSF experience, especially with regard to the provision of assistance based on a stringent programme of economic and fiscal adjustment and a rigorous debt sustainability analysis. Private sector creditors' participation is provided for on a case by case basis, consistent with IMF policies. All ESM loans enjoy preferred creditor status, junior only to IMF loans. Assistance is provided only after unanimous approval by the Eurogroup ministers. In the event of a debt restructuring, the Member State in question will initiate negotiations with its creditors in order to restore debt sustainability, and the ESM may provide liquidity assistance in order to support this process. In order to facilitate the debt restructuring process, it was suggested to attach to all new eurozone government bonds issued after June 2013 standardised and identical Collective Action Clauses, the content of which would be consistent with those clauses established under UK and US law (see European Commission 2010d). This proposal was met with grave concerns due to the so called "no bail-out clause", (Art.125 para. 1 TFEU).[4] In order to secure full consistency with the Treaty framework, the European Council, using the simplified revision of the Treaties procedure foreseen in Art. 48 para. 6 of the Treaty on the European Union (TEU), reached Decision 2011/199/EU (OJ 2011, L 91/1), according to which Art. 136 TFEU was amended with the addition of a third paragraph allowing the Euro Area Member States to establish a stability mechanism in order to provide financial assistance aiming at maintaining stability in the eurozone.[5] This amendment was endorsed also by the European Parliament (see European Parliament 2011a: 5). The Treaty establishing the European Stability Mechanism was signed on 11 July 2011, amended on 2 February 2012 by the Member States of the eurozone, ratified within months, and became operational on 8 October 2012.[6]

As for Stability and Growth Pact itself, it was deemed inadequate and out-of-date, in view of the magnitude and complexity of the crisis, and thus needed reform. The European Commission put forward a proposal to establish a monitoring mechanism of the financial policies of the eurozone Member States, according to Art. 136 TFEU, which would be in a position to analyse these policies and provide recommendations for improvement. This monitoring mechanism is designed to operate on a semester basis (called "European Semester"), during which the basis financial and economic policies of the Member States are reviewed prior to their inclusion in the national budgets and the EU Institutions prepare relevant recommendations which the national authorities must respect (see European Commission 2010a: 6–9). Practically, the EU and the eurozone will coordinate ex ante their budgetary and economic policies, in line with both the Stability and Growth Pact and the Europe 2020 strategy. The Semester starts with the Annual Growth Survey, in which the Commission provides a solid analysis on the basis of the progress on Europe 2020 targets, a macroeconomic report and the joint employment report, and sets out an integrated approach to recovery and growth, concentrating on key measures. This applies to the EU as a whole and is translated into country-specific recommendations, thus allowing for ex ante economic coordination at EU level while national budgets are still under preparation (see European Commission 2011). The "European Semester" scheme was adopted by the Council (see Council of the European Union 2010).

The Commission's legislative initiative was further developed to include proposals relating to: (a) addressing imbalances through stronger macroeconomic surveillance, including alert and sanction mechanisms; (b) strengthening national fiscal frameworks by specifying minimum requirements for domestic fiscal frameworks, and notably moving from annual to multi-annual budgetary planning; (c) strengthening the Stability and Growth Pact, in particular by focusing on the issue of debt dynamic as well as deficits; and (d) setting out effective enforcement mechanisms to ensure that Member States will act in compliance with the EU framework they have agreed, entailing a series of preventive and corrective measures including sanctions, etc. (see European Commission 2010b). A similar approach was adopted by the European Central Bank (see European Central Bank 2010). The proposed legislative package (known as the "six pack") was endorsed by the European Council (European Council 2010), and the

European Parliament, despite its reservations which were transformed into an endless array of amendments, the adoption of which was crucial for the conclusion of the legislative process (see European Parliament 2011b, c, d; Council of the European Union 2011). According to these new rules, the "preventive arm" of the Stability and Growth Pact has been reinforced through mechanisms of deeper fiscal coordination by obliging Member States to make significant progress towards medium-term budgetary objectives (MTO) for their budgetary balances, and to measure the adjustments using expenditure benchmarks. The sanction for failure to comply with these obligations is the imposition of a non-interest-bearing deposit of 0.2 percent of GDP. The "corrective arm" of the Stability and Growth Pact has been also reinforced as launching an Excessive Deficit Procedure (EDP) can now result from government debt developments as well as from government deficit. Member States with debt in excess of 60 percent of GDP should reduce their debt in line with a numerical benchmark. Progressive financial sanctions kick in at an earlier stage of the EDP. A non-interest-bearing deposit of 0.2 percent of GDP may be requested from a euro zone country which is placed in EDP on the basis of its deficit or its debt. Failure of a euro zone country to comply with recommendations for corrective action will result in a fine. A new element is the introduction of minimum requirements for national budgetary frameworks as the Member States should ensure that their fiscal frameworks are in line with minimum quality standards and cover all administrative levels. National fiscal planning should adopt a multi-annual perspective, so as to attain the MTO. Numerical fiscal rules should also promote compliance with the Treaty reference values for deficit and debt. Also, attention has been paid to preventing and correcting macroeconomic and competitiveness imbalances, created by national economic choices which have led to competitiveness divergences and macroeconomic imbalances within the EU. A new surveillance mechanism is set up to prevent and correct such divergences, relying on an alert system that uses a scoreboard of indicators and in-depth country studies, strict rules in the form of a new Excessive Imbalance Procedure (EIP), and better enforcement in the form of financial sanctions for Member States which do not follow up on recommendations. The enforcement mechanism for addressing all these shortcomings is strengthened by the expanded use of "reverse qualified majority" voting, under which a Commission recommendation or proposal to the Council is considered adopted unless a qualified majority of Member States votes against it.[7]

Effective budgetary surveillance in the eurozone was further sought through the enactment, in May 2013, of another two Regulations (known as the "two pack"), one for Member States subject to Excessive Deficit Procedure and one for Member States in receipt of financial assistance schemes or facing severe difficulties concerning their financial stability. These Regulations introduce a common budgetary timeline and common budgetary rules for eurozone Member States. The Commission will examine and give an opinion on each draft budget by 30 November at the latest. If the Commission detects severe non-compliance with the obligations under the Stability and Growth Pact, it will ask the Member State concerned to submit a revised plan. For the eurozone as a whole, the Commission will publish a comprehensive assessment of the budgetary outlook for the forthcoming year. The Commission's opinions on national budgets and on the eurozone will facilitate discussions in the Eurogroup. The Member States are obliged to base their draft budgets on independent macroeconomic forecasts and ensure independent bodies are in place to monitor compliance with national fiscal rules. The Member States in Excessive Deficit Procedure must regularly provide further information to the Commission on the measures taken to correct the excessive deficit. The Commission will then be in a better position to detect any risks to this correction. When such risks are detected, the Commission can address a recommendation directly to the Member State concerned so that it makes sure it does everything necessary to avoid being judged non-compliant and thereby avoid financial sanctions. Those Member States receiving financial assistance, or in the process of phasing out such assistance, will also be subject to very tight enhanced surveillance by the Commission and the European Central Bank. This enhanced surveillance will build on, and go beyond, Member States' requirements under an EDP. On the basis of this surveillance, the Commission can conclude that a Member State must take further measures since its financial situation could have major adverse effects on the financial stability of the eurozone. In such cases, the Commission can propose that the Council of Ministers recommend to the Member State concerned that it adopt corrective measures or put together a draft macroeconomic adjustment programme.[8]

The culmination of the EU institutional reform on economic governance was embodied in the agreement reached by the eurozone Member States on 9 December 2011. Known as the "Fiscal Compact", this agreement comprises the following main elements:

- Introduction of a new fiscal rule according to which the general government budgets of the eurozone Member States that have endorsed the Pact shall be balanced or in surplus. Their annual structural deficit must not exceed 0.5 percent of GDP. However, in case of government debt levels significantly below 60 percent and low risks in terms of long-term sustainability of public finances, the annual structural deficit is allowed to reach 1 percent of GDP. This financial rule is to be introduced in Member States' national legal systems at statutory level or higher, and it will contain an automatic correction mechanism that shall be triggered in the event of deviation. All signing states recognise the jurisdiction of the Court of Justice of the European Union to verify the transposition of this rule at national level. Failure by a Member State to adopt this rule is subject to a fine equivalent to up to 0.1 percent of GDP, imposed by the Court of Justice of the European Union. The convergence time framework to the above mentioned financial rule will be set by the European Commission.
- Member States whose government debt-to-GDP ratio exceeds the 60 percent reference level shall reduce it at an average rate of one-twentieth (1/20) per year of the exceeded percentage points (i.e. in case of a debt-to-GDP ratio 100 percent, it should next year decline by 2 percent to 98 percent). However, countries are given a three-year grace period after the correction of their current deficit below the 3 percent target before the "1/20 rule" comes into effect.
- Member States in Excessive Deficit Procedure shall submit to the Commission and the Council for endorsement an economic partnership programme detailing the necessary structural reforms to ensure an effective and durable correction of excessive deficits. The implementation of the programme, and the yearly budgetary plans consistent with it, will be monitored by the Commission and the Council.
- A mechanism shall be put in place for the ex ante reporting by Member States of their national debt issuance plans. Economic policy reforms to be undertaken by the Member States must be discussed ex-ante and, where appropriate, coordinated among themselves and with the institutions of the European Union.
- Enhancement of the Excessive Deficit Procedure (Art. 126 TFEU) with the introduction of automatic consequences against the Member State breaching the 3 percent ceiling. The implementation of the programme, and the annual budgetary plans consistent with it, will

> be monitored by the European Commission and by the Council. As soon as a Member State is recognised to be in breach of the 3 percent ceiling, the Commission submits a proposal of counter-measures, according to the excessive deficit procedure, and concerning in particular the nature, the size and the time-frame of the corrective action to be undertaken, while taking into consideration country-specific sustainability risks. Progress towards, and respect of, the medium-term objective shall be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures. A qualified majority of Member States may reject these proposals.

The text of the Compact—or, as it is formally named, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union—was finalised on 20 January 2012, signed by the leaders of the EU Member States on 2 March 2012, and came into force on 1 January 2013.

The Three Economic Adjustment Programmes for Greece

The dramatic fiscal situation caused by the financial crisis in Greece (Skiadas 2013: 85–89 and the references therein) necessitated the provision of support on behalf of the EU. This support was provided in the form of three consecutive loan agreements, each one being different from the preceding ones in terms of the financing mechanism. The EU schemes of financing described above have been used to manage and facilitate this support.

First Economic Adjustment Programme for Greece

According to the Statement issued by the eurozone Member States, on 11 April 2010, support to Greece took the form of an agreement between the Greek government, the IMF, the European Commission and the European Central Bank. This agreement produced a joint programme with two pillars. The first pillar entailed a range of detailed fiscal measures, focusing on: increasing direct and indirect taxation (that is, income tax and VAT); reducing the cost of the public sector (salaries and other expenses); reforming the social security and national health systems (especially by reducing the cost of pensions and health services); reforming the organization of the labour market, etc. The second was a loan of €110 billion provided by the Member States of the eurozone (€80 billion—bilateral loans pooled by the European Commission under the so-called "Greek Loan Facility") and the IMF (€30 billion—under a stand-by arrangement) to Greece, in order to meet its financing needs. The loan was to be disbursed over the period May 2010 through June 2013. This amount was eventually reduced by €2.7 billion, because Slovakia decided not to participate in the Greek Loan Facility Agreement, while Ireland and Portugal stepped down from the facility as they requested financial assistance themselves. This Programme was approved by the Greek Parliament through the enactment of Law 3845/2010, and it became known as "the Memorandum", given that it is structured in the form of a Memorandum of Economic and Financial Policy and a Memorandum of Understanding (MoU) on Specific Economic Policy Conditionality. Its terms and conditions were very strict and they affected the sovereignty of the Greek state, in both economic and legal terms.

More specifically, according to the MoU on Specific Economic Policy Conditionality, the Greek authorities were committed to consult the European Commission, the ECB and the IMF if they intend to adopt policies which were inconsistent with this memorandum. A similar provision was included in Art. 10 of the Loan Agreement. Such arrangements provided the creditors of the Greek state (IMF and Member States of the eurozone, as they are represented by the European Commission and the European Central Bank) with the right to practically veto any legislative initiative which could be brought before the Greek Parliament, if they thought it was not in accordance with the MoU. This arrangement was tantamount to a transfer of a significant part of the Greek state's authority (at least its legislative and executive powers) to its creditors (see further below for a more extensive analysis).

Furthermore, Art. 14 of the Loan Agreement contained some very important clauses. According to the first three paragraphs of this provision, the Loan Agreement was to be governed and construed in accordance with English law and the parties involved in the agreement undertook to submit any dispute which might arise relating to the legality, validity, interpretation or performance of the Agreement to the exclusive jurisdiction of the Court of Justice of the European Union. This clause signified an unprecedented (at least in Europe) shift of a country's legal protection to a foreign legal regime while simultaneously transferring the country's jurisdictional power to a foreign court. The following paragraphs (4 and 5) of Art. 14 of the Loan Agreement are even more striking. In paragraph 4 it is stated that:

> Neither the Borrower nor any of its property are immune on the grounds of national sovereignty or otherwise from jurisdiction, attachment—whether before or after judgment—or execution in respect of any action or proceeding relating to the Agreement.

Paragraph 5 states that:

> The Borrower hereby irrevocably and unconditionally waives the immunity (of the Greek state) to which it is or may become entitled, in respect of itself or its assets in total, from legal proceedings in relation to this Agreement, including, without limitation, immunity from suit, judgment or other order, from attachment, arrest or injunction prior to judgment, and from execution and enforcement against its assets to the extent not prohibited by mandatory law.

These clauses practically conceded Greece's sovereignty to its creditors (IMF and Member States of the eurozone, as they are represented by the European Commission and the European Central Bank). This conclusion is even more dramatic if read in conjunction with Art. 13 of the Loan Agreement, which allows creditors to assign and transfer their rights and obligations to foreign, friendly, and unfriendly third parties, thus subjecting the sovereign rights of Greece to third party assignments.

With regard to the implementation of the loan agreement, the European Commission was not acting as a borrower but was entrusted by the eurozone Member States with the coordination and administration of the pooled bilateral loans, including their disbursement to Greece, which took place as laid out in Table 1.[9]

Table 1 Overview of disbursements, EUR billion

Disbursements	*Date*	*Eurozone*	*IMF*	*Total*
1	May 2010	14.5	5.5	20.0
2	Sept. 2010	6.5	2.6	9.1
3	10 Dec./11 Jan.	6.5	2.5	9.0
4	March 2011	10.9	4.1	15.0
5	July 2011	8.7	3.2	11.9
6	December 2011	5.8	2.2	8.0
	Total	52.9	20.1	73.0

Second Economic Adjustment Programme for Greece

The economic outlook created by the First Economic Adjustment Programme caused significant doubts on whether this agreement was enough to support Greece in its effort to to return to seeking funding in the international capital markets (see Buchheit and Gulati 2011: 3). The toughness of the conditions imposed on Greece within the framework of the agreement and the fact that private creditors were not involved in the relevant discussions, as the eventuality of Greece's debt restructuring had been excluded outright by the European Central Bank, caused several discussions on the viability of the solution offered to Greece (see the Economist, 14.7.2011). In July 2011, the Member States of the eurozone agreed to provide Greece with a new, additional, programme of financial assistance through the EFSF (known as "the July agreement"), along with means to improve the sustainability of Greek public debt, such as lowering interest rates, extending maturities for the loans, allowing EFSF and ESM to intervene in the secondary markets, and providing for a voluntary involvement of the private sector (known as PSI); that is, a light form of debt restructuring ("debt reprofiling") through the exchange of bonds with new ones for Greece's private creditors (Skiadas 2013: 137–146).

On 14 March 2012, the Second Economic Adjustment Programme for Greece was approved by the eurozone Member States, which committed (along with the IMF) the undisbursed amounts of the first programme (Greek Loan Facility) plus an additional €130 billion for the years 2012–14. Whereas the financing of the first programme was based on bilateral loans, it was agreed that—on the side of eurozone Member States—the second programme would be financed by the European Financial Stability Facility (EFSF), which had been fully operational since August 2010. In total, the second programme foresaw financial assistance of €164.5 billion until the end of 2014. Of this amount, the eurozone commitment amounted to €144.7 billion to be provided via the EFSF, while the IMF contributed €19.8 billion. (This is part of a four-year €28 billion arrangement under the Extended Fund Facility for Greece that the IMF approved in March 2012). The Programme was approved by the Greek Parliament, through the enactment of Law 4046/2012.

The release of the disbursements of the financial assistance was based on observance of quantitative performance criteria and a positive evaluation of progress made with respect to policy criteria, and the MoU setting the economic policy conditionality. The latter entailed the Greek authorities' obligation to restore competitiveness and growth, and attain fiscal sustainability and financial stability. To achieve this goal, the following measures were foreseen: making the labour market more dynamic; improving competitiveness; reducing unemployment; improving tax collection; reducing the size of government; more efficiently targeting social transfers; strengthening the framework for bank resolution and recapitalization and for financial sector oversight; reducing the level of public and private sector debt.

The new Loan Agreement, known as the "Financial Assistance Facility Agreement", included various provisions demonstrating once more that Greece had been obliged to make several concessions with regard to its sovereignty. For instance:

- In Art. 4.1.e. it was stated that the EFSF was not obliged either to be authorised as a credit institution under Greek legislation in order to provide the Financial Assistance (thus becoming completely immune to any objections based on Greek Law), or to be based on Greek legislation in order to enforce Greece's obligations deriving from the Agreement.
- In Art. 4.2.h. it was stated that Greece cannot initiate or manage any transaction relating to new Greek bonds, without the prior consent of the EFSF.
- In Arts 8.1.b. and c. it was stated that any violation of the Agreement allowed EFSF to send Greece a declaration of default, even if a court found the terms of the Agreement not to be binding for Greece (thus making the terms of the Agreement superior to any judicial ruling).
- In Art. 13 there were the already known waivers on behalf of Greece (familiar from the First Economic Adjustment Programme) regarding the applicability of English law to the Agreement, the jurisdiction of the courts (naming as competent courts those of Luxemburg) and the irrevocable and unconditional resignation by Greece of all immunities regarding itself or its assets.

The implementation of the Second Economic Adjustment Programme took place in a very difficult political and economic environment in Greece, entailing three national elections, changes of governments, delays and tensions. Nonetheless, based on reviews performed on the spot (that is, in Greece, in the various ministries or other competent authorities) by staff teams from the European Commission, the ECB and the IMF, the Eurogroup approved the instalments under the Second Economic Adjustment Programme for Greece (this approval was each time the formal authorisation to the EFSF to release the next instalment). The last disbursement took place on 14 August 2014. The relevant overview appears in Table 2.[10]

During the autumn of 2014 the fifth review of the Second Programme was initiated, but the process was interrupted due to the early elections called by the Greek government. A new government was elected on 25 January 2015, which declared its intention to change all the relevant schemes regarding the provision of financial support to Greece by the EU and the IMF. An extension to the Programme was granted on the condition that the Greek government would introduce, politically and legislatively, and implement, in close coordination with the EC/ECB/IMF, a comprehensive list of reforms that would lead to a successful conclusion of the fifth review and the design of the follow-up arrangements. However, no agreement could be found, and the fifth review was never concluded, leading to the Second Programme's expiry on 30 June 2015. It is noteworthy that four days before the Programme's end, the Greek government decided to break negotiations and to hold a referendum on the terms of the Programme's extension as proposed by its interlocutors, at the same time advising voters to reject the Programme in the referendum. The referendum took place on 5 July 2015 (after the Programme's expiry) and its result was to reject the proposals put forward by the European Institutions.

Third Economic Adjustment Programme for Greece

Due to the dramatic situation of the Greek economy, and despite the referendum's result, Greece submitted, on 8 July 2015, an official request for stability support—in the form of a loan facility—to the ESM to be used for meeting debt obligations and to ensure stability of its financial system. The spirit of distrust and lack of confidence between Greece and its European partners was the main characteristic of all the relevant negotiations thereafter. This is reflected in the Statement issued by the Member States of the eurozone after their meeting on 12–13 July 2015, in which they provided their detailed conditions in order to grant Greece's request for a new loan. These were very strict conditions, not only with regard to their substance, in economic terms, but also with regard to the procedural aspects, as they entailed a very tight schedule of prior actions to be undertaken by the Greek authorities before any decision would be taken. On 15 July 2015

Table 2 Overview of disbursements, EUR billion

Disbursement	*Date*	*EFSF*	*IMF*	*Total*
1	March–June 2012[a]	74	1.6	75.6
2.1	December 2012[b]	34.3	–	34.3
2.2	January 2013[c]	7.2	–	7.2
2.3	January 2013	2.0	3.24	5.24
2.4	February 2013	2.8	–	2.8
2.5	May 2013	2.8	–	2.8
3.1	May 2013[d]	4.2	1.74	5.94
3.2	June 2013	3.3	–	3.3
4.1	July 2013[e]	2.5	1.8	4.3
4.2	December 2013	0.5	–	0.5
5.1	April 2014[f]	6.3	3.6	9.9
5.2	July 2014	1.0	–	1.0
5.3	August 2014	1.0	–	1.0

[a]The first instalment under the Second Programme took place in seven tranches from March–June 2012.

[b]The second instalment amounted to €52.34 billion in total (EFSF and IMF) and was made in several tranches between December 2012 and May 2013.

[c]Amount made available since 28 January 2013 to cover bank recapitalization and resolution costs, disbursed on 31 May 2013 as requested by the Greek authorities.

[d]The third instalment amounted to €9.24 billion in total (EFSF and IMF) and was made in two tranches in May and June 2013.

[e]The fourth instalment amounted to €4.8 billion in total (EFSF and IMF). The disbursement by the EFSF would be made in two tranches. The first tranche of €2.5 billion was disbursed on 31 July 2013. At the same time, €1.5 billion of income on the SMP portfolio accruing to eurozone national central banks—not counted in the financial envelope—was also transferred to Greece. The second tranche of €0.5 billion was disbursed on 20 December 2013. Similarly to the previous sub-tranche, €0.5 billion of income on the SMP portfolio accruing to eurozone national central banks—not counted in the financial envelope—was also transferred.

[f]The fifth instalment amounted to €9.9 billion in total (EFSF and IMF) and was made in two tranches in July and August 2014.

and 22 July 2015, the Greek authorities complied with these demands, and passed several sets of legislation (Laws 4334/2015 and 4335/2015). On 17 July 2015, short-term financial assistance was given to Greece through the EFSM (see Council Implementing Decision 2015/1181/EU of 17 July 2015) and the Eurogroup asked the Institutions to initiate negotiations with Greece on a MoU detailing the conditionality for a financial assistance facility covering the period 2015–18, in accordance with Art. 13 of the ESM Treaty. The work was carried out by the European Commission, in liaison with the European Central Bank, and in cooperation with the IMF and the ESM. On 23 July 2015, Greece submitted a separate request for financial assistance to the IMF. On 14 August 2015, the Member States of the eurozone approved politically the staff level agreement reached by the Greek authorities and the Institutions on the MoU, after, however, the enactment, on behalf of the Greek authorities, of another set of legislation on the same day, which included both the approval of the Financial Assistance Facility Agreement on behalf of the Greek Parliament and some other measures, considered by the European Institutions as indispensable prior actions (Law 4336/2015). On 19 August 2015, the Commission, on behalf of the ESM, signed the MoU with Greece. The new agreement entails the provision of €86 billion in financial assistance to Greece over three years (2015–18). The disbursement of funds is linked to progress in delivery of policy conditions, in accordance with the MoU. These policy conditions are intended to enable the Greek economy to return to a sustainable growth path based on sound public finances, enhanced competitiveness, high employment and financial stability. The first disbursement of funds (€13 billion) was made on 20 August 2015 and an additional €10 billion was earmarked for bank recapitalisation and resolution. These funds aimed to allow Greece to meet its financing needs, to make overdue payments, and to address financial sector needs in order to mitigate hindrances to economic activity, as well as repay the short-term financial assistance (€7.16 billion) given by EFSM on 20 July 2015. The text of the agreement included, as had the previous ones, various clauses indicative of Greece's waiver of its sovereignty rights, which have been standardized in the General Terms for ESM Financial Assistance Facility Agreements and the Standard ESM Facility Specific Terms, focusing on the impossibility of Greece undertaking any unilateral legislative action affecting the contents of the Agreement and the MoU, and submitting all disputes deriving therefrom to English law and a foreign court's jurisdiction.

Greek Fiscal Sovereignty in the Era of the New EU Economic Governance Schemes and the Economic Adjustment Programmes

Before embarking on any further analysis, it must be noted that Greece, being under an Economic Adjustment Programme which has its own procedural and macroeconomic conditionalities, does not fall within the scope of the new EU economic governance schemes (that is, the revised Stability and Growth Pact and the Fiscal Pact). These instruments will be binding for Greece after the expiry of the Programme. However, it is interesting to examine their impact on Greece's fiscal sovereignty, especially by taking into account the conditions formed in that respect by the implementation of the consecutive Economic Adjustment Programmes.

The interaction between the EU and the sovereignty of its Member States is a constantly ongoing issue among scholars and policymakers. The core of the relevant debate can be found on the conceptual similarity between the terms "sovereignty" and "independence". Loss of sovereignty is conceived of in many cases as loss of independence, this conception being based on subjective points of view. In the case of the EU, joining such a supranational organization could be regarded either as leading to an intolerable restriction upon the independence of Member States or as a sovereign realistic choice of seeking political and economic advantages (see Malanczuk 1997, 17–18). In any case, the course of the European Integration experiment has always been rooted in a very specific concept, as this has been established by the European Court of Justice in its early case-law: the Treaties on the European Communities and thereafter on the European Union, are more than an agreement which merely creates mutual obligations between the contracting states, since they entail the establishment of institutions endowed with sovereign rights, the exercise of which affects member states. The conclusion to be drawn from this is that the Community/Union constitutes a new legal order of international law for the benefit of which the states have limited their sovereign rights, albeit within limited fields (see C-26/62, *Van Gend en Loos v. Nederlandse Administratie der Belastingen*, [1963] ECR 1). The transfer of sovereignty has been at the core of the "Integration mechanism", the so called "community method". Therefore, it is only logical that the most significant endeavour of this process so far, the Economic and Monetary Union, is based on the Member States transferring sovereign rights to the European Institutions, in the field of economic and monetary policy.

However, such a transfer is not a mere procedural prerequisite of a larger integrational scheme. Sovereignty is not just a concept that amalgamates various political, social and legal elements involved in a state's operation, in order to meet a number of fundamental obligations towards society. It is the soul of a state, the equivalent of ichor, the source of life and power of the mythical giant Talos, the loss of which transformed this giant to an enormous, lifeless, powerless, bronze corpse. Similarly, the loss of a state's sovereignty indicates the loss of its capacity in the international arena, the loss of its power to choose, of that vital energy that allows it to operate and prosper (Litsas 2013).

According to the classical concept, sovereignty is defined as the supreme, absolute and uncontrollable power by which an independent state is governed and from which all specific political powers are derived. It allows the state, as an intentionally independent entity, to form an effective and independent government within a defined territory combined with the right and power of regulating and managing its internal and foreign affairs without foreign interference. Sovereignty allows the state to do everything necessary to govern itself, such as: make, execute and apply laws; impose and collect taxes; make war and peace; and enter into treaties or engage in commerce with foreign nations (see http://legal-dictionary.thefreedictionary.com/sovereignty, accessed 5 January 2016). This has been the outcome of the historical course of the concept in terms of law and politics (Stromberg 2004). Its broad defining lines have been construed to include at least 13 different and occasionally overlapping meanings. Sovereignty as a:

- personalised monarch (real or ritualised)
- symbol for absolute, unlimited control or power
- symbol of political legitimacy
- symbol of political authority
- symbol of self-determined, national independence
- symbol of governance and constitutional order
- criterion of jurisprudential validation of all law
- symbol of the juridical personality of Sovereign Equality
- symbol of recognition
- formal unit of legal system
- symbol of powers, immunities, or privileges
- symbol of jurisdictional competence to make and/or apply law
- symbol of basic governance competencies (constitutive process).

It is obvious that these aspects of the concept of sovereignty identify it with ultimate, effective political power (as a reference to political culture) and with the nature of law itself (as a reference to jurisprudence and legal culture), implying the idea of authority as an essential element of operative sovereign power (Nagan and Hammer 2003).

The compatibility of the sovereignty notion with the EU and especially the institutional environment of the eurozone is a very complex issue, as it epitomises the significant changes that national, political and economic governance have acquired in the EU context (see Lavdas 2013 for more details). It is common ground that the Stability and Growth Pact provides for an annual monitoring scheme of the formulation and implementation of the national economic policies, aiming at establishing a coordinating mechanism of economic and fiscal policy that will act as a fiscal policy framework capable of supporting the monetary policy adopted and implemented by the European Central Bank (Begg et al. 2003, 66–67). The means to improve the eurozone Member States' fiscal performance, if deemed necessary, is the Excessive Deficit Procedure. Many Member States have been fined in this Procedure for violating the relevant fiscal rules on deficit, Greece being one of them (Hodson and Maher 2004, 804–806; Montero and Almendral 2005, 12–13).[11] This situation obliged Greece to set annual targets, in cooperation with the European Commission, with regard to its revenue and expenditure, in order to reduce its deficit, and to adopt measures affecting its taxation system, its social security system, its labour market, etc. Greece was not in a position to freely decide and implement a specific policy in these sectors without consulting the European Commission in advance, being obliged to comply with the Commission's and the Council's recommendations, as the Excessive Deficit Procedure entails various sanctions. Thus, Greece implemented a "guided" fiscal policy, adopting measures to achieve deficit reduction such as the increase of VAT, the increase of tobacco, alcohol and oil products excise duties, the reduction of military expenditure, the reduction of travel expenses in the public sector, and the reduction of subsidies or state contributions for social security funds, local administration and urban transport companies.

However, other countries have sought and succeeded in violating the Stability and Growth Pact fiscal rules without sanctions, such as Germany and France (see C-27/2004, *Commission of the European Communities v Council of the European Union*, [2004] *ECR* I-6649), leading to the preventive and corrective procedures of the Pact being considered as mere formalities, with legal substance but without real substantive effect (Skiadas 2004; Dutzler and Hable 2005). Such events caused the 2005 reform of the Stability and Growth Pact, which focused on enforcing the Pact's effect on the eurozone Member States' formulation and implementation of economic policy, especially in its fiscal aspects (Skiadas 2010, 37–40).

The 2009 crisis revealed that the 2005 reform of the Pact was not enough. Greece was again found in an Excessive Deficit Process (Council

Decision 2009/415/EC of 27 April 2009), and its reaction to amend this situation was deemed inadequate (Council Decision 2010/291/EU of 19 January 2010). Greece's sovereignty suffered a new blow as the Council practically dictated measures which were deemed necessary for addressing Greece's excessive deficit, setting not only the contents of the measures regarding revenue and expenditure but also the time-frame for their adoption and implementation (Council Decision 2010/182/EU of 16 February 2010). This course of action was based on the Stability and Growth Pact provisions but it actually nullified Greece's authority over its fiscal governance, thus putting in question its sovereignty in that respect. One could say that Greek fiscal governance was reduced to fiscal management, and the Government was stripped of its political power, being transformed into a mere managerial board.

The above-described EU economic governance schemes and financial support mechanisms, which were introduced thereafter, caused even greater concessions on the eurozone Member States' (including of course Greece's) sovereignty. It must be noted that the European Semester's adoption has caused concern due to the obligatory nature of this mechanism and the sanctions to be imposed on those Member States that do not comply with the recommendations issued by the European Institutions. The entire scheme was seen as a significant intervention to the sovereign right of a state to manage its own public finances, and this development obliged the Commission to state that the early peer review system of the European Semester fully respects the prerogatives of national parliaments with regard to the adoption of national budgets, as it entails only the provision of information and the exchange of good practices in order to safeguard financial stability in the EU (see European Commission 2010c: 4). Nevertheless, this explanation does not sound very convincing as the European Semester scheme set obligations upon the Member States not only to provide the information requested but also to adopt the recommendations of the European institutions with regard to their budgets, and all these, as the Commission itself has admitted (European Commission 2010c: 3–4), under pain of the rigorous application of the suspension clause for Cohesion Fund commitments, for those States that do not comply. It is obvious that a certain degree of national budgetary sovereignty and authority have, thus, been delegated to the EU institutions by the Member States.

The "six pack" and "two pack" legislative initiatives to amend the Stability and Growth Pact (analysed above) compounded the transfer of fiscal sovereignty by the Member States to the European Institutions, as demonstrated by various changes:

- setting obligatory expenditure rules in the form of Medium Term Objectives, adherence to which is monitored by the Commission, with any non-compliance punishable by imposing sanctions (interest-bearing deposit)
- deficit and debt criteria being monitored on an equal footing by the Commission and the Excessive Deficit Procedure, initiated on violation of either criterion, leading, potentially, to sanctions (non-interest-bearing deposit and/or fine)
- establishment of mandatory, minimum requirements for national fiscal frameworks regarding statistics, accounting rules, fiscal rules, medium-term projections, etc.
- minimum requirements for the independence of national statistical authorities, on pain of sanctions for not implementing them
- surveillance of Member States' macroeconomic imbalances, based on an "early warning" scheme, supported by an excessive imbalance procedure which entails corrective plans with the possibility of fines for non-compliance
- common budgetary timeline and common budgetary rules
- Commission's authority to examine and express opinion on national budgets before their adoption by national parliaments—these opinions are the basis for the peer review of budgets performed by the Eurogroup.
- states in Excessive Deficit Procedure or in receipt of financial assistance must allow close surveillance by the Commission of their fiscal performance, and comply with its recommendations in order to avoid sanctions or to enter a new economic adjustment programme.

Further concessions of state sovereignty are "prescribed" by the Fiscal Compact. More specifically, the Compact, as a Treaty is an agreement between Member States which, at the same time, are bound, beforehand, to act in a certain framework defined by another Treaty, the Treaty on the Functioning of the European Union (TFEU). Thus any obligations undertaken within the Compact's framework by the Member States with regard to the eurozone are limited by their commitments undertaken within the TFEU: given than the EU has exclusive competence with regard to monetary policy in the eurozone, and the Member States and the EU have shared competence with regard to economic policy, the Member States could adopt legally binding acts (such as treaties) only if the EU has not exercised its own competence. Thus, the Fiscal Compact is incompatible with the TFEU in the area of monetary policy (as the EU is not a contracting part in the Compact) and could possibly be found incompatible in the area of economic policy, as the EU has already exercised its competence in this sector and the compatibility between the two Treaties could be based only on very elaborate analysis (Graig 2012: 238–240). In other words, the Fiscal Compact, as an international agreement, cannot include rules contrary to existing EU primary law or granting authority to EU institutions that EU primary law cannot accommodate. For instance, monitoring countries with excessive deficits and establishing programmes to correct them, or obliging them to perform all bond issuances at national level after consulting with the Commission and their peers, may be legally possible to establish, but new schemes such as placing a state into an excessive deficit procedure automatically, or automatic triggering of sanctions, or obliging states to enact debt brakes into national (preferably constitutional) law, or making the EU Court of Justice responsible for enforcing such obligations, are beyond the scope of EU primary law, and the potential legal basis can be construed only in the provisions of the revised Stability and Growth Pact.

Actually, two of the most debated points of the Fiscal Compact are the above mentioned rules on the semi-automatic imposition of measures (including sanctions) for eurozone Member States whose deficit exceeds the 3 percent threshold, unless a qualified majority vote (the Member State concerned is excluded) stops the procedure, and on the introduction of "golden rules"; that is, fiscal rules setting numerical thresholds with reference to public debt and public expenditure, in the national legal orders of the Member States, granting at the same time the EU Court of Justice the jurisdiction to review any actions or omissions consisting a State's failure to comply with this obligation, following a complaint submitted by another Member State. It has been noted that the introduction of such rules systematically enhances the powers of the supranational institutions, as the result is to give the ECJ new tasks to scrutinise and enforce budgetary rules within the states, and to endow the European Commission—but critically, not the European Parliament—with new pervasive instruments to direct and oversee the fiscal policies of the states. These developments reveal an increasing centralisation in the EU architecture of economic governance, leading to the emergence of an unexpected paradox: while

EU Member State governments have systematically discarded calls in favour of a federal arrangement for the EMU as being disrespectful of state sovereignty, they have established a regime for eurozone governance that sacrifices state sovereignty much more than would have been permitted even in a federal system, the USA being the most notable example. The "increasing automaticity of punishment" for countries violating the deficit limits, leading to a country being placed in the excessive deficit procedure unless a qualified majority of other Member States blocks it, is not simply a different approach but also a much tougher and stricter process than the existing one, which provides for a qualified majority to allow for such a treatment. It is very awkward for the Member States to agree to apply to themselves a regime much more demanding and punitive than the one stipulated by the current wording of EU primary law. It has been interestingly concluded that the more EU Member States attempt to avoid creating a federal architecture for the EU, the more they end up fostering supranational centralisation and reducing state autonomy (see Fabrini 2012).

Another issue refers to the mechanism responsible for the ex ante reporting by Member States of their national debt issuance plans. While such a mechanism does not formally entail an approval procedure for debt issuance on behalf of the European Institutions, it is anticipated that it will operate as such, thus consisting a major transfer of sovereignty from the Member States to the EU, in that respect. This view is further reinforced by the provision that economic policy reforms to be undertaken by the Member States must be discussed ex-ante and, where appropriate, coordinated among themselves and with the institutions of the EU.

While, as noted before, these new institutional arrangements do not now include Greece in their scope, due to the implementation of a specific economic adjustment programme in that Member State, they provide a political environment which is indicative of the future operation of these instruments, in conjunction with the operation of the main financing scheme of the EU, the ESM, which is now the institutional mechanism employed to provide financial assistance to Greece. This political significance is demonstrated by the noteworthy fact that the reference in the Compact's Preamble to the ESM Treaty has no follow-up to the operative provisions of the Compact—with the exception of naming the ESM as the recipient of the fines imposed by the EJC to Euro Area Member States for violating their obligations regarding the introduction of "golden rules" in their legal orders— thus allowing only one political conclusion: the ESM will provide assistance to one or more Euro Area Member States only if these Member States accept the very strict terms included in the Compact.

Focusing on the Economic Adjustment Programmes implemented in Greece so far, it may be concluded that, despite their differences in their financing mechanisms (Greek Loan Facility, EFSM, EFSF, ESM), they have been based on the same model of operation: financial assistance is provided against specific macroeconomic conditionalities. This model is based on the method of operation employed for many years by the IMF and the World Bank with regard to their lending operations, as a key element of their efforts to manage various crises through the provision of conditional financial support since the 1980s (Sachs 1989).

The conditionality model covers both the design of the programmes and the tools used for monitoring their progress towards the goals outlined by the country concerned in cooperation with the IMF. The aim is twofold: to help countries restore or maintain balance of payments viability and macroeconomic stability, through sustained, high-quality growth, and at the same time, to safeguard IMF resources by ensuring that the country's balance of payments will allow it to repay the loan. The country concerned must develop a sense of ownership for the programme; that is, have primary responsibility for selecting, designing and implementing the policies that will make the IMF-supported programme successful. This is the "principal-agent" scheme (the IMF being the former and the state concerned the latter) according to which the agent must accomplish certain objectives, but in order to improve its possibilities for success, its objectives must be aligned with those of the principal (Khan and Sharma 2001; Federico 2001).

The theoretical basis for this conditionality and "principal-agent" scheme is articulated in the following approach: when a country experiences a sudden deterioration in its solvency, the way out entails some policy effort, in the form of economic adjustment, as well as liquidity, provided by either its existing creditors, or new investment. The latter aspect (liquidity) is usually provided when the government fulfils its policy commitments. However, experience shows that such commitment does not last long and such an anticipation discourages old or new investors. Thus, IMF conditionality is employed in order to secure the commitment of the government to carry out the effort, through a process of tranched crisis lending, based on macroeconomic conditionality. A very important element is the application of conditionality relating to the quality of economic policies and institutions used by the state in question, and by involving either the state's obligation to implement the first best policy effort in the presence of IMF lending or, if this is not feasible, the highest policy effort that the country is prepared to exercise in exchange for access to IMF lending in a crisis. The features of the conditionalities depend on the strength of policies in other areas, on the characteristics of the economy, and on the economic cycle; and they would require some element of discretion. Timely intervention is also essential as the denial of financial support to countries because of lack of efforts to avoid the problem might necessitate the provision of even larger support at a later stage. This also applies in cases of denying new loan tranches to states—already in adjustment programmes—which have failed to meet a performance criterion (Jeanne et al. 2008).

The conditionalities are usually described in a letter of intent, accompanied by a memorandum of economic and financial policies, stating the programme's objectives and policies which depend on country circumstances. Most IMF financing schemes feature disbursements made in instalments that are linked to demonstrable policy actions. This aims to ensure progress in programme implementation and to reduce risks to the IMF's resources. Programme reviews provide a framework for assessing periodically whether the programme is on track and whether modifications are necessary. The policy commitments agreed with the country authorities can take different forms: (a) prior actions, that is to say measures that a country agrees to take before the approval of overall financing or instalment; (b) quantitative performance criteria (QPCs), in other words specific and measurable conditions that have to be met to complete a review, such as monetary and credit aggregates, international reserves, fiscal balances, and external borrowing; (c) indicative targets quantitative indicators to assess the Member State's progress in meeting the objectives of a programme; (d) Structural benchmarks, that is (often non-quantifiable) reform measures that are critical to achieve programme goals and are intended as markers to assess programme implementation during a review, such as, for instance, improving financial sector operations, building up social safety nets, or strengthening public financial management (see IMF 2015).

Employing this scheme of conditional funding in the EU context, and especially the eurozone, was the core element of the EU financing mechanisms (Greek Loan Facility, EFSM, EFSF, ESM). However, both the adoption of the IMF methodology and the involvement of the IMF itself in tackling the financial crisis in the EU were made in a manner that seemed to overlook the findings of the IMF's own evaluation on its performance with regard to its conditional financing operations. This evaluation has found that for a period of ten years (1995–2005), the extensive use of conditionalities did not lead to the desired structural reforms in the Member States concerned, and most of the results were not achieved on time. Furthermore, compliance with the conditionalities as means of achieving and following up on the structural reforms during and after the expiry of the programmes were higher in the areas of public expenditure management and tax-related issues, and lower in areas such as privatisation and reform of the wider public sector. A necessity for reducing the volume of conditionalities was established, along with the requirement of developing a monitoring and evaluation framework linking conditions to reforms and goals, which would provide a more robust basis for assessing programmes' results, as the relevant documents should explain how the proposed conditionalities are critical to achieve explicit objectives, accompanied by an operational roadmap covering the length of the programme, explaining the proposed reforms, their sequencing, and expected impact (for the detailed evaluation see Independent Evaluation Office/ IMF 2007).

Such considerations did not occupy the debate on involving the IMF in EU affairs. It was taken for granted that the IMF had been successful in its interventions with regard to providing financial assistance. Thus, the arguments put forward, in favour of involving the IMF and using its financing scheme as a model for a European equivalent, focused on issues of its independence, credibility and reputation. The IMF's involvement was a precondition for German chancellor Merkel to agree to financial assistance for Greece—despite the opposition of the ECB—as the then foreseen EU schemes were deemed insufficient and lacked credibility and experience (something that Germany has also itself to blame for, as the case of the German deficit in 2003 demonstrated). Also, the IMF and its mechanism are seen as external scapegoats for countries forced to undertake structural reforms and implement fiscal measures, as its record allows it to more strongly resist political influence than regional institutions and therefore to enforce tougher programmes. On the other hand, there have been arguments, against the IMF's involvement in EU affairs, focusing on the its foreseen tasks as a monetary organisation, and hence, its ability to use its foreign reserves only to help overcome short-term balance of payments difficulties and thus to cover a temporary need for foreign currency. By contrast, any IMF financial contribution to solve structural problems that do not imply a need for foreign currency—such as the direct financing of budget deficits or financing of a bank recapitalisation—would be incompatible with its monetary mandate. The approval of the large economic adjustment programmes (such as the ones for Greece) was made possible only because of the USA and the EU Member States combining, as members to the IMF Executive Board, to secure the voting percentage necessary to approve the Fund's participation in them, as the other members of the Fund expressed grieve concerns on the Fund's ability to meet their own needs with its remaining resources. Also, the Fund's operation as a "last-resort" lender, along with its European counterparts (EFSM, EFSF, ESM), raised doubts about its compatibility with the no bail-out clause included in the TFEU (for a detailed analysis of these arguments see Seitz and Jost 2012 and the references therein).

It seems, however, that all these arguments and schemes for financial assistance within the EU are underpinned by a single, yet quite interesting, thought: the establishment of the EU economic governance mechanism, along with its financing aspects, is an expression of EU solidarity among its Member States, but this solidarity has to be complemented by fiscal responsibility on their part. The basis of this thought is that the stability of monetary and fiscal conditions created by such a coordinated economic policy, as in the eurozone, is to be considered a public good. This public good may cause some states to take advantage of fiscal discipline and prudence shown by other states and exercise policies violating the rules of economic behavior that regulate the eurozone, without however having to suffer the consequences as they would be protected within the eurozone regime (Begg et al. 2003: 68). Thus, a double burden is placed on the other Member States: the "free-rider" state does not increase its own debt, as the debt is common to all Member States, and in a case where the "free-rider" state defaults on its obligations, the other Member States would have to bail it out. In order to remedy such situations, two instruments could be devised: (a) the collective management of debts, leading to concessions of sovereignty to all states involved; and (b) the imposition of strict rules for fiscal behaviour and performance, accompanied by sanctions in case of violation of these rules (Balassone and Franco 2000).

This fundamental thought is reflected in the concept and the modalities of the EU economic governance scheme and especially its financing mechanisms, in order to tackle moral hazard eventualities. The collective management of debts (for instance, with the issuance of Eurobonds by the ECB) is an option which, so far, has been excluded from any consideration due to the very strong opposition of Germany. On the contrary, the provision of strict rules for fiscal behaviour and of sanctions for their violation has been, as analysed in detail above, the principal choice for the eurozone. This approach was repeated in the case of the debt crisis. It had been repeatedly stated that a default and an exit of a country from the eurozone must and would be prevented. The necessary financial resources to finance the sovereign debt of the member countries that were not able to finance themselves on the market or only to interest rates that were felt too high were provided by the EU and its member states, supplemented by potentially unlimited support by the ECB through outright purchases of sovereign bonds. Thus, the countries in crisis could be confident that their European partners would do everything to save them. In order to reduce such moral hazard conditions, it was decided to employ strong and credible macroeconomic conditionalities as the IMF programmes are intended to be. So, the disbursement of each tranche of the IMF loans and EU financial packages depends on the fulfilment of agreed reform steps approved by the Troika of IMF, European Commission (EC) and ECB officials. The strictness of this method has been highlighted by the protests of many states that were in a programme which often accused the IMF of tough measures and strong conditionality. Furthermore, it has been suggested that such a mechanism can be reinforced by a provision allowing the European Institutions to suspend funding from various other EU transfer mechanisms, like the Structural Funds (such a provision has existed since 1994 in the operational rules of the Cohesion Fund but has never yet been , and similar provisions have been included in the Regulations of the Structural Funds for the programming period 2014–20), or by the ECB stopping to accept sovereign bonds of the respective country in their monetary policy operations (Seitz and Jost 2012: 12, 15 and the references therein).

The effects on state sovereignty caused by the provisions relating to the financing schemes of the eurozone have been examined also by means of judicial review both at European and at national level (Fabbrini 2014). In Estonia, the Supreme Court stated that the principle of sovereignty, as protected by the Estonian Constitution, must be interpreted in "the present day context", and the State's financial sovereignty (as expressed by the Parliament's competence to enact laws with budgetary contents), was in fact limited by the ESM provisions obliging the current composition of the Parliament to enact long-term financial obligations of state, thus restricting the budgetary political choices of its future compositions and indirectly (as the Parliament represents the people) the people's right of discretion on financial issues. Such restrictions were nonetheless found proportionate due to the extremely adverse fiscal conditions which necessitated the establishment and operation of the ESM. In France, the Constitutional Council concluded that the Fiscal Compact, although not technically part of primary or secondary EU law, affirmed the obligations imposed on the Member States by the relevant provisions of the TFEU and the revised Stability and Growth Pact, and since these provisions cause budgetary obligations acceptably affecting the Member States' fiscal sovereignty, the duty to respect the new rules of the Compact does not challenge the essential conditions for the exercise of national sovereignty, especially when the enactment of the "golden rule" does not require a constitutional revision but a mere organic law. In Ireland, both the High Court and the Supreme Court ruled that that the ESM Treaty did not exercise any limitation on Irish sovereignty because the participation of the Member State in the ESM Treaty made its consent necessary in all cases where significant decisions must be made, and that the ratification of the ESM did not allow a transfer of budgetary powers from the Irish legislature to the Irish executive, as the limit on payments by the State to the ESM cannot be exceeded without the approval of the Irish Parliament. In Portugal, while neither the new EU legal framework of economic governance nor the new financing mechanism were questioned, the Portuguese Constitutional Tribunal ruled on a series of domestic budgetary measures, enacted by Portugal at the demand of the EC/ECB/IMF, aiming at adjusting the economic outlook of the country pursuant to the action plan agreed upon in this country's financing scheme. In its decisions, the Constitutional Tribunal expressed its increasing discontent at the effects that these domestic measures would produce for domestic guarantees, such as the principles of equality and the protection of social rights enshrined in the Portuguese Constitution. Finally in Germany, all EU schemes providing financial assistance (the Greek Lending Facility, the EFSF and the ESM) were challenged before the Constitutional Court as limiting national sovereignty, and the Court ruled that they were compatible with the German Constitution because they did not constitute the establishment of an "open-ended transfer union", thus not depleting the German Parliament (Bundestag) of its right to adopt the budget and control its implementation, in line with the essential content of the principle of democracy which obliges the German government always to obtain the Bundestag's prior approval before entering such schemes which entail the provision of guarantees to other countries. It was also ruled that Germany's financial liability must be limited to the amount foreseen in the relevant provisions of the ESM Treaty (€190 billion), and any increase must be sanctioned by the Bundestag. Furthermore, the confidentiality rules provided for by the ESM Treaty should not prevent "comprehensive information" on the ESM's operations being provided to German parliamentarians. The Court, adopting a strictly legal approach, did not consider the "purpose or effectiveness" of the ESM but simply whether its creation would violate the budget sovereignty of the German parliament. According to the Court's reasoning, all decisions regarding public revenue and spending in Germany must remain with the Bundestag, which, in turn, should not create "mechanisms of considerable financial importance" which might result in "incalculable burdens" being imposed on the budget (Skiadas 2013: 148–149 and the references therein).

In Greece, the effects of the economic adjustment programmes initiated an extensive and intense debate on their compatibility with the Greek Constitution, with various points of view being put forward, either supporting this compatibility and highlighting the need for mere ratification of the relevant agreements (se e.g. Glavinis 2010; Manitakis 2011; Venizelos 2011; Botopoulos 2012; Iatrelis 2012) or putting forward arguments against it (e.g Kasimatis 2011; Katrougalos 2010; Chryssogonos 2010; Marias 2010; Dikaios 2011).

In terms of judicial review, the economic adjustment programmes were challenged repeatedly before the Council of State (Greek Supreme Administrative Court). At first there had been a challenge regarding the constitutionality of the laws enacted under the first economic adjustment programme, notable Law 3835/2010 and its annexes, entailing the relevant Loan Agreement, followed by a challenge regarding the constitutionality of the laws enacted under the second economic adjustment programme, notably Law 4046/2012 and its annexes entailing the relevant Loan Agreement. The Court's reasoning in its judgments for both cases (668/2012 and 2307/2014) was identical. The Court found that the legislative acts in question were compatible with the Greek Constitution, both as regards the procedure of their enactment as well as their substance, given that the fiscal measures provided for therein were found to be justified due to the critical situation of the Greek economy. According to the Court's reasoning (see para. 28 of Judgment 668/2012 and para. 19 of Judgment 2307/2014), the contents of the macroeconomic policy conditionalities, as included in Laws 3845/2010 and 4046/2012 respectively, despite being described in the Memorandum on Economic Policy accompanying the Loan Agreements, despite being the result of cooperation between the Greek Authorities, the European Commission, the ECB and the IMF, and despite the fiscal and financial obligations arising therefrom for Greece, constitute the programme of the Greek government, setting the aims of its economic policy and the means and time-frame to achieve them, without acknowledging any authority to the European institutions or the IMF, or enacting legal rules. The Court concluded that all rules are to be enacted by the competent Greek authorities, at legislative or administrative level, and the Memorandum is not equivalent to an international treaty as it does not entail any mechanism or sanctions for securing its obligatory implementation on behalf of Greece. Any such obligations on behalf of Greece derive from the relevant Loan Agreement, the legal status of which was not examined by the Court, because the administrative actions challenged before the Court were not directly linked with the Loan Agreement. This latter approach of the Court has been severely criticised as not acting in its proper judicial role, which, however, might have caused the annulment of the Agreement and the collapse of the entire programme, as the Loan Agreement itself is typically an international treaty, creating obligations for the Greek state which practically limit its sovereignty (Pavlopoulos 2013: 213–217). Furthermore, the Court found (see para. 32 of Judgment 668/2012 and para. 19 of Judgment 2307/2014) that the failure to grant any authority to the European Institutions or the IMF in the Memorandum proves there is no concession of Greek sovereignty to foreign countries or international/European organisations, as the Greek government formally maintains its constitutionally established authority to plan and implement its policy in the field of the national economy. This approach however, has been found to overlook the fact that although there is no de jure transfer of authority to the European Institutions or the IMF by the legislative acts enacted to implement the economic adjustment programmes in question, the practical implementation of the financial support mechanism in both cases—that is the Greek Loan Facility and the EFSF, and the ESM with regard to the third economic adjustment programme—causes several de facto limitations to the Greek authorities' power to plan and execute their economic and social policies, thus affecting in essence Greece's sovereignty (Pavlopoulos 2013: 208–209).

This latter argument has been confirmed in the proceedings of the negotiations taking place before the establishment of the economic adjustment programmes. One very characteristic example took place during the preparation of the Second Programme, when the "haircut" regarding the PSI was increased from 21 percent to 50 percent. This was achieved after extensive negotiations between the eurozone leaders (notably the German chancellor and the French president) and the Global Association of Financial Institutions, in order to secure the voluntary nature of the debt restructuring, thus avoiding triggering the Credit Default Swaps (CDS). The Greek participation in these negotiations was minimal, if any. The Greek government simply allowed the leaders of other Member States to negotiate on its behalf. Such an approach might seem reasonable within the context of the institutional framework of the EMU, which by definition entails a certain loss of national sovereignty on public finance issues, but the lack of any Greek participation in the negotiation process signifies a considerable reduction of Greece's capacity to participate in collective actions taken within the Eurogroup framework. It seems that Greece may no longer be considered as an inter pares member (politically, not legally) of the Eurogroup or the EU in general. This sense of lack of sovereignty is further reinforced by the authority granted to the Commission and the Council, in cases of Member States in excessive deficit procedure, to examine national draft budgets and adopt an opinion on them, before their adoption by the relevant national parliaments, as well as to monitor budget execution and, if necessary, suggest amendments. Similar authority, regarding closer monitoring and coordination, is granted in cases of slippages in the implementation of an adjustment programme, like the ones implemented in Greece. Against the background of such conditions, it is very difficult to see Greece being able to formulate an economic policy without being obliged not only to consult with the other eurozone Member States and the European Institutions, but also to actually follow their instructions. In a more institutional approach, one could characterise this situation as a sui generis integration of EU economic governance, with Greece being the sole EU Member State to limit its sovereignty to such a large extent (Skiadas 2013: 142).

Furthermore, it has been suggested that the wording of the abovementioned clauses included in the Loan Agreements of the economic adjustment programmes for Greece, regarding the country's resignation of the immunity of its property, on the grounds of national sovereignty, has been very problematic, giving rise to views that this property could be involved in legal proceedings regarding execution and enforcement in case of Greece's non-compliance with its obligations under these Agreements. According to this argument, the clauses in question have to be interpreted in the sense that they submit all relevant disputes to Greek law (not English law, despite the exact wording of the Agreements) and all procedures regarding the property of the Greek state may entail only its private property and not its public property. which is used for servicing the public interest (Pavlopoulos 2013: 218–223). Such an approach, however, although appealing to Greek public opinion, seems more like wishful thinking than the possible course of action prescribed by the relevant clauses of the Loan Agreements, as the Greek State, exercising its sovereign rights, has entered these Agreements in full knowledge of their terms and has made the relevant concessions.

Proposals for Change

Having seen the various aspects of the impact that the new EU economic governance scheme and its financing mechanism have on state sovereignty, using as an example the Greek case, it is necessary to seek proposals aiming to overcome the shortcomings of the scheme, with regard to the issues pertaining to the sovereignty of the Member States involved. In that respect, the analysis by Drazen (2001) on the role and effects of conditionality in the proper relation between the IMF and borrowing Member States, taking into account the domestic political constraints in programmes' design and implementation can be very useful as a model, given the above-described similarity between the IMF's financing operations and the EU's financing schemes and the influence exercised by the former on the latter.

According to the conditionality model employed by the EU economic governance scheme and its financing mechanisms, lending is seen as complementary to policy reform. The financing and agreed policy adjustments are intended as two sides of an integrated response to a country's balance-of-payments problem in the context of its overall economic situation, usually in cases of a country facing acute external imbalances as a result of excessive monetary financing of a fiscal deficit, where the financing (in the form of loans) tackles the immediate needs while the country pursues macroeconomic policies aimed at adjustment over an agreed time-frame, possibly accompanied by structural reforms to enhance the overall economy response.

In such a scheme, the necessity of the conditionalities and their subsequent impact on state sovereignty seems unquestionable, as the borrower state may benefit from the imposition of conditions that (a) increase the probability of loan payback, and (b) signify, at the same time, the commitment of the authorities to carry out reforms, thus being a more appealing destination for potential investors.

This conclusion, however, has not been proved to be always correct. There are factors which may influence critically the entire process of agreeing upon or implementing conditionalities. For instance, there may be fundamental differences with regard to the objectives set, as the country involved may be concerned with policy issues while the financing scheme may be concerned with its own need to have available funds for other borrowing operations, or with repayment. There may be ideological differences over what is the best way to achieve a commonly agreed goal, meaning that the overall goals of the programme are mutually accepted, but there may be disagreement on the best means or time-frame for achieving these goals. Also, different groups may have different objectives and, hence, desire different policies; for instance, interest groups that may oppose reforms that reduce their prerogatives.

Experience, especially in Greece, has shown that there might be a political process in which powerful interest groups can block reforms (termed "veto players" in political science). Such ability may be caused by various factors, such as the structure of political institutions and the political power of these groups within this institutional structure, or their economic power and the ability it gives them to influence political decisions (see e.g. Lavdas 2005).

The state as policy agenda setter has the significant "bargaining power", allowing it to pick an issue and highlight it as conditionality. If this issue does not affect the interest groups' agenda, it will cause minimal, if any, reaction, thus reducing the political constraints for achieving this conditionality. There is also the opposite scenario, where the selected issue affects directly the interest groups' agenda, thus causing reactions and increasing the possibility of blocking the conditionality's achievement. These two eventualities exist when the state operates in a political environment which allows it to choose a policy package that interest groups can either accept or reject. If, however, the institutional framework of the policy-making process gives significant bargaining power to the interest groups and thus disallows the government making "take it, or leave it" offers, the importance of conditionality increases because it actually restores the government's "bargaining power". The interest groups know that the government receives the funds from lending and it has to comply with certain conditions with regard both to repayment and to policy.

This conditional lending has a "backbone strengthening" effect as it allows the government to set the agenda in accordance with the conditionality, forcing the interest groups to lower the level of their reaction. Making lending conditional on specific policy changes may be crucial in ensuring that interest groups do not block reform once assistance has been given, because by changing the incentives of the government (through the conditionality) in a way that interest groups are aware of, this lending can affect what interest groups agree to discuss and decide upon at the bargaining table, regardless of whether lending affects them directly or not.

Introducing to the EU economic governance scheme and its financing mechanism the provisions that would allow for the accommodation of such eventualities, based on the political system of the recipient states, would make their responsiveness to the needs of these states far more effective as it would reduce the possibilities for erroneous planning or implementation of the economic adjustment programmes. At the same time, it would reinstate the lost element of the recipient state's sovereignty, as it would allow its government, as the institutional expression of the national political system, to stand both in the domestic and international political area without being deprived, de jure or de facto, of its sovereign rights to formulate and implement its economic policy in a manner agreed upon on a equal footing basis rather than being imposed by external factors.

In that direction, a model suggested for the improvement of the assistance provided by the World Bank, could be employed (Santiso 2001). Usually, the forms of financial assistance, including those provided by the European financing mechanisms, have ignored the realities of power and the intricacies of politics, and have relied on technical solutions to address political problems, often adopting a mechanistic application of a standardised package of reforms. Reforming such schemes requires crafting genuine partnerships and processes for reaching agreement on priorities, procedures and reciprocal obligations towards specified objectives. It is necessary to 'bring politics back in' and systematically integrate considerations concerning the quality of government and the nature of the political regimes in lending operations. The substantive and procedural conditionalities could be employed to empower people and nations. But if applied in an ad hoc and one-dimensional manner, providing response only to unilaterally identified problems, and with a high degree of discretion on behalf of the lenders, rather than commonly and mutually agreed rules, the outcome is unlikely to be effective. In order to avoid such a result, the EU financing mechanisms may cede recipient countries greater control over the use of the assistance, within the framework of agreed-upon objectives.

Reforming the oversight of assistance entails radically new approaches that are based on reciprocal obligation in the form of compacts; that is genuine partnerships which will most likely enhance the effectiveness of assistance and influence the prospects for sustained reform.

Finally, as explained above, there is a considerable element of moral hazard deriving from the recipient state's attitude towards funding coming from abroad. It has been established that in cases of states receiving financial assistance, their policymakers' choice between development and non-development expenditure depends on the source of their funds: if the recipient state plans to spend a certain amount of domestic resources on a specific project, and then receives foreign assistance which is tied to that project in the form of a conditionality, such assistance is fungible: the earlier earmarked domestic funds can be allocated elsewhere, especially to social welfare policies (in the broad sense). However, if the recipient state conducts its budgetary exercise on the premise that certain programmes will be funded by foreign assistance and this actually occurs, the budget constraint remains unaltered, making the assistance not effectively fungible (Gang and Khan 1998). This distorting effect of financial assistance has to be taken into account by the providers of such assistance, like the EU financial mechanisms, so as to introduce provisions in their operative scheme that would initiate a dialogue in the recipient state with regard to its planning on the allocation of such assistance, aiming to support its growth effort instead of calculating them as mere substitutes of national resources, employed as a towering proportion of national revenues used to cover non-development expenditure (Brautigam 1992).

It is obvious that Greece would benefit from such changes in the regime of its Third Economic Adjustment Programme, as it would be allowed to operate, both at national and international level, in a more sovereign manner, without merely being told what to do, but having actually the power to discuss, negotiate and formulate a programme that will allow it to reform its economic structure steadily and meet its financial obligations at a rational and viable pace, without "violent" repercussions on its population's way of life.

Instead of Epilogue …

The economic crisis revealed the weaknesses of the economic governance system at EU level, as well as the structural disadvantages of the Greek system regarding its fiscal governance. The actions taken to amend these shortcomings had a significant impact on the sovereignty of the EU

Member States, Greece being the most noteworthy case. The analysis and the proposals put forward in this study are based on the concept that Greece, as a Member State of the EU, should be in a position to act in the field of fiscal governance as a sovereign state, respecting its obligations and without having lost the power to negotiate, propose, accept or deny, policies affecting the well-being of its people. And this capacity should be reinforced, not hampered, by the EU economic governance scheme and its financing mechanisms. Perhaps one of the most appropriate views, in that respect, was expressed by the Estonian Supreme Court when it examined the compatibility of the ESM with the Estonian Constitution: "Estonia's interests are advanced by cooperation with various international organizations and other states. This is the way to carry out the foreign and security policy which is at the final stage aimed at guaranteeing the preservation of the Estonian people, the Estonian language and the Estonian culture through the ages …. International cooperation ensures that Estonia has in the international environment better chances of surviving and achieving its objectives" (as cited in Fabbrini 2014: 80). Replacing the words "Estonia" and "Estonian" with the words "Greece" and "Greek" could make this view the core of thought and action on behalf of Greece. Greece should maintain its focus on being an EU Member State, on both de jure and de facto equal terms with the other Member States. As such, Greece should advocate the improvement of the institutional apparatus of EU economic governance, focusing especially on its effects on fiscal sovereignty, and seeking a more political rather than technical settlement of issues arising in the planning and implementation of economic adjustment programmes.

Notes

1. "2. Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council, on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned. The President of the Council shall inform the European Parliament of the decision taken."
2. The legal instrument for the EFSM is Council Regulation (EU) 407/2010, OJ 2010, L 118/1.
3. The European Commission has been entrusted with the task of making all necessary preparations regarding the proceedings of the EFSF operations (negotiations with Member States, proposals on the loan facility agreements, assessments of the conditionality to be included in the memoranda of understanding, building up the EFSF's administrative and operational capacities). On

7 June 2010, the EFSF was formally established and it became fully operational on 4 August 2010. The details of its administrative and operational structure are included in the EFSF Framework Agreement of 7 June 2010 and its Amendment, the EFSF Statute as Societé Anonyme, the Guarantee provided by the Government of Luxembourg as to the exposures of all credit and investment institutions to the EFSF. All these documents were accessed on 26 December 2015 at http://www.efsf.europa.eu/about/legal-documents/index.htm.

4. "1. The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project. A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of another Member State, without prejudice to mutual financial guarantees for the joint execution of a specific project."
5. "3. The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the eurozone as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality."
6. The details of the ESM's administrative and operational structure are described in the ESM By-Laws, the rules of procedure applicable to the Board of Governors and Board of Directors, adopted by the ESM Board of Governors, the General and Specific Terms for ESM Financial Assistance Facility Agreements adopted by the ESM Board of Directors, etc. All these documents were accessed on 26 December 2015 at http://www.esm.europa.eu/about/legal-documents/index.htm.
7. For the exact contents of this legislative package, see: Regulation (EU) 1173/2011 of the European Parliament and of the Council, on the effective enforcement of budgetary surveillance in the eurozone; OJ 2011, L 306/1, Regulation (EU) 1174/2011 of the European Parliament and of the Council, on enforcement measures to correct excessive macroeconomic imbalances in the eurozone; OJ 2011, L 306/8, Regulation (EU) 1175/2011 of the European Parliament and of the Council, amending Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies; OJ 2011 L 306/12, Regulation (EU) 1176/2011 of the European Parliament and of the Council, on the prevention and correction of macroeconomic imbalances; OJ 2011, L 306/25, Regulation (EU) 1177/2011 of the European Parliament and of the Council, amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure; OJ 2011, L 306/33, Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States; OJ 2011, L 306/41.

8. For the exact contents of this legislative package, see: Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the eurozone experiencing or threatened with serious difficulties with respect to their financial stability; and Regulation (EU) No 473/2013 2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the eurozone.
9. This information was available online at http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm, on 5 September 2015.
10. This information was available online at http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm, on 5 September 2015.
11. An Excessive Deficit was found to exist in Greece in 2004 (Council Decision 2004/917/EC of 5 July 2004) and this situation was corrected in 2007 (Council Decision 2007/465/EC of 5 June 2007).

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“The Shortcomings of Greek European Policy and the Case Study of the Formation of the Banking Union”*

Ioannis Papadopoulos

Introduction

Greece has been a Member State of the European Economic Community, and thereafter of the European Union (EU), since 1981. But despite a series of political and administrative reform efforts in the last 35 years, induced to a great extent by its adjustment effort to absorb the *community acquis*, the country's political and administrative systems are still facing important structural problems.

Greece's rather weak political and administrative capacity is illustrated by its relative failure in the timely and orderly transformation of its state apparatus so as to successfully prepare, and to implement, a *national European policy*, able to codetermine and profit from the steadily expanding and increasingly critical mass of European legislation and European practices in all policy sectors. It is the thesis of this chapter that, especially after the breaking out of the severe systemic crisis in 2009–10, Greece badly needs an overhaul of its forces so as to achieve the structural capacity

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for a more efficient production and implementation of a national European policy. A simple renaming or reorganization of existing structures is certainly not enough.

In the first part of this chapter, I will expound a proposal for such an overhaul with three strands: political, administrative, and scientific-technical (Part 1). In the second part, I will present and assess one of the rare successes of Greek European policy during these years of crisis: the promotion of the Banking Union by the Hellenic Presidency during the first half of 2014 (Part 2). The tentative conclusion I will draw is that the difference between the general structural deficiencies of Greek foreign policy in European affairs and this particular diplomatic outcome is mostly due to the active involvement of a third factor lying between the Greek and the European regulatory environment: the Bank of Greece (BoG).

Part 1: A Short Proposal for an Overhaul of Greek European Policy

Greece needs a radically new strategy to overhaul its weak European policy structures. This strategy should contain three levels of intervention: (a) the political; (b) the administrative; and (c) the scientific-technical. The primacy of the political level is quite obvious, since the other two rationally require it as a prerequisite for their own existence, but the three strands have to be conceived as interdependent and mutually reinforcing. The country needs first and foremost a new, centralized administrative structure aiding in the formulation of the national European policy under the political guidance of a Ministry of European Affairs; it also needs a scientific tool to provide expertise and policy support for the formation of Greek European policy. A nodal point for the overall project is the quality of human resources that will be trained and devoted to the task.[1] Let us take these three strands serially.

The Political Strand

The point of departure here is that Greece lacks a permanent political structure carrying an increased political weight within government. More specifically, what should be sought is the establishment of a permanent Ministry for European Affairs within the cabinet, as is the case with all EU Member States and the candidate countries for EU membership.

The increased political weight of such a ministerial position will stem from the persons who will hold the office and who should enjoy the full trust of the prime minister. The minister of European affairs will have to be "Mr or Mrs Europe" in the eyes of the Greek public, and will strive to enhance the interest of Greek citizens in the life of European institutions. Political personification of important portfolios remains a valuable instrument of visibility and accountability; it thus promotes popularity among the public and, consequently, augments political legitimacy, so much so that Greek policy on European affairs had not been adequately understood as the most significant component of viable growth and rational management of the economic, social and political life of Greece until the outburst of the crisis.

Legislation should confer upon the proposed minister of European affairs the following competencies:

- participation in the European Council next to the prime minister and the minister of foreign affairs;
- participation in the General Affairs Council complementarily to the minister of foreign affairs;
- exclusiveness of government representation at the European Parliament each time Greece holds the rotating six-month presidency of the Council of the EU;
- exclusiveness of government representation at the Hellenic Parliament when the latter scrutinizes the government in relation to the activities of the Union and when it considers draft legislative acts with regard to the principles of subsidiarity and proportionality.

These basic competencies trace the contours of a genuinely European political pole at the heart of a mostly introvert Greek political system. This pole is necessary as a point of reference for a restructured administrative system.[2]

The Administrative Strand

At an administrative level, the governmental structure proposed above will not violate the substantive competence for European affairs of the other ministries – including the Ministry of Foreign Affairs. Still, it should be legislated that the Ministry of European Affairs will exercise government surveillance on the following administrative structures:

A New General Secretariat for the Elaboration and Monitoring of European Policy

This General Secretariat will satisfy a large and permanent requirement for Greece, since it will play the role of a strategic and coordinating organ for the elaboration of Greek positions in the European institutions. It can draw upon the model of the French Secrétariat général du Comité interministériel sur l'Europe (General Secretariat of the Interministerial Committee on Europe][3] and serve as a coordinating link between all the ministries for the elaboration of the government's national European policy. The General Secretariat can collaborate directly with the prime minister and his cabinet via the minister of European affairs. In any case, this new structure can become an important link between the ministries across the board and the Permanent Representation of Greece to the European Union, situated in Brussels.

This new administrative structure will have to contain specifically a direction for the preparation, monitoring and adjustment of the European dimension in all national public policies. Greece needs a specialized unit to collect, elaborate and adjust European materials – such as best practices – to all national public policies that are about to be legislated. For this, it will need a permanent platform of collaboration with all relevant ministries, wherein legislative acts of the Union and of other Member States, views of European experts, economic, social and environmental impact assessments of the planned national legislative proposals, and legal analyses will be channeled and used to steer national policies concerning issues of European interest.

It will also need to contain a direction entrusted with the elaboration of Greek positions for every political or legislative initiative by the European Commission pertaining to EU sectoral or horizontal policies, and also with the elaboration of Greek positions that will concretize Greek political initiatives undertaken within the European Institutions, Council of the EU, and European Parliament. Lastly, it will coordinate and monitor the Government's actions related to the Hellenic Parliament's scrutiny of the EU's activities and to its examination of draft legislative acts with regard to the principles of subsidiarity and proportionality (Treaty on EU, Article 5, and Protocols No 1 and No 2 to the Lisbon Treaty).

A New General Secretariat of Human Resources Management for European Affairs

Always under the political surveillance of the Ministry of European Affairs, this General Secretariat will undertake the responsibility of setting up and administrating a special category of properly trained and professionally equipped executives of public administration, who will bear the burden of administrative support of the Greek European policy. The staffing criteria will have to be particularly meritocratic and extremely demanding. The best option would be to create an additional separate category of national administrative staff with the label "EU" (that is, EU administrators). Its personnel will be horizontally distributed to all the ministries, and will form the critical mass for the modernization and adaptation of the Greek administrative system to the conditions and challenges of the country's participation in the EU. The initial staffing of this category of EU administrators can be done with secondments or transfers of staff with expertise and experience in European affairs from various government services, including the diplomatic service.

EU administrators, who can be trained by a special branch of studies within Greece's National Centre for Public Administration and Local Government (Εθνικό Κέντρο Δημόσιας Διοίκησης και Αυτοδιοίκησης), will exclusively staff the Permanent Representation of Greece to the European Union, in rotation and for periods not exceeding three years. For the Greek ministers of European affairs and the general secretaries of human resources management for European affairs, this specialized staff will be the infantry they will know they can marshal so as to elaborate and promote the Greek positions concerning EU affairs. It is necessary from the outset to clearly institute the conditions of access, selection, development and training of human resources who will staff this new category of civil service. It should also be expedient to enrich this category with European Commission employees who are able and willing to be temporarily detached to the Greek national administration.

The Special Legal Service for the European Communities of the Ministry of Foreign Affairs (ENYEK)

This legal service already exists within the Greek Ministry of Foreign Affairs.[4] It is responsible for legal counseling and expertise to Greek authorities on issues concerning the interpretation and implementation of EU law, preparation of legal dossiers in negotiations between the Hellenic Republic and EU authorities, legal representation of the Hellenic Republic in front of the EU courts, legal support of the Permanent Representation of Greece to the EU, and participation in Council and Commission working groups for the elaboration of EU legislative proposals. No immediate reform should be made in the organization and functioning of ENYEK, which is considered to exert efficiently its responsibilities. Nevertheless, it will logically have to be transferred from the Ministry of Foreign Affairs to the proposed new governmental structure; that is, the Ministry of European Affairs.

The Scientific-Technical Strand

The production of European policy by Greek national authorities certainly needs a scientific tool next to the political and administrative structures already analyzed. At present, there is no government think tank specialized in EU law and EU policies that can be officially solicited for the technical elaboration of national political positions and for the assessment of the possible implications of EU hard and soft law on Greek law and policies. This void is covered only partly, and in a politically fragmented, piecemeal and ad hoc fashion, by several external advisers, mostly university professors, who happen to be known by this or that minister and are called upon by them to serve.

Greece urgently needs a governmental research center for both basic and applied (opinions and arguments provided following request by a government authority) research and for the training of civil servants in EU law and policies. Such a research center should study: (a) the crucial aspects of European integration and of the Greek legal system's contribution to it; and (b) the European political processes and the best possible participation of Greece in them. The proposed new research center will thus be able to play the role of a true Observatory of the European Progress of Greece.

This can be done by the transfer of the already existing Centre for International and European Economic Law (ΚΔΕΟΔ), based in Thessaloniki, from the Ministry of Economy and Finance to the proposed new Ministry of European Affairs and its re-foundation as a National Centre of European Law and European Policy (NCELEP). The modification of the constitutive law of ΚΔΕΟΔ, resulting from its restructuring, will transform the existing structure into an independent organ, a real think tank that will examine and evaluate Greece's performance in the several sectors of European policies. The main conclusions of NCELEP will be published in an annual report, based on the model of the prestigious Bank of Greece (BoG) annual report on the state of the Greek economy.

According to the 1977 constitutive law of ΚΔΕΟΔ,[5] that was first directed by the Community law professor and member of the European Parliament Dimitrios Evrigenis, its aims are "the promotion of the basic and applied research and the dissemination of knowledge ... in particular of the European Community law", and "the provision of advisory assistance and legal information on issues related to its scientific object to the State, the public entities, the professional organizations of jurists, economic entities, and lawyers". Today, the ΚΔΕΟΔ has collected an important body of documentation across the spectrum of all European law, and has developed to the full extent a secondary expertise in specific issues of Community law. This is not enough, though. It needs upgrading, since it lacks the institutional and material capacity that would enable it to produce basic and applied research that would highlight critical aspects of the European integration and Greece's participation in it.

The re-founded NCELEP should have the following basic missions:

(a) Basic research in the fields of EU law and EU policies so as to interconnect with transnational research and expertise networks in those fields. This will enhance Greece's international prestige.
(b) Legal opinion and advice in all matters pertaining to EU law and policies.
(c) Specialization in good quality and thorough political analysis on current issues of European integration (for example, preparation of the dossier before each European Council), to be used for the official representation of Greece in all European institutions and agencies.
(d) Initial and lifelong training of Greek civil servants specializing in European affairs.
(e) Organization, in collaboration with Greek and European universities, of specialized postgraduate cycles of studies in the above scientific fields.
(f) Scientific and technical support of the Hellenic Parliament in its participation in the procedure concerning the scrutiny of government in relation to the activities of the EU and its consideration of draft legislative acts with regard to the principles of subsidiarity and proportionality.
(g) Publicity concerning European affairs in Greece, aiming at the widest possible audience.

Conclusion

The structural deficiencies of the Greek political and administrative systems have resulted in many shortcomings in the formulation of Greek foreign policy in European affairs. In this part of the chapter, I have presented the outline of a necessary overhaul of Greek European policy, partly based on national best practices of other EU Member States.

Nevertheless, not everything has been a failure. After the eruption of the crisis, one of the best results obtained by Greek European policy was its successful input to the formation of the EU Banking Union.

Part 2: The Input of Greek European Policy in the Formation of the Banking Union

Introduction

The eurozone was hit by a financial crisis that started in 2007 in the USA but rapidly spread to Europe. The attempts of the EU Member States to address the systemic fragility of their banking systems were gripped by banking nationalism, resulting in a high level of public support of domestic banks, combined with the simultaneous refusal to extend similar support to partner Member States as sovereign issuers. This gave rise to the bank-sovereign vicious circle of market contagion, which led the Heads of State and Government in June 2012 to agree to the creation of a Banking Union that would complete the Economic and Monetary Union and allow for centralized application of EU-wide rules for banks based on a federal-type mechanism (European Commission 2012a).

In this part, I will briefly present the sine qua non components of an EU Banking Union, and then I will proceed with the analysis and assessment of the role Greek diplomacy played in its gradual construction by retracing the positions of the Council of the EU, the European Parliament, and the Hellenic Presidency so as to have a full image of the latter's contribution to the final legislative result.

Banking Union as a Solution to Tackle Future Crises

The Banking Union project, interrupting 20 years of deregulation and lack of supervision in the European banking sector, was decided in order to: (a) de-link banks from sovereigns; (b) prevent the next banking crisis, which would simultaneously lead to a crisis of the European Monetary Union; (c) prevent and punish market abuse; and (d) increase financial stability.

The new EU regulatory framework with common rules for banks comprises the three building blocks of the Banking Union, which are:

(a) The Single Supervisory Mechanism (SSM), which, as of 4 November 2014, has entitled the European Central Bank (ECB) to be the supervisor of all 6,000 systemic banks in the eurozone.
(b) The Single Resolution Mechanism (SRM), which has been fully operational since January 2016, allows bank resolution to be managed more effectively through a Single Resolution Board (SRB) and a Single Resolution Fund (SRF). "Resolution" of banks is a mechanism that determines the rules for how EU banks in difficulties ought to be restructured, how vital functions for the real economy ought to be maintained, and how losses and costs have to be allocated to the banks' shareholders and creditors so as to provide more comprehensive and effective arrangements to deal with failing banks at national level and to tackle cross-border banking failures. The SRM EU Regulation No 806 of 15 July 2014 created the SRB in Brussels from 1 January 2015 and gave it a central role in the future management of crises involving systemically important banks directly supervised by the SSM. The SRM Regulation also entrusts the SRB with a SRF, the modalities of which are specified in a separate Intergovernmental Agreement (IGA) that was signed in May 2014 by 26 EU Member States (all except Sweden and the UK).
(c) A common system for deposit guarantees that will ensure that all EU savers are guaranteed that their deposits up to €100,000 (per depositor/per bank) are protected at all times and everywhere in the EU (Papadopoulos 2013).

The Greek Contribution to the Formation of the Banking Union

Greece assumed the Presidency of the Council of the EU at the first semester of 2014 (Hellenic Presidency 2014). The Hellenic Presidency joined the efforts of previous presidencies in a path towards a new financial supervisory framework that was gradually taking form to end market fragmentation. The Trio Program is an 18-month working program prepared by an incoming group of three subsequent EU Council presidencies and the Council Secretariat, which sets out key objectives to drive forward the EU agenda. Greece's Presidency Trio partners were Ireland for the first semester of 2013 and Lithuania for the second semester of 2013. The Hellenic Presidency built on the work of its Trio partners (Irish Presidency 2013).

In this section, I will present and evaluate the extent to which Greece contributed to the establishment of the second building block (the Single

Resolution Mechanism), and thus to the completion of the EU Banking Union during its Presidency.

Single Resolution Mechanism (SRM) Regulation
The Hellenic Presidency conducted trilogue negotiations with the Council and the European Parliament to reach a political agreement on the SRM regarding the following:

Resolution Procedure
The European Parliament objected to the Council General Approach entailing the involvement of the Council in the resolution procedure, as Council's involvement would make the procedure less politically independent, and called to shorten and simplify the decision-making process so as to lessen financial market uncertainty, leaving to the Commission the necessary powers.

In view of the commitment to reach a political agreement on the SRM file at first reading in time for the Parliament's April 2014 Plenary session, the Hellenic Presidency suggested the following compromise: (a) the duration of the decision-making procedure should be limited to no longer than 48 hours; (b) the Commission should be granted powers to control most of the discretionary aspects of the resolution decisions taken by the SRB; (c) the ability of the Council to address directives to the SRB upon a proposal by the Commission should be limited (Council of the EU 2014i, k).

There was a thorough adoption of the view of the Hellenic Presidency. According to the final text, immediately after the adoption of the resolution scheme, the Board shall transmit it to the Commission, which shall, within 24 hours from its transmission, either endorse the resolution scheme or object to it. Within 12 hours of the transmission of the resolution scheme by the Board, the Commission may propose to the Council: (a) to object to the resolution scheme adopted by the Board on the ground that it does not fulfill the criterion of public interest; (b) to approve or object to a material modification of the amount of the Fund provided for in the resolution scheme of the Board. The resolution scheme may enter into force only if no reasoned objection has been expressed by the Council or by the Commission within a period of 24 hours after its transmission by the Board (European Parliament and Council of the European Union (2014d), article 18 paragraphs 6–7).

Moreover, the role of the Single Resolution Board is enhanced, since the Board shall be responsible for the effective and consistent functioning of the Single Resolution Mechanism and for drawing up the resolution plans and adopting all decisions relating to resolution for the entities that are subject to the supervision carried out by the ECB. The Board can exercise directly all the relevant powers in case its warning to the relevant National Resolution Authority is not properly addressed (European Parliament and Council of the European Union (2014d), article 7 paragraphs 1–2, 4).

Role of the National Resolution Authorities (NRAs)

Regarding the Council General Approach and the European Parliament's view on this topic, the Hellenic Presidency stated here that a compromise could include solutions to better frame the role of the National Resolution Authorities, so as to circumscribe as much as possible the scope of intervention at the national level (Council of the EU 2014n: 7).

The SRM Regulation calibrates the respective roles as following: the National Resolution Authorities shall be responsible for: "(a) adopting resolution plans and carrying out an assessment of resolvability […]; (b) adopting measures during early intervention […]; (c) applying simplified obligations or waiving the obligation to draft a resolution plan […]; (d) setting the level of the minimum requirement for own funds and eligible liabilities […]; (e) adopting resolution decisions and applying resolution tools […]; and (f) writing down or converting relevant capital instruments […]" (European Parliament and Council of the European Union (2014d), article 7 paragraph 3).

The role of the Board is enhanced, since the SRM Regulation provides that: "If the resolution action requires the use of the Fund, the Board shall adopt the resolution scheme. When adopting a resolution decision, the National Resolution Authorities shall take into account and follow the resolution plan […], unless they assess, taking into account the circumstances of the case, that the resolution objectives can be achieved more effectively by taking actions which are not provided for in the resolution plan. […] The national resolution authorities shall inform the Board of the measures referred to in this paragraph that are to be taken and shall closely coordinate with the Board when taking those measures" (European Parliament and Council of the European Union (2014d), article 7 paragraph 3). Moreover, the NRAs shall submit to the Board their resolution plans as well as any updates accompanied by a reasoned assessment of the resolvability. Besides, "the national resolution authorities shall submit to the Board all information necessary to draw up and implement the resolution plans […]" (European Parliament and Council of the European Union (2014d), article 8 paragraph 4). Moreover, it is the Board that after consulting competent authorities, including the ECB, determines the minimum requirement for own funds and eligible liabilities that the entities and groups are required to meet at all times (European Parliament and Council of the European Union (2014d), article 12 paragraph 1).

Determination of Whether an Institution is Failing or Likely to Fail

The Hellenic Presidency proposed, as part of the overall compromise, the European Parliament's solution, which entails that the ECB will be responsible for determining whether an institution is failing or likely to fail, as this would make the procedure more objective and less subject to political pressures (Council of the EU 2014i, n).

Indeed, this compromise was adopted, since the SRM Regulation provides that an assessment of whether an institution is failing or likely to fail shall be made by the ECB after consulting the Board. The Board, in its executive session, may make such an assessment only after informing the ECB of its intention and only if the ECB, within three calendar days of receipt of that information, does not make such an assessment. (European Parliament and Council of the European Union (2014d), article 18 paragraph 1).

Bail-in

The Hellenic Presidency sought a political compromise to reach an agreement that would adopt the bail-in as the main guiding principle for bank resolution. To this end, the success is conspicuous, since the SRM Regulation provides that: "(a) the shareholders of the institution under resolution bear first losses, and (b) creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims […]" (European Parliament and Council of the European Union (2014d), article 15 paragraphs 1 a and b).

Contributions to the Single Resolution Fund

Gradually, the SRF will be fully financed by bank contributions. In this context, the Hellenic Presidency suggested: (a) maintaining the Council General Approach, which foresaw that each year the calculation of the contributions for individual institutions should be based on a flat and a risk-adjusted contribution taking into account the principle of proportionality, without creating distortions between banking sector structures of the member states; and (b) accepting that the Commission should implement acts. This compromise took into consideration both the Council's and the European Parliament's views respectively (Council of the EU 2014i, o: 9).

The suggestions of the Hellenic Presidency were adopted, as Article 65 provides that "the Board shall determine and raise […] the contributions due by each entity referred to in Article 2 in a decision addressed to the entity concerned." (European Parliament and Council of the European Union (2014d), article 65 paragraph 3), and "The Commission shall be empowered to adopt delegated acts on contributions […]" (European Parliament and Council of the European Union (2014d), article 65 paragraph 5), Article 69 provides that "By the end of an initial period of eight years from 1 January 2016 or, otherwise, from the date on which this paragraph is applicable by virtue of Article 99(6), the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all credit institutions authorized in all of the participating Member States." (European Parliament and Council of the European Union (2014d), article 69 paragraph 1), and Article 70 provides that "The individual contribution of each institution shall be raised at least annually and shall be calculated pro-rata to the amount of its liabilities (excluding own funds) less covered deposits, with respect to the aggregate liabilities (excluding own funds) less covered deposits, of all of the institutions authorised in the territories of all of the participating Member States" (European Parliament and Council of the European Union (2014d), article 70 paragraph 1).

The Intergovernmental Agreement (IGA)

The compromise reached within the Council regarding the SRM comprised not only a regulation, but also a decision of the eurozone Member States committing them to negotiate by 1 March 2014 an IGA on the functioning of the SRF. This agreement would include arrangements for the transfer of national contributions to the Fund and their progressive mutualization over an initially agreed ten-year transitional phase.

The European Parliament strongly opposed this IGA, as it was of the view that it violated their powers of co-legislator and set an unacceptable precedent (Council of the EU 2014a, n).

At that crucial moment, the Hellenic Presidency conducted trilogues in order to: (a) limit the scope of the IGA to the issues relating to mutualization and transfer of the funds to the SRF; (b) increase the pace of mutualization of national contributions to the SRF in order to provide a more quickly available bank safety net; and (c) establish a borrowing capacity for the SRF (Council of the EU 2014i, k).

On 21 May 2014, representatives of 26 EU Member States signed the IGA on the transfer and mutualization of contributions to the SRF

(Council of the EU 2014c). The suggestions of the Hellenic Presidency were fully adopted by the contracting parties, since they agreed that the Fund will be built up over eight years. Under this IGA, contributions by banks raised at national level will be transferred to the SRF, which will initially consist of compartments corresponding to each contracting party. These will be gradually merged over the eight-year transitional phase.

During the transitional capital build-up phase, a common backstop will be developed to facilitate borrowings by the SRF, which will ultimately be reimbursed by contributions from the banking sector. Thus, trust will be maintained that the SRF will not fail to gather enough liquidity to recapitalize failing banks during the delicate transitional phase, as was desired by the European Parliament (Council of the EU 2014a, article 1, article 4 paragraph 2, article 5 paragraph 1, articles 6 and 7; Council of the EU 2014c; European Parliament and Council of the European Union (2014d), articles 67–71).

Conclusions

The Hellenic Presidency brought the establishment of the Single Resolution Mechanism to a successful conclusion with all due respect to the concerns of the European Parliament and with the determination to overcome hurdles and reach solutions which can safeguard the interests of ordinary Europeans. That was a difficult task to accomplish, since: (a) both the SRB and the SRF have to take into consideration national arrangements; and (b) the Hellenic Presidency should be in line with the strategic framework of the Trio Program that lasted from January 2013 to June 2014 and whose main objective was to strengthen the EU's capacity to respond to the current economic, financial, and social challenges. This may be positive, in a sense that it promoted a coherent approach to planning the Council's work and reaching its objectives, but it also limited the scope of the activities of the Hellenic Presidency, which had to be in accordance with the specific Trio Program.

The Hellenic Presidency acted in full consonance with the bail-in principles, and thus ensured uniformity of bail-in parameters across Member States (European Commission 2012a). The compromise regarding the duration of the resolution procedure, as well as the Commission's control over the Council's objection to the resolution scheme, were suggested by the Hellenic Presidency. This compromise made it possible: (a) for swift and decisive action backed by EU-level funding arrangements to take place in order to avoid a situation in which bank resolution conducted at national level would have a disproportionate impact on the real economy, and (b) to curb uncertainty that leads to bank runs and contagion of other parts of the eurozone and the Single Market.

It is to be noted, however, that this compromise requires clear guarantees that decision-making structures in the Commission are carefully calibrated in order to avoid any potential conflict of interest. A divergence of practices would exacerbate the vicious circle between banks and sovereigns, and this would impair European financial stability. Under the SRM Regulation, the Board, the Commission, and the Council must cooperate flawlessly using considerable skills, flexibility, and financial acumen, as only under this condition can the Single Resolution Mechanism allow for rapid and accurate decisions while limiting legal uncertainty to the greatest extent possible.

One of the most important compromises reached by the Hellenic Presidency regards the SRF, stipulated to be built up over a period of eight years, and specifically regarding its structure and use. In this context, the SRF will be able to pool significant resources from bank contributions, and therefore protect taxpayers more effectively than national funds, while at the same time providing a level playing field for banks across participating Member States. Besides, under the IGA, contributions by banks raised at national level are transferred to the SRF, which will initially consist of national compartments. These will be gradually merged over the eight-year transitional phase. This gradual mutualization of paid-in funds will pave the way for a genuinely European Resolution Fund, which will make capital available immediately and provide for 60 percent of the contributions to be available for use throughout Europe after only two years of the adoption of the IGA (Schulz 2014).

The difficulties faced during the trilogues conducted by the Hellenic Presidency reflect the tensions of the progressive transformation of Economic Monetary Union from a community of benefits towards a community of risk-sharing, which affects the core of national sovereignty. This entails that the eurozone Member States shall progressively accept what the recent financial crisis highlighted, and this is the fact that only when supervision and resolution are exercised at a central European level can bank crises be managed effectively. “This leads to a community where not only the benefits from integration are shared but also the associated increased risks, potentially leading to redistribution policies within the EU” (Teixeira 2014:51–52). Under this condition, the European Monetary Union will be able to continue to respond to the challenges of an increasingly interdependent world, whilst a network of national authorities, even if coordinated at intergovernmental level, is not sufficiently operational in this respect.

The Hellenic Presidency moved substantially on key areas of concern regarding the Single Resolution Mechanism, as it managed to a great extent to simplify the complex system with the aim of bringing crucial decisions to the European level and making the resolutions less dependent on national resources. In this part, I have tried to illustrate that the Hellenic Presidency during the first semester of 2014 addressed the numerous constraints regarding the European banking debate in a reasonable manner, and thus contributed to a successful transition towards a Banking Union. The conclusion of the Single Resolution Mechanism Regulation, together with the IGA on the SRF, constitute a major step towards tackling the eurozone's architectural deficiencies and thus towards the completion of the Banking Union. The risk of contagion when a bank experiences a severe liquidity or solvency problem can never be totally eradicated. Consequently, it remains to be proven in practice whether, after the establishment of the Single Resolution Mechanism, the European financial market might still not be safe, but at least it will be safer than before.

Conclusion: The Role of the Bank of Greece

There is a rather amazing discrepancy between the structurally weak political, administrative, and scientific-technical apparatus for the production of Greek European policy, on the one hand; and, on the other, the generally acclaimed success of the Hellenic Presidency of 2014 in a file that is both technically difficult and politically controversial (the Single Resolution Mechanism as the second prong of the emerging Banking Union) and that I used as a case study to test the real capacity of Greek diplomacy in European affairs after the crisis. This discrepancy must somehow be explained by an external variable.

This variable is very probably the BoG. In an important study (Bank of Greece 2014b: 77–81), Greece's Central Bank succinctly presents its different levels of participation in the formation of the Banking Union. The BoG is an integral part of the European System of Central Banks (ESCB) (Protocol No 4 to the Lisbon Treaty), since its Governor votes in the Governing Council *inter alia* to define and implement the monetary policy of the Union and to promote the smooth operation of payment systems. Concerning the SSM, the BoG participated in the public deliberation preceding its formation in the framework of a Working Group of the European

Council and the European Commission, and also actively participates in all the preparatory work of the High-Level Group and the working groups and subgroups of the SSM. In the case study of this chapter, the BoG participated and continues to participate in the Working Groups of the Council concerning the SRM. According to the above-mentioned study (Bank of Greece 2014b: 79–80), the BoG "presented integrated strategy proposals, comments and relevant memos so as to provide expertise to the Ministry of Finance", and furthermore, "in the framework of the Hellenic Presidency that started in January 2014, the Bank of Greece created a Working Group that collaborates with the Ministry of Finance, whereas the team that would handle, from the Greek part, the relevant file in the negotiations with the European Parliament originated from the Bank".

There is an unofficial and ongoing cooperation between the BoG and the Greek Permanent Representation to the EU, since the former has a constant advisory role in the decisions of the Greek Ministry of Finance concerning financial issues. Although all financial decisions remain in the exclusive control and power of the Greek Ministry of Finance, it has been unofficially confirmed[6] that the BoG was instrumental in the procedures concerning the formation of the Banking Union. Specifically, regarding the SRM, executives from the BoG remained in Brussels for three months as temporarily seconded in the Greek Permanent Representation to the EU in order to take part in the Ad Hoc Working Groups (AHWG), which were organized especially for the establishment of the SRM. This was due to the fact that there were not any Ministry of Finance technocrats who could contribute substantially to the demanding expertise and negotiations regarding the SRM, which had been, from the outset, a highly controversial issue.

It is rather obvious from the preceding that the input of Greek European policy in the formation of the EU Banking Union was in fact due, to a large extent, to the expert input of the BoG, which collaborated hand in hand with the Greek government and its Permanent Representation to the EU. In other words, the BoG—an organ intertwining the national and the supranational levels of policy—seems to be the missing link here between the national political will to reach an agreement in the EU in the national interest and its technical transmission to and endorsement by the competent European Institutions, using the Presidency of the Council of the EU as a platform. If there somehow could be a structural link between an organ like the BoG and at least the Greek Permanent Representation to the EU (Blair 2001), starting from the policies related to the ongoing financial crisis, Greece would certainly look forward to a more prosperous European future.

Notes

1. For best practices of other EU Member States concerning their European policies, see: Batora and Hocking (2009), Beyers and Trondal (2004), Chatzistavrou (2013), Moore (2006), Moore (2007), Uilenreef (2013).
2. Recently in France, a parliamentary report pointed out to the need for some similar structural changes in its Secretariat of State for European Affairs, in order to enhance its national influence in the EU. According to this report, the position of the Secretary of State for European Affairs – who currently is placed under the umbrella of the Ministry for Foreign Affairs – would be stronger and more credible if it was answerable directly to the Prime Minister and became the President of the Republic's spokesperson for European affairs. See Christophe Caresche et Pierre Lequiller, 'Rapport d'information sur l'influence française au sein de l'Union européenne', déposé par la Commission des affaires européennes et enregistré à la Présidence de l'Assemblée nationale, 2 February 2016. See the French National Assembly's website: http://www.assemblee-nationale.fr/14/europe/rap-info/i3468.asp.
3. The *Secrétariat général du Comité interministériel sur l'Europe* was created after the failed referendum on the Constitutional Treaty on 29 May 2005 in order to prove the will of the government to give European affairs a central place in the French political debate. Its function is to define and present a strategic vision of France's European project. See the French Government website: http://www.sgae.gouv.fr/site/sgae/SGAE/Le-SGAE/Attributions/Le-secretariat-du-Comite-interministeriel-sur-lEurope-CIE (Accessed: 19 December 2015).
4. Law 1640/1986, article 2 paragraph 1.
5. Law 717/1977, article 2 paragraph 1.
6. This has been confirmed by a BoG representative via a discussion on a written questionnaire I had prepared.

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Greece–Russia: Seeking a Firm Orientation Between Aspirations and Reality

Konstantinos Filis

Introduction

The mapping of Greek-Russian relations, despite their limited extent, runs up against a number of complexities, mainly due to the fact that aspirations and sentiment have usually been put before pragmatism and interests. At the same time, due to Russia's broadly positive image in Greece, there are few obstacles to the development of ties with Moscow—a fact that has on occasion been exploited politically. However, given the constraints deriving from Greece's position in Euroatlantic institutions, a certain diffidence on the part of the Greek political establishment, and the Kremlin's disinclination to trust Athens, Greek-Russian relations over the past 20 years have been characterized by goodwill and sporadic, tentative deepening, with limited substance and content.

This chapter deals with four distinct time periods, each of which has different characteristics as to: (a) international and regional trends/power relations; and (b) the economic and political dynamic of Russia, whose intentions are the catalyst in bilateral relations between Athens and Moscow. The last part—looking at the period after 2009—focuses more

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on the impact of Greece's financial crisis, the differences and similarities in the way its governments decided to deal with Russia, and the latter's cold-blooded reception of a "friendly" country's multidimensional challenges. It is thus evident that Moscow has not been prepared to move ahead to a quantitative and qualitative deepening that would involve putting forward attractive alternative options.

In short, beyond the passivity and/or reluctance on Greece's part, even in a favorable environment, the Russian side—usually conservative in any case—seems to have settled on the conclusion that Greek-Russian relations can never really pay off, except in a few specific sectors. In essence, apart from the brief romance between Putin and Karamanlis and the unsuccessful efforts between January and July 2015 to bring Moscow into the deliberations with Athens' creditors, the two sides' aspirations have not intersected to a degree that would bring a significant breakthrough. In fact, a broad consideration of the course of Greek-Russian relations raises doubts as to whether there has ever been a real desire to take these relations to the next level. It may well be the case that any vision of a true strategic partnership has been effectively dampened by a shared perception that there are no substantial grounds for changing these relations, leaving the two sides with the ad hoc enhancement of ties through increased cooperation, but without the intention of radically altering the status quo.

Painful Transition, Limited Room for Cooperation (1990–2000)

Starting with the fall of the USSR, the natural successor floundered for almost a decade between stagnancy and disrepute. The transition was a difficult and painful process. Russia had to face the psychological hangover resulting from the defeat of the socialist model it had served—in however skewed a manner—for seven decades, along with its transformation from a superpower that had dominated a significant portion of the planet into a simple state. The change in its international status, its territorial recession into borders of previous centuries, its influence's contraction, at least initially, to an extremely limited local level, along with the necessary focus on reconstruction on various levels and the consequent search for an identity, were Moscow's 'new normal' for the greater part of the 1990s. So it is understandable that, during the decade of adaptation to new states of affairs both domestically and abroad, there were many fluctuations in its foreign policy, with the imponderable Yeltsin factor contributing to the generally unstable nature exhibited by Russian foreign policy, with the exception, in particular, of the period from 1996 onward, when the experienced Yevgeny Primakov put a stop to the ineptitude shown earlier.

At the same time, Russia was suddenly surrounded by a number of unfriendly regimes, the former Soviet republics, who equated their survival with immediate weaning from what had been, until recently, the Moscow power center, as well as with the concurrent development of close ties with the victors in the Cold War. With secessionist movements, fomented directly from abroad, plaguing the wounded 'Russian bear', and with the course of the economy typified by the crash of 1998 (Marlet et al. 1999; Hanson 1999; Sapir 1999), it became clear that relations with Greece were low on the Russian foreign policy agenda.

Nevertheless, there were a number of events that marked the Greek-Russian bilateral relationship in the difficult decade of the 1990s. To start with, the role of Orthodoxy and shared Byzantine roots had always linked the two societies. But beyond noble intentions and the sense of shared historical and religious ties, there was also a systematic effort to exploit religious sentiment. This was particularly apparent in the case of the Serbian portion of Yugoslavia, which, slumping into international isolation, played the card of the "Orthodox arc" that was being attacked by the Catholic West, attempting in this way to win over public opinion in Greece and Russia. And, unfortunately, Greece walked into the trap, gaining nothing practical in return. Meanwhile, Russia went from the prohibition on religion during the communist era to being a pillar of Orthodoxy, to the point where it started questioning the primacy of the Ecumenical Patriarchate (Dubin 2005; Evans and Northmore 2005). And yet, the Slavic dimension of the Russian identity prevailed in the choice to recognize the Former Yugoslav Republic of Macedonia (FYROM) as Macedonia, a move that the Greek side did not expect and which came without any prior consultation and at a very early stage in the name dispute (Jeffries 2002: 534). This obviously impacted Greek-Russian relations, though not decisively, as there was some understanding for the difficulty of the Kremlin's position. If we bear in mind the sensitive state of affairs at the time and the strong sentiment that was prevalent in Greek society, we see confirmation of Moscow's positive image, given that just about every other country that recognized FYROM as Macedonia was automatically blacklisted.

Athens saw Moscow as too important a factor for stability across a wide geographical region to be left to its own fate. In no circumstances did the Greek side want to see the collapse of a country that, on top of everything else, continued to be an unwavering supporter of Cyprus's positions in the UN Security Council. Russia might no longer have been in a position to serve as a counterweight to our Western partners, as it had been in the 1980s, but the plight it was in did lend Greece greater flexibility. On many international political issues, like that of the Balkans, the Russian and Greek positions were virtually identical, though in hindsight it is apparent that both sides became entangled—at least for a time—in the overt defense of the Serbian element, rather than moderating the latter's aspirations. The sentimental pressure exerted by the Serbian side certainly played an important role in shaping the positions of Athens and Moscow, creating a sense that the Orthodox arc had an obligation to provide assistance. The Serbs themselves apparently forgot this, however, when, a day after the Greek prime minister's visit to the USA, and shortly after the Imia incident, they recognized FYROM as Macedonia on 8 April 1996. But, rather than hurting the supposed Orthodox front, the systematic propaganda in favor of the victimized Serbs engendered doubts at home as to the real intentions of the Greek government.

At the same time, the anti-Americanism in Greek society—a sentiment that still hadn't waned, even after the end of the Cold War—translated into pro-Russian sentiment, though without substantial content apart from Moscow's long-standing support on the Cyprus issue (Botsiou 2007: 213; Stavridis 2007). But, traditionally, Greek public opinion has tended to favor a stronger relationship with Russia, the absence of which has often been attributed to the submissive stance of Greek governments. And it is true that Russia found this distorted view convenient for a time, believing that no special effort needed be made to ensure friendly treatment on the part of Athens. Thus, when, in the mid-1990s, the Kremlin—disappointed in the failure of its Western collocutors to keep their promises, and clearly the victim of policies aimed at its isolation—turned to an anti-American/anti-Western policy, Greece, as a member the Euroatlantic institutions, was left somewhat out in the cold. A little later, with the arrival of Primakov on the scene, Russian foreign policy began to recover some of its sheen. But following the Asian economic crisis of 1998, which hit the Russian economy hard, and the NATO intervention in the New Yugoslavia, which took Moscow unawares, Russia returned to intense skepticism and international disrepute (Sakwa 2008; White and Gitelman 2005; Mankoff

2009; Kuchins and Zevelev 2012). The losses in the ongoing war in the Russian Caucasus and, more specifically, in Chechnya, as well as the failing health of Yeltsin, a close circle around whom controlled the whole of the vast country, precipitated the acceleration of developments and the demise of the leadership that had held sway in the 1990s.

The problematic nature of the 1990s for Greek-Russian relations did not prevent the countries from cooperating in the energy sector, with Russia strengthening its position as the main supplier and an attempt being made to link their interests via the ambitious Burgas–Alexandroupoli pipeline plan. The given state of affairs did not allow for the implementation of the project at that stage—the high operating costs at the time, with oil prices at $10 to $20 dollars a barrel, rendered the project unviable—but it did resurface a decade later, mainly due to the change in economic and political conditions. Yeltsin's untrustworthy, systematically backsliding leadership—which in this case made vague promises—gave way to that of a politician, Vladimir Vladimirovich Putin, who proved pragmatic and effective in implementing decisions.

Misperceptions on All Sides, Warming and Disappointment (2000–09)

The following period was characterized by Putin's effort to stabilize the domestic situation and restore the country's luster abroad. And in large part he was successful in both endeavors. Russia started to gain cohesion and confidence; broad popular acceptance was secured for Putin, giving him flexibility in his maneuvers; and gradually a partial reconstruction was achieved. Unknown until his first term in office, the former KGB agent evolved into an able manager of the crisis he inherited—despite his admittedly effective methods being seen as retrogressive for the functioning of democratic institutions—while on the international stage his choices were rational, in contrast to the dogmatic and for the most part sentimental policies of the previous leaderships. In fact, when, in 2001, against the wishes of most circles involved in shaping Russian foreign policy, he decided to support the NATO intervention in Afghanistan, it became clear that he was a pragmatic player on the international chessboard. During the initial period of his first term, he travelled extensively to meet and gain the sympathy of most of his counterparts, even in the West, where, by 2003, his closest allies were the British and the Americans. With the passing of time, Moscow regained a significant portion of its lost dignity. It is indicative that when, in 2003, the West was divided over the looming invasion of Iraq by the USA and its Coalition of the Willing, hopes for reversing Washington's decision rested with Putin rather than with the German chancellor or French president.

So, within an environment where Moscow was growing stronger and stronger, and with Russia's economy—ever more centralized and dependent on raw materials, and in particular on hydrocarbons—being bolstered by high oil prices, the country was restored to the role of a responsible and relatively predictable partner. This increased the potential for expansion of Greek-Russian cooperation, especially at a time when Western-Russian relations had to a notable degree been normalized. Disagreements remained, but the Kremlin generally accepted the world order that it had previously disputed, though without the means to undermine it, and Washington and Brussels seemed to acknowledge Moscow as an ally that, due to economic and political interdependence, they did not want to scorn. With the increase in the volume of trade between the EU and Russia (European Commission 2006), and with the unstable and unpredictable regimes the USA included in the "axis of evil", Russia's usefulness in resolving international disputes seemed decisive. From the international war on terror to Iran's nuclear program, as well as on Syria, cooperation with Russia was a priority. The fact that the USA radically changed its wavering stance—from relaxed, early on, to directly supportive—on the Chechen movement, which was now included among international terrorist networks, further contributed to understanding between the two sides (European Commission n.d.).

However, in the midst of the Greek presidency of the EU, in the first half of 2003, there came the first serious rift on the occasion of the US intervention in Iraq; an action that cut the West in two and faced Putin off against Bush. Greece managed, through noteworthy handling, not only to avert the poisoning of EU-Russian relations—with most European states against military intervention, in any case—but also to establish a new platform for joint ventures through the extension of the Partnership Agreement of 1997 to the adoption of the four common economic spaces, which to date is the basis for Brussels–Moscow relations (European Commission n.d.). And this was under unfavorable conditions, given that the competent European commissioner was against any institutional deepening. It was for this reason that the Russian side expressed its gratitude to the Greek side (Kremlin 2003).

Meanwhile, the inclusion of the Baltic states in the NATO expansion and the “colored” revolutions in Georgia and Ukraine, which brought to power regimes with a clear Western orientation and desire to limit Russia’s dominant position in the post-Soviet space, re-established the climate of mutual suspicion in late 2004. As a result, the prospects for cooperation between Greece and Russia were sidelined by the clash of Western and Russian interests and outlooks, given that Athens did not attempt to separate the two, instead giving higher priority to its partnership and contractual obligations. It is worth noting that, during the same period, other European countries pursued and succeeded in gaining the potential for varied synergies with Moscow, based on their national interests. In the case of Greece, the situation was handled differently—whether because it was taken completely for granted, and any divergence created confusion, or because it was thought that the country was suffering a prolonged identity crisis—swerving to the East, with which it communicated more easily—and that it therefore needed to shake off the ‘equivocal partner’ label.

Due to its geographical proximity to the East and the 400 years it had spent under Ottoman rule, far from the influences of the European enlightenment, and given its difficult adaptation to the European state of affairs and ‘normalcy’, Athens was seen more as a Balkan state, with structures and mindsets associated with the East. In combination with the common religious identity it shared with Russia and the very positive image the latter enjoyed in a large portion of Greek society—in contrast to the way some of our European partners are seen—and together with the fact that certain Greek politicians—and parties—feel more comfortable communicating with Moscow than with Brussels, this has cultivated a sense that a portion of Greece is not oriented towards the EU and could thus, at any time, call into question the country’s position in the European family or, even worse, threaten European unity for the sake of third powers.

But this is a mostly superficial perspective, given that the occasional overtures between Athens and Moscow have never substantially jeopardized the doctrine of “We belong to the West.” Traditionally, Greece is equally committed to its Euroatlantic obligations—for example, its provision of NATO facilities, even in the case of interventions to which Russia was opposed, such as New Yugoslavia, Libya—while its political and economic elite are clearly oriented towards Europe. The minority current in favor of subverting the current power relations and instituting a policy for extricating the country from the West,[1] which, as we will see further on, was expressed but, in the end, not followed through by a few members of the first Syriza–ANEL Government, has historically met with defeat a number of times and is certainly not the prevailing view/narrative.

Greece's Ambiguity and Lost Opportunities (2006–08)

We focus on the 2006–2008 period because Moscow's power—or its sense of its own power—is a traditional catalyst in Greek-Russian cooperation. A prosperous and stable Moscow, with controlled intentions and a responsible role on the world stage, is a potentially attractive partner that might make it worthwhile for Greece to take a corresponding risk. All the more so in a state of affairs (2006–08) in which the deteriorating image of the USA had brought on fatigue and a relative downturn in American influence. During this time, when a strengthened Russia coincided with a weakened USA, there was a golden opportunity for Greece to play one against the other. Russia would aspire, realistically, to expand its influence beyond the post-Soviet space, while Washington, shaken, would try to hold onto its power. In fact, a very confident Moscow—in response to the attempt to change the balance of power within its vital space through the election of pro-US leaderships in Ukraine and Georgia, and the consequent endeavor to create an anti-Russian/pro-Western bloc of post-Soviet republics—was seeking a window of opportunity in regions it considered its medium-abroad territory and that, until then, it hadn't considered a priority.

The international stage had diversified structurally by 2008, with the balance of power changing to the detriment of the two Western centers—the USA and EU—and new powers in the East/Asia growing in strength. Russia's influence at that time continued to be limited in range, but was clearly stronger, including in areas beyond the former Soviet Union. The USA was strategically, politico-militarily off balance with its parallel exposure in the two wars in the Middle East and South Asia, an element that dramatically limited its choices in other regions of the planet. Thus, and due to the unquestionable strengthening of Russia, whose economy was recovering and whose influence in the post-Soviet space was being consolidated—and due to the weakness or feeble presence of Washington's fragmented attention—power relations in Moscow's near-abroad changed in its favor.

This, in part, also diversified its foreign policy priorities, expanding its range of action to Southeast Europe as well as to the Middle East. In the first case, economic penetration—mainly into non-EU states—and energy projects were at the core of an attempt at substantial deepening of cooperation. Even in the case of Serbia, Russia did not try to be an alternative to the prospect of integration into Western multinational organizations, but wanted to emerge as a supplementary, significant partner in regional processes. It didn't want to supplant the West, because it knew it couldn't—this would, among other things, have entailed a huge economic cost and uncertain results in a region in which it was not dominant—but a strengthened position would mean it couldn't be ignored, as it had been in 1999. Unlike in the more distant past, the Russian leadership believed that what could secure effective and long-term influence was economic penetration, with investments paving the way for corresponding political initiatives. Particularly at a time of deep crisis in the Balkan markets, Russian assistance was of special importance.

With its economy clearly strengthened by high oil prices, Moscow found it easier to maneuver and proceed to hostile buyouts—for example, Serbia's state company for exploiting oil and natural gas—that partially altered the landscape and dynamic in a part of the world where the West maintained an unquestionable political, economic and military presence. In the case of Kosovo (2007–08), the Kremlin provided a foretaste of its turn away from the willingness it had shown until that time to compromise with its Western partners, especially in places beyond Russia's range, like the Balkans. Now, and due to the weakening and overexposure of the USA, the latter had to accept that the consensus, if not synergy, of its partners was needed if certain disputes of shared interest were to be resolved/confronted effectively. Moving on a course of unilateral action and decisions, Washington persisted in seeking alliances of a willing few who would back US policy or, otherwise, face being shut out by the US leadership.

As a result of the bad chemistry between the US leadership and many European capitals at the time, as well as of the differing outlooks on how to confront international challenges, the two centers—the EU and USA—did not follow a common course or deal with emerging powers in the same manner. A few EU member states lined up with the USA, while the stronger EU powers, France and Germany, took a different stance. They showed, among other things, greater tolerance for the authoritarianism that distinguishes the political systems in states like China and Russia. They had no desire for major clashes or conflicts, arguing that this was due to their historical experience, which had made them wiser. According to others, it was due simply to Europe's tendency to yield somewhat in the face of emerging powers (Kotzias 2010).

So, within this favorable environment—favorable in the sense that, due to the state of affairs, the potential breadth for Greek negotiating maneuvers expanded, and favorable given that a possible strengthening of bilateral relations with Moscow followed the European trend, with a significant number of US allies remaining unconvinced and, consequently, distancing themselves from Washington's choices[2] (Hunter 2012: 125–133; Kupchan 2007; Hoffman 2003: 1029–1036)—Greece made overtures to Russia based mainly on domestic considerations, and certainly without a compass. At that critical time Greece took no action in the direction of satisfying a minimum of Russian aspirations, though it could have done so at essentially no risk to itself. For example, Athens could have tried to interpret Moscow's positions and concerns within the European family—for example, handling of the Russian minorities in Latvia and Estonia—or it could have got ahead of the game in terms of facilitating visas for certain groups, which would have helped to attract tourists. In what would have been an even more forward-looking move, the Greek government had the potential to identify fields of EU-Russian convergence and exploit, for its own benefit, key areas where joint ventures would have intersected with mutual benefits, just as it had done during its 2003 EU presidency, with the creation of the four common economic spaces, against the will of strong circles in Brussels, showing that a proactive and well-planned policy has prospects for success.

In a transitional stage like the one described above, rather than capitalizing substantially on Washington's uncertainties/insecurities and Moscow's concurrent desire to extend its footholds beyond the post-Soviet space through a bold and well-planned opening, Athens instead managed to submit to unprofitable agreements, responding to Russian initiatives that served the latter's interests—for example the terms and lack of assurances in energy agreements, the intention to purchase Russian infantry vehicles. There is no question that bilateral relations could only be unbalanced in favor of the stronger party. But that doesn't mean that the Greek side had to fall in with every proposal that advanced Russian interests, resigned to its fate and without self-confidence or the inclination to negotiate in depth. As damaging as the perception was that Greece's problems would be resolved as if by magic, due to its presence in the Euroatlantic supranational organizations—an element that cultivated a passive stance against the serious challenges it was facing, leaving it unprepared when it was called upon to deal with the economic crisis[3]—equally problematic was the conviction that the only appropriate way to approach Russia was via a priori acceptance of proposals, with no evaluation of their repercussions for Greek interests, for the sole reason that they represented positive momentum.

Trust presupposes mutual respect, and is built through persistent support of a minimum of national goals, both thematically and more generally, through pointing up the comparative advantages of each side, in combination with an understanding of given realities, dynamics and limits, and with the necessary measure of flexibility. Thus, vague declarations/agreements and promises of the moment—which, due to a lack of preparation, could not be fulfilled; for example orders of BMP-3μ infantry fighting vehicles as well as the Beriev-Be 200 firefighting amphibians[4]—are one thing, and constructive commitments are another, bringing, as they do, rewards through mutually beneficial cooperation. In fact, the broad response of public opinion became the guide of policy without a compass. As we will see below, the result was, on a practical level, one of zero returns.

The high approval rates for Russia[5] determined for the most part the PR nature the Greek government imparted to these relations, without clear messages for multiple recipients. For almost concurrently with the signings for Burgas–Alexandroupoli (4 September 2006), the 420 tanks (December 2007) and the final agreement on South Stream (29 April 2008), Greece declared itself the "strategic partner of the U.S. in the Balkans", questioned the compatibility and functionality of the TOR-M1, calling the credibility of the system into question, and a little later it lambasted the justifiable Russian objections to the deployment of anti-missile systems in Poland and the Czech Republic, without the slightest reciprocation from either of the two states in question" (Antoniou n.d.). In April 2008, to mollify the Americans following the supposed veto[6] against FYROM at the Bucharest NATO Summit, Athens fully adopted Bush's views on Russia's exclusion from future consultations on the prospective accession of Ukraine and Georgia, even though it was never in any danger of being isolated, given that a number of countries, including France and Germany, were opposed to Bush's stance (Erlanger and Myers 2008).

So, persistent ambiguity resulted in the creation of confusion as to Greece's intentions. Towards the end of the second Karamanlis Government's term, the impression was created that anything bad that had happened to it was punishment for its attempt to approach Moscow, and it is indicative that this is still believed to be among the main reasons behind that Government's fall (Wikileaks 2008; eKathimerini 26 June 2015). In an environment where the Greek prime minister became mired in delusions and witch hunts, Greek-Russian relations stagnated. And this was helped along by Russia concluding that Greece—until recently a supposed strategic partner—was backing out, with the result that any commitments that had been made were essentially void.

Energy: "Strategic Partnership" Unrealized. The Cases of South Stream and Burgas–Alexandroupoli

Without a doubt, energy was the motive force in Greek-Russian relations during the critical period from 2006–08. The revival of the Burgas–Alexandroupoli and the promotion of the South Stream sparked cooperation and aspirations for expanding synergies that in the end came to nothing. This points up the fluidity of the above-mentioned agreements, the failure of which, though not weighing directly on Greek governments, confirms the transient/tactical nature Russia attributes to its bilateral arrangements.

It should be noted that, in the case of the South Stream project, between 2009 and 2010 Moscow seemed to revise the original planning and exclude Greece, promoting an alternative route through FYROM and Serbia. This confirms that Moscow had concluded the original agreement in 2008 under pressure it felt to appear to be developing routes that would circumvent Ukraine, without a comprehensive plan based on economic and technical criteria and with the intention of undermining the EU's common line and making a show of strength, mainly towards the Central European market, which was significantly more dependent on Moscow at that time than it is today. As a result, Moscow got a positive response from Germany—for whose interests the northern circumvention of Ukraine, via the Nord Stream,[7] was "more convenient"—and relegated the South Stream to a back burner.

The much-touted Burgas–Alexandroupoli, the reactivation of which came on a Russian initiative, foundered due to fatigue and vagueness in the agreement, and was finally laid to rest by the Borisov Government in December 2011. It should be noted that, despite the conspiracy theories regarding US involvement, in reality, Chevron-Texaco—with a 15 percent share in the Caspian Pipeline Consortium (CPC)—had committed quantities of Kazakh oil for delivery via the Burgas–Alexandroupoli pipeline, as was set down in the Putin–Nazarbayev agreement of 10 May 2007 (*AP ARCHIVE* 10 May 2007). According to Russia's chargé in Athens (2007–10), Mikhail Savva, the US side supported the implementation of the project in question, "and it couldn't be otherwise: the oil would come from Russia and the Caspian region, and a significant portion of it is oil produced by American companies interested in having a stable transport corridor" (Petropoulos n.d.).

In the autumn of 2006 (6 September), Sean McCormack, the State Department spokesperson, issued a written statement on the subject, saying that:

> Burgas–Alexandroupoli can be an important component of this vision—meaning a commercially viable and environmentally sound way to export Caspian oil and gas to the global market—as it demonstrates its commercial viability in a competitive market for export routes that can reduce the transit cost for Russian and Kazakh crude into the world market. By bringing increased quantities of oil onto the global oil market, Burgas–Alexandroupoli will benefit consumers, and hopefully reduce cost pressure in the oil marketplace. (U.S. Department of State 2006)

At around the same time, in an interview with the Athens daily *To Vima*, the US ambassador to Athens, Charles Ries, said:

> The Burgas–Alexandroupoli pipeline will reduce transport costs for the Russian and Kazakh crude that supplies the global market. It will thus bring increased quantities of these oils to the global oil marketplace, which is to the benefit of consumers, as it will create more options and, we hope, reduce the trends towards increasing prices that were unpleasant for all of us. (2006, translated from Greek)

It is well known that the project in question[8] was not among Russia's immediate energy priorities, especially given that there was already an extensive network, controlled to some degree by Moscow, carrying huge quantities of Caspian hydrocarbons, including those of Russia. However, Russia was looking for ways to at least partially circumvent the Straits (US Energy Information Administration 2014), and this particular pipeline could do so. Secondly, if the project didn't move ahead, it would mean almost complete dependence on Turkey for southern corridors for transporting Caspian oil, given that the Baku-Tbilisi-Ceyhan pipeline—competitive to Russian interests, though problematic—transits Turkish territory. At the same time, Moscow would be hostage to Turkish demands due to the increased costs of transiting the Straits and the absence of alternatives—with 90 percent of the quantities of petroleum concentrated in the Black Sea being transported through the Bosporus, this was a project that would bypass an international choke point, beyond which additional quantities could then be delivered (Trans-Balkan Pipeline n.d.).

Additionally, the international and regional state of affairs was seen as favorable due to:

- The isolation of energy-rich Iran and the instability in other similarly wealthy countries (such as Iraq), which drove Moscow to put its reserves on the international market as fast as possible.
- The consolidation of high oil prices. Previously, the high number of on- and off-loadings of crude and the resulting operating costs had created concerns as to the economic viability of the Burgas–Alexandroupoli project.
- The at least partially problematic opening of the Baku–Tbilisi–Ceyhan pipeline, the only pipeline circumventing Russia in carrying Caspian oil to the West. This may not have disconcerted Moscow, which was still dominant in terms of carrying Caspian energy reserves, but it certainly created an alternative supply source with US backing, and was thus seen as a negative development for Russian interests.

The construction and operation of the Burgas–Alexandroupoli pipeline was characterized by many as a solution to the problem of chronic delays and congestion for oil tankers at the Straits. Moreover, it was seen indirectly as an "environmental breather" for the Black Sea's closed marine ecosystem. All of this contributed to Moscow recognizing the usefulness of the Burgas–Alexandroupoli pipeline and led to corresponding initiatives. Athens was happy to accept, starting from the correct basis of the potential benefits of participation and the consequent upgrading of its geopolitical position. Subsequently, however, during the course of the negotiations, Athens' desire to accelerate the implementation of the project outstripped its need to safeguard certain interests through proactive negotiation. As a result, it appears that key points were not secured for the Greek side—management of the Greek section of the pipeline, significant revenues for the Greek state, potential for purchase of oil at privileged rates, preferential status for Greek-owned fleets, incentives for the participation of Greek companies (Papadopoulos n.d.)—understandably, to a certain extent, given Russia's dominant position in the project, and these key points were later used by the Bulgarian side as a pretext for refusing to continue the project.

Given the above, even in the decisive period from 2006–08, Greece was not a privileged collocutor for the Russian side, being used only ad hoc to serve Russian interests, without substantial deepening relations—as seen from the discontinuation of almost all the agreements of the time, including energy and military agreements—or practical gains, not just regarding Greece's national issues, but even the promotion of its positions or upgrading of its geopolitical role. In a shifting environment—where, due to strong uncertainty, the space in which smaller states could maneuver was growing, if only by reflection, given that stable alliances and partnerships were seeking ways and means to enrich themselves with emerging powers—Athens' foreign policy inertia contributed to its being shut out of processes. The half-hearted flirtation, which was more a product of PR exploitation, doing little to substantially enrich the content of a mutually beneficial and stable relationship, later found Greece in the grips of the economic crisis, testing the level of Greek-Russian relations even further.

Decline and Forced Return to Reality (2009–14)

Over the next five years, Athens' exclusive focus on the rapidly deteriorating economic situation and its social repercussions also impacted relations with the Kremlin. Greek contacts with states that could not contribute decisively to these priorities were limited, and we entered a phase of "extroverted introversion", guided almost exclusively by the need to confront the course of the public debt and the consequent pressure from our European partners for fiscal adjustment the like of which had never been seen in another EU member state. Russia was not among the inner circle of states that could mitigate the repercussions of the crisis, with the result that Greek-Russian bilateral relations were given even lower priority. And it is true that the Kremlin maintained a mostly neutral stance on the "Greek issue", without openly showing any support for Greece's positions. In fact, during the first trip of the new Greek prime minister—George Papandreou—to Moscow, in February 2010, President Medvedev became the first foreign leader to urge us to appeal to the IMF, and the prime minister and strongman, Putin, categorically rejected any discussion of economic assistance for Greece, particularly in the form of purchasing Greek debt (Ministry of Foreign Affairs of the Russian Federation 2010).

Russia did not appear to be high on the Papandreou Government's agenda. The visit in early 2010 did not seem to be well prepared, despite the Greek side being at a disadvantage. This reality was reflected in a statement Papandreou made in the run-up to the elections (September 2009) regarding a lopsided agreement, referring to the Burgas–Alexandroupoli deal, the limited channels of communication with Moscow while he was in the opposition, PASOK's skepticism regarding the agreements with Russia, as well as the attempt by members of the second Karamanlis Government to cultivate a sense on the Russian side that the coming PASOK Government would not honor the agreements, and, due to its pro-US orientation, would be less open to cooperation with Russia. In fact, some circles, interpreting Putin's intentions and his good relationship with Karamanlis, circulated a rumor of support on the part of the Russian prime minister for New Democracy, fearing Papandreou would discontinue the cooperation course (Eleftherotypia 10 September 2009; Stylianidis 2010).

Consequently, the latter's trip to Moscow was a major opportunity to restore trust through mutual assurances on the highest level and reaffirmation of Athens' intention to support mutually beneficial synergies. Instead, there proved to be a lack of chemistry, mainly due to the disparate cultures/world theories of Papandreou and Putin, and the failure to find sectors of cooperation that would have imparted fresh momentum to Greek-Russian relations—which had foundered in 2008, as mentioned elsewhere in this chapter—while it should be noted that, due to the Russian side's clear reluctance to get involved in Greece's growing problem in dealing with its debt, the Greek side didn't even broach the subject of potential concessions.

Given Putin's centralized manner of governing and his strong personality, the development of a relationship of respect and trust with him would have been the best way to gain direct access to Russia's power and decision-making systems. Between 2009 and 2011, the Greek side did not succeed in making a substantial approach to Russia, probably concluding—following Russia's refusal to get involved in any discussion of financial support for Athens—that any contribution from Moscow, especially following the implementation of the support mechanism, would be limited and concern only certain individual sectors. And the Kremlin, probably believing that it was a "family", intra-European issue, avoided unnecessary exposure, given that the tools for resolving the crisis lay in others' hands—and it handled Cyprus in the same way. It is to be noted that, despite the unfavorable terms of the Memorandum, Russia would not have been able to compete with the favorable interest rate agreed upon, while the risks for both sides, as well as the concessions that would have been demanded of the Greek side, would have made any agreement difficult or impossible.

In many readings, it is considered very likely that Russian policy, conservative in any case, did not want to invest in or be exposed by supporting a country that was already in the vortex of an economic cyclone, with the negative impact on its regional status clear, along with the consequent inability to exercise effective foreign policy, and at a time when the messages from Brussels and Berlin presaged a Greece marginalized in European affairs. Given its skepticism with regard to the intentions of Greek leaderships—which it criticized for identifying with the West—and its disappointed aspirations from the Karamanlis period, Moscow was now even more hesitant. It didn't want to take the chance of risking its relations with more important partners, such as Germany, who had the first and last say in processes, in order to support a traditionally pro-Western state whose options were dwindling dramatically as it found itself in the vice of a Euroatlantic mechanism. The Russians saw this new state of affairs as consolidating EU and US control, imposing an asphyxiating management framework on the Greek side, with the latter relinquishing a portion of its national sovereignty and, thus, the potential to make decisions without consulting its lenders. The transformation of the private debt into public debt meant even more tools for exerting pressure on Athens, while the involvement of the IMF entailed unpleasant and unpopular measures, with the risk of social unrest. In this environment, Moscow deliberately kept its distance, seeing Athens as a systemic threat with which it did not want to get involved, except as part of the IMF decision-making process.

The climate of mutual distrust, which stems from the high expectations that arise from time to time, only to melt away in the face of limitations recognized on both sides, was evident in Russia's not playing a role in supporting Greece even in the secondary market—by acquiring bonds, as China did—and Gazprom's reluctance to extend credit—if only for a few weeks—on Greek purchases of Russian gas in the years of the economic crisis, as well as its withdrawal from the DEPA privatization. On the other hand, the Greek presidency's handling of the Ukraine issue, though careful, did not take a strong enough stance on the manner in which Yanukovych was ousted, and nor did it condemn the extremist elements who supported the transitional government. This was understood through an action of high—and unfortunate—symbolism, when it was decided that the Greek foreign minister's visit to Kiev would not be combined with a corresponding visit to Moscow, which, under certain conditions, might have given Athens—as the Presidency—some role in the resolution of the crisis.

Limitations to Russia's Energy Involvement and Prevalence of Pragmatism

The energy sector is dominant in Greek-Russian trade relations (Appendix I) and certainly impacts corresponding policies. Greece's dependence on Russian natural gas is unquestionable, despite the fluctuations in recent years (Appendix II)—a fact that can be viewed from two standpoints. The first argues that dependence, whatever its origin, is undesirable, as it limits room for maneuvering in negotiations with the provider—for example, over price revision and unfavorable clauses in agreements—and thus supply sources must be diversified at all costs. Consequently, Greece's involvement in Russian-backed plans is not in Greece's interest, as it ties the country further to Russian energy. The second, more sentimental view argues that the nature of the religious and historical ties between Athens and Moscow, the consolidation of trust in the context of energy, the difficulties involved in communicating with the 'demanding' European partners, and the fact that the Greek network is cut off from the corresponding European network, limiting choices, enables Greece to play a role as advocate of Russian positions in the European family, spearheading the further development of energy partnerships, with Greece as one of the key transit countries carrying Russian gas to Europe and thus enabling Athens to secure better prices for the Greek market (The Toc, 31 March 2015; Michalopoulos S., 17 April 2015; Makris 30 May 2015; Kathimerini, 17 June 2015; Konstantinidis A., 20 July 2015).

In the energy field, the most important development between 2009 and 2014 was the departure of Gazprom in June 2013 from the DEPA privatization, which surprised many and was a bolt from the blue for the Greek government. In its quest for a success story as a much-needed indication of a reversal of the climate with regard to investment opportunities in Greece, the Samaras Government pre-empted developments based on mere indications—while negotiations do not constitute an agreement until they are completed—and, at the same time, the constant concessions made on the initial demands confirmed in the eyes of many the risk of participating in the privatization programmed.

For its part, the EU was neutral at center stage, but in the wings it was at least negative, if not threatening, to Greek officials. It very likely wanted to put political pressure on Athens to change its stance in time to take on the burden of responsibility for rejecting the Russians, while Greece was pursuing the opposite course: to throw the ball into the European court, leaving Brussels exposed in case of a negative decision. And of course the issue was primarily political rather than legal, given that de facto monopolies/oligopolies exist in most European countries. So, because it would have been difficult for the European Competitiveness Commission to reverse the decision on Gazprom's buyout of DEPA, except by monitoring the extent to which the European regulatory framework was complied with afterwards, any moves had to be made at an earlier stage.

To the complexity of this situation we have to add that, in the wake of the second Russia-Ukraine energy crisis, in 2009, the European Commission had learned a number of lessons, at the core of which were: the unification of European systems in terms of manner of operation; compliance with regulations by all of the member states, with the ultimate goal of bringing them into line both with the operation of the European system and with regard to suppliers; diversification of options for supplying the European market so as to avoid supply disruptions and exposure to vulnerability from third parties. Gazprom's interest in buying out a company of relatively small scope—a company that was not involved in European projects and was based in a country cut off from the pan-European network, with a consequent strong dependence on Russia for 50–60 percent of its imports)—as well as in the potential to transform Greece into an important link in the EU supply chain—due to geographical proximity to the Caspian, the Middle East and the Eastern Mediterranean—stimulated the negative reflexes of many Europeans. They were obviously concerned at the prospect of Gazprom further consolidating its influence in South-Eastern Europe—due to a lack of interconnections, this is a privileged market for Gazprom—and gaining a share in a virtually monopolized market—that of Greece—which could enable it to block Greece's participation in projects of the southern energy corridor (Natural Gas Europe n.d.; bp.com n.d.) which bypasses Russia, carrying natural gas initially from the Caspian—and, at a later date, possibly from the Middle East and the Eastern Mediterranean—to the European market. For example, would a Russian-run DEPA commit to 1 bcm of Azeri gas for the TAP (Trans Adriatic Pipeline n.d.) as the Greek company did? Or would it support the promotion of the vertical Interconnector Greece–Bulgaria (IGB) (Interconnector Greece–Bulgaria n.d.; Edison 29 July 2015) which was aimed at covering a portion of the needs of the states most vulnerable to Russian gas, like Bulgaria?

In any case, at a time of intense politicization of energy issues by both the EU and Russia, the Greek side needed to: ensure that the tender competition would not be declared void due to lack of interest; put pressure on the European partners to show, via partnership interest, their practical support for the beleaguered Greek economy; avoid yet another dashed aspiration for partnership with Russia, bringing to fruition a tender competition that would bring an estimated €800 million to the public coffers. Perceiving the European authorities' refusal to consent to such a development, Athens very probably did not proceed to the necessary political lobbying with the major European leaderships and Brussels to reassure its partners. It did not create safety valves in the competition process, or it underestimated the Competition Authority, failing to find a common denominator for cancelling out differences.

Greek-Russian Relations During the First Syriza–ANEL Government (January–September 2015)

The "Greek problem" was/is yet another thorn in the side of a Europe that is struggling to find a path to political and economic growth while facing a number of challenges that, depending on how effectively they are met, may define: whether it will survive, overcoming the cause of its decline; whether it will remain behind global changes, undercutting its global position; and even how it will move ahead while the standard of living, based on European Commission estimates, will be at 60 percent of the corresponding US level in 2023 (Financial Times, 13 January 2014). And this is very probably one of the main reasons Athens' inclination to broaden, through diplomatic overtures, its alliances towards the East—Russia, China—was initially met with such suspicion (de Quetteville 16 June 2015; Monaghan 8 April 2015; Moore 12 May 2015; Mills 8 April 2015; Peev et al. 19 June 2015)—unfounded, as it happens—as to Greece's real intentions. Being a long-standing member of the Euroatlantic institutions and a eurozone country, Greece is well aware, after all, that any actions that undermine EU and NATO capabilities will also have negative repercussions for itself. This is particularly the case given that its Euroatlantic identity, while not providing absolute guarantees,[9] offers a kind of safeguard against its national threats. A Greece outside these alliances would be much more vulnerable to the hostile/irredentist cravings of neighboring states, as well as to fallout from regional crises.

The Washington–Berlin–Moscow Triangle

What is more, Athens is fully aware of the reality of the situation and the consequent need to keep its balance within a complex tripolarity. On the one hand, it needed the assistance of Washington, which has a broader strategic concept and perception of the risks involved in the present situation, and was thus pressing Berlin in the direction of finding a solution to the Greek issue. The instability within the eurozone has forced the White House into diplomatic activity and constant appeals in many directions, including that of Chancellor Merkel. It would not be an overstatement to argue that, until July's agreement between Athens and its creditors, due to the self-neutralization of France, which threw in with the German camp, the only balancing factor and advocate for an alternative policy to the Ordoliberalism Germany stubbornly insists on was the USA. However, despite its frequent interventions, it seems that the USA recognizes Germany's dominant role in the eurozone, which Berlin sees as a space of broad autonomy for itself (Dunn and Zala 2009: 209).

On the other hand, it has been made clear in every way that the breaking of Greece's impasse is a profoundly European issue, the fate of which rests largely with Germany. Thus, unable to secure serious and consistent support from the other EU member states, most of which have distanced their positions from that of Greece, fearing the "toxic" spread of the Greek virus, Athens had to find a modus operandi and vivendi with the German leadership, which effectively dominates European developments. The Greek government did, in fact, try unsuccessfully to find counterweights within the European family, attempting to develop an intra-European coalition that would question Germany's economic model. But the fact that no one was willing to identify with the "unique case" of Greece, together with the concerns of specific governments—namely, those under or facing the prospect of a memorandum 'regime'—that a change in European economic policy would impact domestic developments, left Athens virtually alone against its partners. The subservience of European institutions and mechanisms to Berlin also made the Greek government's task more difficult, with the result that, after the first two months of deliberations, Athens had to reluctantly fall into line with the European reality and essentially turn to direct bilateral negotiations with Berlin.

Risks and Prospects of Playing the "Russian Card"

Greece was right in trying to free itself from this vice, with a threefold target: to expand its alliances beyond the EU, as dictated by national interest; to regain in this way a portion of the diplomatic capital it had lost due to the economic crisis; and to put paid to the assumption that it will unwaveringly and unquestioningly support all European policies in all instances. But by linking the re-warming of Greece's relations with Russia—or with China—to the exertion of pressure on our creditors, it initially lent the move a dimension of opportunism, which not only fuelled suspicion, but also gave rise to concerns among its potential future partners, who wondered whether their usefulness would extend beyond their impact on the negotiations carried out from January–July 2015.

In its first days in office, the Government did in fact send encouraging messages as to its intentions to "open up" the diplomatic game with Moscow, even if it meant diverging from the European line (Jones & Hope 28 January 2015; The Economist 28 January 2015; Tetrault-Farber 26 January 2015). Warm statements from officials on both sides created an atmosphere of euphoria that was inversely proportional to the gloom in Athens' relations with certain of its European partners, who saw their primary role as being that of creditor rather than partner. But it was somewhere here that we saw the cultivation of the misguided dream of carving out addition space in which to maneuver in the ongoing negotiations with the Institutions by sending a message of relative recalcitrance through a shift towards our "Russian friends". There was a twofold problem with this choice: there certainly wasn't enough time in which to field-test the new climate taking shape in Athens' relations with Moscow, and, as was to be expected, this caused confusion as to the former's priorities.

In fact, if something was demonstrated by both the painful compromise of 13 July, which—temporarily?—averted a Greek exit from the eurozone, and Athens' covert attempts to appeal to Moscow for financial assistance to cover its funding needs in case of a breakdown in its negotiations with its lenders (To Vima 19 July 2015) it was the Kremlin's inability or reluctance to become actively involved in a 'European problem' *par excellence*, as was clear from repeated statements from Russian officials, including President Putin's spokesperson (Dmitri Peskov, Reuters, 30 June 2015). With good reason, Moscow attaches greater importance to its relations with the more powerful countries within the EU and with the US, given that, on the one hand, as a former superpower, it is accustomed to conversing with states in its own weight class—delusions of parity—and that, on the other hand, it deems that its positions, particularly at a time of deteriorating economic indicators, will be better served if any new escalation beyond Ukraine can be avoided, with the recent flair-up being particularly problematic. So Moscow saw that it had no good reason to set itself up for taking any share of the blame for a possible impasse in the negotiations between Greece and its creditors: Were it accused of interfering in European affairs, its problems with the West would be taken to a new, even riskier level.

In the first Syriza–ANEL Government, there was an odd hodgepodge of ministers with a more heretical view that carried significant risks. More specifically, they looked to Russia, at least until July, for support against the lenders, not just within the framework of tactical maneuvers, but even to the point of reversing the country's strategic orientation. Worth noting here is the 'meeting' between the extreme right Orthodox camp in the government's junior partner and the communist camp in Syriza, where the former saw in Moscow a patron power of Hellenism and Orthodoxy, and the latter an opportunity to correct the "historical injustice" of the fall of the communist Soviet Union (Kouloumpis 2015). Thus, some individual government policies on Russia were either sentimental or ideological in nature, like the defense minister's proposal for the mooring of Russian vessels at Greek islands, which was averted thanks to foreign ministry actions, or the energy minister's obsession with promoting the Southern European Corridor (Turkish Stream) at all costs, against European desires and, mainly, without alliances and the necessary lobbying in Brussels.

There were even some fantasists on the Greek side who looked forward to Russian support in facilitating a smooth return to a national currency, but Moscow, weighing the state of affairs correctly, didn't want to squander any of its dwindling diplomatic capital, and Athens, too, realized at some point that an actual return to the drachma would have catastrophic consequences for the country (Faiola and Mui 2015; Daley and Alderman 2015). After all, what could Moscow hope to get in return for indirectly facilitating the break-up of the eurozone by serving Athens' alternative plans, against the desires of certain European powers and Washington?

Would Greece be in a position to follow through on any given quid pro quo while struggling to recover and handling a completely new situation in the midst of major losses and turbulent relations with its traditional partners? And would Russia really want to take on the expense of managing the Greek debt or investing politically in Greece, and for how long? In perpetuity, if need be? And how dedicated would Moscow prove to be if Athens' Western partners proposed some sort of "exchange" involving something more vital to its interests?

Greece's understandable anxiety to secure support, along with the somewhat numbing effect of the EU's stance in the negotiations, should not have served as a point of reference for the shaping of a new foreign policy framework. In the longer term Athens may realize that it is a fairly complex undertaking to talk to Moscow about the countervailing benefits from a potential provision of facilitations for Greece, while extreme caution is required to ensure that any temporary relief doesn't evolve into commitments that will subsequently need to be revised, if not retracted altogether. And it should also be noted that, due to the sanctions—extended to June 2016—and the generally tense atmosphere, a significant portion of the Greek-Russian agenda reflects and, by extension, concerns Euro-Russian relations, imposing significantly greater limitations than did the contractual obligations in the past.

There is no question that Greece's relations with Russia need to be reinitiated on firm foundations, including a search for realistic partnership ventures that tangibly reflect and consolidate a spirit of trust. However, this requires a steady pace, time, normalization of the situation on various levels—Ukraine, Syria, the Russian economy—and restoration of Greece's economic stability. Athens clearly needs to supplement its existing alliances, when and to the extent that they aren't producing the desired results. But, the chances of success are nil if Greece takes a confrontational approach, expecting the Russian side to make commitments that, for objectively good reasons, it cannot or does not want to make.

Conclusions: Choices:

Despite the delusions existing in some circles, Greek-Russian relations were never strategic. Even during the extended "honeymoon" from 2004–07, Athens went along with Moscow's initiatives—particularly in the energy sector—without developing its own positions based on its own national interests. The constant flow of tourists and increase in the volume of trade—with the balance overwhelmingly in Russia's favor—are strong indicators of interaction between societies, but have little impact on political substance. The countries' religious and historical ties are used as wrappers for specific policies, usually surfacing whenever the Russian Church is used as a tool for more effective promotion of Russian interests or in the long-standing dispute over the primacy of the Ecumenical Patriarchate of Constantinople.

Greece and Russia tried to establish an energy connection at a time when Europe, in the wake of two Moscow–Kiev energy crises, had decided to seek alternatives to Russia, with Washington pressing in maximalist terms for Moscow's marginalization. But there was also the "bad luck" of Bulgaria's decision to withdraw from the Burgas–Alexandroupoli project and the enforcement of South Stream's termination by the European Commission. So, from the myth of strategic relations and aspirations for a positive outcome on a number of projects, the two sides ended up perceiving the two-way constraints on bilateral relations.

The course of Athens–Moscow relations depends to a great extent on the quantities of realism with which they are supplemented. Both sides need to perceive the given limits and work systematically to identify points of shared interest, articulating a clear and comprehensive plan, far from the discontinuities of the past. The objective is a functional partnership beyond opportunism and ephemeral flags of convenience, and with tangible doses of solidarity in a state of affairs equally critical for both countries.

Within the country, of course, as we have said, there is a more heretical view that carries significant risks. In this view, Russia is seen as a patron power of Hellenism and Orthodoxy. In the collective imagination of the nationalist school of thought, the turn towards Moscow is an act of national pride and high patriotic sentiment, and Russia is supposedly prepared to assist unconditionally.

Apart from being risky, this is certainly an alibi for inertia and inaction at a time when a proactive policy of alliances and fronts is imperative. At the present stage, Greece can secure better conditions for effectively promoting its positions only if it makes itself useful to the interests of powerful players. It can't do it alone. So it has to choose the alliances it wants to develop and consolidate, but without giving anyone exclusivity. Athens needs to overcome its fear syndromes and realize that it is in a position to participate in more than one partnership without jeopardizing the initial partnership, which will simply be supplemented, so that "friends" can stop taking Greece for granted and thus limiting the room it has in which to maneuver. Greece can be urged and advised, but at the end of the day it is only through a multidimensional policy that it can change the balance in favor of its interests. Of course, all of this presupposes full perception of the realities of the situation, courage and a national plan that capitalizes on all of the state and non-state tools Greece has at its disposal. In parallel, it must take every opportunity to point up its comparative advantages, even, when deemed necessary, over those of other states in the region.

Moscow and Beijing are, among other things, in fact useful buttresses and counterweights, to the extent that they are handled consistently and with a credible program, and not used opportunistically as "leverage" in Greece's deliberations with its traditional partners. So for Athens to become a reliable actor, it has to focus on existing challenges that bear at least equally, if not to a greater extent, on the interests of its allies, offering solutions and "services" when it can. It has to become part of the solution, rather than part of the problem. Vital to its course from here on in is the restoration of trust with its traditional partners: realizing the potential to enrich them and remedying the misapprehension that expanded joint ventures with non-EU member states belie a Western orientation. After all, within the framework of a two-way partnership—and following the example of other EU member states—the right to upgrade ties and deepen relations with third countries based on national interest should be taken as a given. Athens will then be able to benefit from the "usefulness clause", as, historically speaking, it is strong allies, rather than unilateral actions, that have enabled it to best defend and promote its national interests. In such a case, Greece's uniqueness will prove to lie only in the way it handles its domestic issues, and not in how it approaches and formulates its foreign policy.

Notes

1. The economic crisis made it easier to assign most of the blame for this on Greece's European partners and the difficult negotiations, in which certain lenders displayed a punitive inclination, prioritizing the role of lender over that of ally.
2. Such as the invasion in Iraq, NATO enlargement, the Kyoto Protocol, Bush's axis of evil and colored revolutions in post-Soviet republics.
3. At the beginning of 2009, markets sold a substantial volume of Greek bonds so they could take corrective action. However, since commitment to the EMU was not doubted, the Greek authorities operated under the flat loss

function and no corrective action was taken. See Michael Arghyrou and John Tsoukalas, "The Greek Debt Crisis: Likely Causes, Mechanics and Outcomes", Cardiff Economics Working Papers, 2010. Regarding the handling of the Greek financial crisis, Jeffrey Miron also stated that "Greece will never change its misguided policies if the EU and IMF infuse it with new cash, just as no teenager who has overspent an allowance will reform if the parents merely expand that allowance" (Jeffrey Miron, "Let Greece Default", Forbes, 29 April 2010).

4. The decision on the purchase of Russian armored vehicles was taken in December 2007, based on political criteria. The large cost of the purchase ——over €1.7 billion, due to compensatory benefits—was not taken into account, the Directorate General for Arms did not recommend the purchase, the operational value of the vehicles was questionable, and, due to its large size (450 vehicles), the order would dramatically alter the infantry's balance of armored vehicles, which, due to incompatibility between new and existing systems, would create operational problems. In the end, in 2010, with the purchase frozen, the Greek side definitively ended the deal. For more see: http://bbj.hu/politics/greece-mulls-russian-arms-deal_34282 and http://www.protothema.gr/politics/article/92627/telos-sth-symfonia-poytin-karamanlh-gia-ta-tanks-/ Following the extensive wildfires of 2007, in Ileia, the prime minister at the time ordered firefighting amphibians from Russia, unaware that these specific craft were not suited to the terrain of continental Greece. As a result, the initial order was cancelled. See: https://www.flightglobal.com/news/articles/report-greece-orders-beriev-be-200-firefighting-amphibians-220539/ and http://www.globalsecurity.org/military/world/russia/be-200-sales.htm.
5. An opinion poll on Greeks' opinions of Russia was carried out in 2014 by the University of Piraeus, in the context of the "Russian Society and Foreign Policy" class, with sponsorship from KAPA Research. Some 35.2% of respondents saw Russia as the friendliest country towards Greece—however, this was down from 48.1% in a corresponding survey carried out in 2010, shortly after the Karamanlis–Putin agreements. To the question "Should Greece conclude closer economic relations with Russia?", 86.6% responded in the affirmative, while 36.5% saw Russia's annexation of Crimea as a legal action, with 42.8% approving of Putin. The conclusions can be found at http://www.des.unipi.gr/wp-content/uploads/2014/01/Δημοσκόπηση-Ρωσίας.pdf (in Russian).
6. A veto issue never arose, as there was no substantial debate on this subject. France and Germany didn't allow the subject of enlargement to be developed, extricating Greece from a difficult position. Unfortunately, the Greek government's narrative and the media coverage at the time appear to have

constituted the indictment for violation of the Interim Accord and the subsequent ruling against Greece.

7. A project that originally begun in 1997 but did not start materializing essentially before 2009 due to disputed issues over the territorial waters and/or exclusive economic zones of Sweden and Finland. Certainly, Germany's intervention in European fora for the support of Nord Stream was catalytic, ignoring objections by other European states, like Poland and the Baltics.
8. Based on a March 2007 intergovernmental agreement between Russia, Greece and Bulgaria. Key elements of the planned transportation system include a 285 km pipeline from Burgas (Bulgaria) to a deep-water port at Alexandroupoli (Greece). BAP would initially have a capacity of 35 mt per year (700,000 bd) and might eventually be expanded to 50 mt per year (1 mbd). For more on BAP, see "New Realities in Oil Transit through the Turkish Straits", Special Study, Eurasian Transportation Forum, CERA: 158–161) at https://wikileaks.org/gifiles/attach/37/37953_SR_Turkish_Straits%20Oil%20Transit_111011.pdf.
9. This concerns mainly Turkish violations and claims in the Aegean, where, due to Greek and Turkish membership in NATO and the latter's key role in Western planning in the wider Middle East, a stance of favorable neutrality is maintained towards Ankara, which sees this stance as tantamount to carte blanche.

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Foreign Policy Against Austerity: Syriza's Multifaceted Experiment

Aristotle Tziampiris

Syriza's Ambition, Assertiveness and Defiance

The election of Syriza to power on January 25, 2015 marked a turning point in Greek foreign policy and the country's relations with its European partners. The 40-year-old new prime minister, Alexis Tsipras, quickly formed a coalition government with the much smaller right-wing Independent Greeks (ANEL) party. Syriza was the dominant partner—149 parliamentary seats compared to ANEL's 13, out of 300—and almost certainly the most left-wing party in power anywhere in Europe. It was estimated that as many as a third of its members—but not voters—were "Maoists, Marxists and supporters of Che Guevara" (Economist January 29, 2015). Crucially, though, Syriza was staunchly pro-European. Its pre-election policy position on this point was crystal clear: "Syriza is not a force of Euroskepticism and rejects the rise of nationalism as a response to the policies of the EU" (Syriza 2015). Syriza was also opposed to Greece exiting the eurozone, the so called Grexit scenario.

The political rise of such a radical, inexperienced, sartorially challenged—on purpose—and—mostly—young motley group of non-professional politicians would have been impossible without the austerity

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and economic depression associated with Greece's sovereign debt crisis that erupted in 2009. The European Union (EU) orchestrated two bailout programs in 2010 and 2012, forcing Athens to implement a series of policies enshrined in two Memoranda of Understanding (MOA), subsequently refereed to popularly and ubiquitously as the Memoranda.

The shock therapy that was prescribed led to numerous reforms but also caused the country to lose a quarter of its GDP while unemployment climbed to around 26 percent (Tziampiris 2015a, p. 1). Greece's sovereignty and diplomacy were also affected (Lavdas et al. 2013; Tziampiris 2013). The parties that had governed Greece since the fall of the junta in 1974 were largely held responsible for this economic and social catastrophe. The meteoric rise of Syriza ensued, transforming a small protest party polling 4.13 percent in 2009 to Greece's largest party with 36.34 percent of the vote in January 2015.

Syriza's goals were not immodest but characterized by a reform fervor and possibly by the idealism that right would eventually trump might. In the party's analysis, Greece has become a "colony of debt" (Kotzias 2013) and it was imperative for this situation to change:[1]

> Having the country getting rid of the memoranda constitutes a prerequisite for a new foreign policy, multidimensional and proactive, which will protect the interests of the Greek people. And the other way round, a foreign policy that will give again to the country its own voice in international matters, is necessary for the country and people to get rid of a colony of debt regime. (Syriza 2015)[2]

The ultimate goal was to help reach a new all-encompassing agreement with Greece's creditors that would acknowledge the social ills caused by austerity, foster pro-growth policies, deal realistically with Greece's ruinous and seemingly unsustainable debt burden, and restore national sovereignty. At the same time, Syriza did not view its historic role as merely confined to one country. Rather, the ambition was to effect change in Europe, leading by example as the avant garde of a more progressive political onslaught that was to follow in countries such as Spain, Portugal, Italy and eventually even Germany. Mark Mazower is correct to point out that "Syriza's [January 2015] victory stood not for a repudiation of Europe, but for a redefinition of it" (Mazower 2015). In practice, however, this also meant that all the European political and partisan forces that opposed the left-wing redefinition of anti-austerity politics had a vested interest in seeing Syriza fail. Thus, the stakes in Syriza's actions were never confined merely to Greece but had potentially pan-European ramifications.

Greek foreign policy was thus conducted with three aims in mind. First and foremost, to contribute to the best possible outcome in anti-austerity negotiations. This was to be achieved partly by reminding creditor nations of the geopolitical importance of Greek stability in a turbulent region, as well as of the country's existing institutional powers within the EU. (On the front of purely economic arguments, which are beyond the confines of this chapter, Athens erroneously and ruinously entertained the threat of voluntarily exiting the eurozone and not paying the country's debt—a misguided, non-credible "nuclear option" that admittedly failed.[3] Second, Athens tried to explore alternative plans in case that the eurozone would have to be abandoned abruptly and unwillingly. Third, Greece aimed for a new multifaceted diplomacy involving various states.

This chapter will analyze Greek foreign policy during the period that starts with Syriza coming to power and ends on August 14, 2015 when, following a national referendum, the Greek Parliament approved a third memorandum that included harsh austerity measures. By that point, Greece was isolated politically within the eurozone, the economy was back in recession, capital controls had been imposed, and Syriza was on the verge of a serious split. On the other hand, Grexit and bankruptcy had been avoided, the issue of restructuring of Greece's debt was—grudgingly—back on the table, Tsipras's popularity remained high and the representatives of the more radical leftist factions of Syriza were jettisoned from ministerial positions and eventually also from the party.

Dealing with this eventful and exciting episode in Greek diplomacy is hampered by a number of factors. First, Syriza is nothing like a traditional European party but a "polyphonic" assemblage of factions officially recognized, tolerated and even encouraged.[4] As a result, various decisionmakers often adopted different positions—and in some cases quite possibly entertained different agendas. This was a maddening situation which was unhelpful to Greece's overall strategy.

Second, foreign policy did not simply emanate from the Ministry of Foreign Affairs and the Prime Minister's Office, as would have been primarily the case in more normal times. Rather, the Ministry of Defense and especially the Ministry of Productive Reconstruction—having under its purvey energy issues—as well as other ministers and party bigwigs were busy in pursuit of the aforementioned Syriza goals. Not surprisingly, as we will see, it was the Foreign Ministry that was more coherent and successful in its approach.[5] Finally, it should be readily recognized that all documentary evidence is not available to researchers and that any conclusions must necessarily have a somewhat tentative nature. But enough evidence does exist to allow us to proceed with our inquiry.

Before turning to the analysis of the various aspects of Syriza's diplomacy, it has to be stressed that the party also tapped into Greece's "deep … historical strain of defiance in apparently hopeless situations" (Daley and Hartocollis 2015). The prevalence of an underdog mentality (Diamandouros 2000) has often elicited the need for compensatory beliefs and actions (Tziampiris 2015b, pp. 72–73).

In explaining this mentality, and also some of the most outrageous foreign policy positions of the governing socialist party of PASOK in the 1980s,[6] Professor Nikiforos Diamandouros presciently points out that:

> This behavior, which had as its goal to persuade of the ability of Greece to pursue an independent foreign policy and stress its ability to act as a sovereign state, had sources in the deeply rooted feelings of injustice, shortcomings, bitterness and humiliation that had been linked for a long period of time with Greece's experience in International affairs and especially in the relations of the country with the Great Powers (Diamandouros, op. cit., p. 96).

With similar goals in mind, Syriza employed language and pursued symbolic actions exuding assertiveness. It is not coincidental that the first official visit of the just elected Prime Minister Alexis Tsipras was at the Kaisariani firing range in Attica where

> German occupying troops shot a total of some 600 resistance fighters—some just before the end of the war, on May 1, 1944—along with roughly 200 communists from the Haidari concentration camp. The youngest victim was only 14 years old (Spiegel 2015).

According to "one of Tsipras's top aides … the visit [was] a symbol of Greeks' desire for 'liberty from German occupation'" (Angelos 2015, p. 278).

In many ways, this was the opening salvo in the public and vocal campaign to demand from Germany some $303 billion in reparations, primarily for the thousands of deaths and untold destruction inflicted upon Greece by the Nazis during the Second World War, as well as a forced loan that had been demanded by Adolf Hitler's regime (Stamouli 2015).[7] An examination of the legal merits of this case are beyond the scope of this chapter, but the political impact cannot be underestimated. Greece's new government was emphasizing the darkest chapter in Germany's history and asking that it be legally addressed, at precisely the same time that Athens was effectively bankrupt and largely dependent on Berlin's political whims. In terms of defiance, and even chutzpah, it was a act hard act to surpass.

Characteristically, the new Greek government immediately objected to additional EU sanctions against Russia (Jones and Hope 2015). This move was partly an attempt to maximize existing institutional power resources, given that such decisions required unanimity.[8] Furthermore, many officials in Athens harbored doubts about the efficacy of economic sanctions in general, as well as of Russia's culpability on recent developments in Ukraine (Charap and Sucher 2015; Early 2005; Friedman 2015, pp. 174–175; Mearsheimer 2014 and author's discussions with leading Greek decisionmakers). There were also some concerns and disappointment about the economic hardship produced from the decrease—by 12 percent to €357 million—in Greek exports to Russia due to the West's embargo (Naftemporiki 2015a). Above all, though, Syriza took issue at not having been consulted beforehand and hence sent a clear message that it would refuse to act as a mere rubber stump administration. Foreign Minister Nikos Kotzias stressed: "We will not raise our hands like students asking for permission … Some thought that Greece could have been shoved around during the past five years and that we should have continued to be shoved around. Well, we will not!" (To Vima, February 27 2015d) Thus, Greece's role regarding new sanctions against Russia should be viewed primarily as an exercise in national sovereignty and defiance.[9] However, it also presaged Syriza's controversial relations with Moscow, to which we turn next.

The Rapprochement with Russia and the USA's Reaction

Syriza's most significant foreign policy initiative involved the strenuous and overly publicized efforts to achieve a fast-paced, multifaceted rapprochement with Russia. The last time that Greek diplomacy had attempted something similar was during the 2004–09 Premiership of

Kostas Karamanlis (Tziampiris 2010). In both instances, civilizational concerns were not a factor—many Syriza members are declared atheists, all are avowed secularists and very few have special ties with Eastern Orthodox Churches. Furthermore, both cases elicited strong reactions from the West and especially the USA; and it seems most likely that. as was the case with Karamanlis' endeavor, specific profits and concrete outcomes for Greece will once again prove meager.

There were initial concerns that both Syriza and ANEL "have curious links to a notorious Russian fascist ideologue, Alexander Dugin" (Applebaum 2015). Upon close scrutiny, these worries were misguided.[10] However, it became apparent that a fully fledged political "romance" with President Vladimir Putin was about to begin. The groundwork had already been laid during a trip that Tsipras had made to Moscow in May 2014 as Greece's leader of the Opposition, where he expressed support for various Russian foreign policy positions (Papadopoulos 2015). Now, on the same day that he was sworn in as prime minister, Tsipras met the Russian ambassador to Athens. Subsequently, Russian Finance Minister Anton Siluanov suggested that if a "petition [for financial aid] is submitted [by Greece] to the Russian government, we will definitely consider it" (Reuters January 29, 2015a); and some Russian analysts publicly speculated about how bilateral military cooperation could be improved through the implementation of measures such as "the exchange of information, the inviting of observers to military exercises, the simplification of the procedures for Russian warships entering Greek ports, as well as the offering of combat systems, including the training of those handling these systems" (Ta Nea February 3, 2015a).

On February 2, 2015, Putin and Tsipras held a telephone conversation. The press was briefed that the tone was "warm and constructive" and that the situation in Ukraine was discussed, as well as the possibility of bilateral energy cooperation. (Proto Thema February 5, 2015). Greece's foreign and defense ministers had already been invited to Russia and Tsipras received a similar invitation to go to the Kremlin on May 9, 2015. This was the first of two such official visits that took place in the space of less than a year. When German Finance Minister Wolfgang Schäuble was asked if he was concerned by Greece's apparent turn towards Moscow, he tersely and laconically replied: "We do not like that" (English Kathimerini February 2, 2015).

Thus, within days of Syriza coming to power, the parameters of the rapprochement with Moscow had already been set. Closer relations were going to be pursued publicly, intensely and with a plethora of high-level visits. Emphasis was going to be placed on political, military, economic and, above all, energy cooperation. Unsurprisingly, Greece's approach would not be supported or appreciated by the West, leaving Athens increasingly isolated in diplomatic terms.

Nevertheless, Syriza would not abandon this new policy for a number of reasons. First, it was consistent with the party's avowed goal to pursue a more multidimensional diplomacy. Second, it was popular with party cadres, many of whom were former members of the neo-Stalinist Greek Communist Party (KKE) and had an almost instinctive affinity for Moscow and suspicion of the West harking back to the Cold War. But most important, the rapprochement with Moscow was related to Syriza's battle against eurozone-led austerity. Athens wanted to demonstrate to its EU partners that in case of a catastrophic failure in negotiations, alternative foreign policy options could exist for the Hellenic Republic. As astute analysts had observed: "To keep their financial options open, Greek officials have been courting Russia and China. The overtures appear intended to put pressure on European creditors to make the kinds of concessions the Greeks have been demanding to avoid letting Moscow or Beijing drive a wedge between Athens and the rest of the European Union" (Kanter 2015a). More controversially, it has emerged that in the thinking of at least some top Syriza officials, Moscow could provide crucial financial support in the instance of a Grexit and a return to the drachma—a development that was actually both welcomed and desired by them (Papadopoulos 2015). However, it was always the fact that Russia could not rival the EU in terms of the financial assistance it could ever offer to Greece, and it also faced its own economic woes due to falling oil prices and the West's embargo. Crucially, Greece remained a member of both the EU and NATO, and thus enjoyed institutional and political advantages that would vanish if the country somehow opted to become a—very—junior Russian partner (Münchau 2015). In other words, Athens had limited—but not non-existent—credibility in the kind of overtures it could pursue vis-*à*-vis Russia.

On February 11, Foreign Minister Nikos Kotzias met his Russian counterpart Sergei Lavrov in Moscow and pronounced Russia "the most popular country in Greece" (Ta Nea February 11, 2015b). Reports indicated that Russia was possibly interested in buying the Greek railway company Trainose, while Athens aimed at increasing Russian tourist flows—some 900,000 Russians visit Greece annually—and securing parts and the maintenance of the Russian military hardware that it clearly possessed such as the S-300 missile system and the TOR M1 anti-missile system (Athanasopoulos February 15, 2015b).

But the main area of bilateral cooperation was supposed to be that of energy. After the abandonment in December 2014 of the South Stream natural gas pipeline project (Yardley and Becker 2014), Moscow announced the intention to build Turkish Stream as a partial and smaller substitute. Bypassing Ukraine and aiming for a 2019 completion date:

> The Russian side pledges to deliver 63 bcm [of natural gas] per annum via the pipeline, out of which 16 bcm will be directed for the domestic Turkish supply, and the rest 47 bcm, will be accumulated in a proposed hub in the Epsila region along the Greek-Turkish borders, for an eventual export to EU market destinations … Athens strives to play a role, and specifically to persuade the EU authorities to move forward with the plan to construct a spur of the Turkish Stream via Greece that will end up in Italy, via the "frozen" Interconnector Greece–Italy (ITGI). (Natural Gas Europe 2015)

Syriza decided to make extending the proposed Turkish Stream natural gas pipeline into Greek territory and then into other European countries the top priority in bilateral relations with Russia. Based on the author's interviews with some of Greece's leading energy market experts—on the condition of anonymity—there were several, probably insurmountable, problems with this approach. The proposed new pipeline would in essence compete with the planned Trans-Adriatic Pipeline (TAP) bringing Azeri natural gas from the Caspian into Europe while bypassing entirely Russia. Despite professing support for both, by enabling the construction of Turkish Stream's extension, Greece was seen as contributing to the energy dependence of various regional states by Russia—which is the primary reason why TAP was favored by the USA and almost all EU countries. Hence, Greece risked diplomatic isolation by its Allies, who would inevitably object to such an energy venture.[11] Also, to be funded and constructed, the new pipeline would first have to be in accordance with EU competition laws and the interviewed experts insisted that a host of legal problems would arise and probably doom the project. Furthermore, the plan was for Turkish Stream to pass through Greece, the Former Yugoslav Republic of Macedonia, Serbia and eventually reach Central Europe. But this meant that political pressure on one or more of these states—in conjunction with legal obstacles—could lead to the project's abandonment or severe curtailment.

Finally, the entire project had as an essential precondition the continuation of excellent relations between Russia and Turkey, despite the two countries actively pursuing opposing goals in Syria. This proved a somewhat tenuous situation, as was proven by the downing of a Russian fighter jet by Turkish forces in late November 2015 which prompted the worsening of bilateral economic ties between Moscow and Ankara and imperiled the very future of the Turkish Stream project (MacFarquhar 2015).

Undeterred by reality and dim prospects, Panayiotis Lafazanis—the minister of productive reconstruction, environment and energy—was dispatched to Moscow on March 30, 2015 to discuss the deepening and widening of bilateral energy cooperation.[12] Lafazanis announced that large Russian companies would show interest to participate in an international tender to explore the existence of hydrocarbons in various designated lots in Greece's Ionian Sea and south of Crete.[13] A former member of the KKE, he also sent an unambiguous message of defiance to the US and the EU: "We are subject to no one. The country has to open a new chapter with an independent energy policy" (Ethnos March 31, 2015b).

Meanwhile, Greece's pivot to Russia was gathering pace. Tsipras's visit was moved forward by almost a month to April 8–9. The Greek premier set the tone by explaining that Western sanctions against Russia were akin to a:

> road to nowhere … We should see how our nations and countries can really cooperate in many spheres—the economy, energy, trade, agriculture—and find out where we can help each other … Greece could act 'as a link and a bridge' … The new European security architecture must include Russia. (Smith 2015)

Tsipras was subsequently warmly welcomed by President Putin while the Western world watched this development with some trepidation (Herszenhorn and Alderman 2015). The Greek prime minister explained that he headed a "sovereign country with an irrevocable right to conduct a multi-faceted foreign policy" and declared that it was "springtime for Russian-Greek relations" (Walker 2015). But no significant or specific agreements were concluded on energy or military affairs.[14] Furthermore, no financial assistance to Greece was announced and no special treatment for Greek agricultural exports to Russia, that were affected by the embargo, was secured. Thus, the logic behind this visit was symbolic, defiant and mostly preparatory for subsequent bilateral steps.

Panos Kammenos—Greece's minister of defense and head of the junior coalition party—headed to Russia on April 15 to attend the Fourth Moscow Conference on International Security. No other Western country had such a high-level representation at the event. According to credible reports, the emphasis was on Follow On Support (FOS) of existing Russian military hardware and equipment already in the possession of Greece's armed forces (Blaveris 2015).[15] It is crucial to stress that at no point did Kammenos even hint at Greece exiting NATO. In fact, he offered the island of Karpathos as a location for a new NATO air force base, but it was ultimately not accepted by Greece's allies (Iefimerida May 21, 2015b). Furthermore, Kammenos also suggested—admittedly somewhat vaguely—a Government to Government (G2G) agreement between Athens and Washington on a 70–30 percentage basis, for the future exploitation of the hydrocarbon deposits expected to be found in Greece (Ta Nea March 29, 2015c). This proposal was never pursued.

It has also emerged—and never been officially denied—that Russia sought from Greece to facilitate its military efforts linked to developments in Syria. More specifically:

> Russia had raised issues relating to the anchorage of its warships which were part of its fleet in the Mediterranean, as well as their resupplying south of Crete. [Moscow] had also pursued a bilateral agreement for the stationing for a few days of Russian warships in a Greek harbor, so that personnel could rest, proposing actually that they be subject to extra-territoriality rights … [The Russians] had also proposed the creation of a purely naval military base. (Sideris 2015)

These proposals were seen in a negative light—especially in legal terms—by Greece's Foreign Ministry and were ultimately personally rejected by Tsipras. Nevertheless, Greece's public contacts and plans with Russia inevitably raised eyebrows and concerns in the USA (Ta Nea April 15, 2015d). In fact, after a prolonged period of substantial improvement (Tziampiris 2013, pp. 28–29) American-Greek diplomatic relations were about to deteriorate. This despite the Obama Administration's continued support for a resolution of the Greek debt crisis with terms not unfavorable to Greece and certainly precluding the Grexit scenario (Spiegel and Donnan 2015).

More specifically, in late April 2015, Greece's government announced that it was passing a law allowing seriously ill prisoners to serve out the remainder of their sentences under house arrest while wearing an electronic bracelet. This measure would only affect a handful of individuals, including the notorious—and unrepentant—member of the terrorist organization 17 November, Savvas Xeros, who was responsible for the assassination of at least five US officials.[16] David Pearce, the US ambassador to Athens, condemned this act in the strongest possible language that could be directed against an allied country: "If Savvas Xeros—or anyone else with the blood of diplomats and US Mission members on their hands—leaves prison, it will be seen as *a profoundly unfriendly act*" (Embassy of the United States, Athens; emphasis added). An indignant and furious USA placed Xeros and another Greek terrorist on a special list of terrorists (Guardian April 21, 2015). The Greek fiasco was complete when Xeros refused to take advantage of the new law, citing—unpersuasively and rather derisively—religious objections to wearing an electronic bracelet.

The US State Department special envoy and coordinator for international energy affairs Amos J. Hochstein visited Athens for high-level meetings with Greek officials, explaining the USA's concerns about Turkish Stream's Greek extension (Kanter 2015b). In apparent frustration, he eventually used strong diplomatic language, publicly cautioning Athens that, if it proceeded with its Russia cooperation energy plans, it risked becoming "part of the problem" (Sokou 2015). Minister Lafazanis, who had spent his formative political years fervently supporting the Soviet Union and who was the kind of ideologue who sincerely believed that Venezuela was "an example for smaller countries,"[17] took it upon himself to berate Hochstein with apparent relish and gusto. He thus judged his statements as "provocative and almost threatening. Greece is not a 'plot' and is not blackmailed nor does it consider its energy choices to be part of any problem" (Naftemporiki June 5, 2015b). It is possible that a few decisionmakers in Athens naively entertained thoughts of "playing" the USA and Russia off against each other and on an equal footing—despite Greece's membership in most of the West's institutions—in the hope that this could provide Athens with the best possible deal.

Despite incessant rumors that Russia would provide Greece with as much as a €5 billion advance concerning Turkish Stream's extension gas deal, nothing of the sort materialized (Reuters April 18, 2015b). If it is ever conclusively proved that Athens did seek such an advance, then there will be further evidence of how Syriza's new foreign policy was tightly connected to negotiations with Greece's creditors, seeking financial "breathing room" while an elusive final deal was pursued. However, it is also crucial to stress that the proposed pipeline, if and when constructed, could only have a very limited—if overall positive—effect on the national economy: "The impact of the 'Russian gas package' on [Greece's] total annual government spending would be limited at 0.5 percent" (Zachmann and Tagliapietra 2015).

Undeterred, Athens focused on precisely this project. Minister Lafazanis visited Moscow again on April 29, while Tsipras and Putin had a telephone conversation on June 5. The Greek prime minister eventually flew to Russia on June 18, in order to participate in the St Petersburg International Economic Forum. The following day, an MOU was signed by Minister Lafazanis for what was now called the Southern European pipeline, which was supposed to be the extension of Turkish Stream on Greek soil. It thus appeared that, despite international pressure, the Syriza Administration had obstinately persevered and concluded an agreement on a project that it wholeheartedly supported. However, upon closer scrutiny, it emerges that Article 7.4 of the MOU unambiguously states that "the current memorandum does not constitute an international agreement or any other document with a legally binding character, and, as a result, does not create rights or obligations covered by international law" (cited in To Vima June 19, 2015e). In other words, the MOU was an exercise in defiance, intentions and public relations. What it was not, was any kind of meaningful binding agreement. Athens had caused a lot of international commotion but had failed to produce any concrete results on this front.

By July 2015, negotiations with Greece's creditors were fast reaching a dead-end, and the pivot to Russia had not provided any alternatives for the country's economy and diplomacy. Putin had not come to the rescue (Bershidsky 2015) and, at best, Greece was helped by a vague sense that if pushed to a catastrophic situation, it could pursue other options (Dyer 2015). Hence, the rapprochement with Russia should be judged as incomplete and—mostly—unsuccessful. But Syriza's foreign policy also included other aspects, to which we turn next.

Multifaceted Cooperation Expanded: Israel, BRICS and China

Attempts to pursue a more multifaceted Greek foreign policy are not necessarily new and can be dated to at least the 2004–09 administrations of Prime Minister Kostas Karamanlis (Skordeli 2015, p. 67). However, Syriza pursued a multidimensional diplomacy much more avidly. There seems to have been a more solid theoretical framework to this policy, its scope was broader, and it was also an integral part of the fight to reverse the austerity imposed upon Greece. Thus, in addition to Russia, Syriza very quickly attempted to come closer to the BRICS countries (Brazil, Russia, India, China, South Africa), especially China. However, what was more surprising to many experts was the decision to continue cooperation with the state of Israel.

Relations between Greece and Israel were detached and distant for almost six decades. However, after 2009, bilateral affairs improved remarkably. High-level visits became common, and cooperative ventures were actively explored in the fields of security, defense, trade, investment, tourism and energy (Tziampiris 2015a, c).

Syriza was consistently censorious of this rapprochement. After all, Prime Minister Alexis Tsipras has never visited Israel, and his party, Syriza, had publicly—and at times vehemently—opposed almost every facet of cooperation between Athens and Jerusalem. To provide just one example—there are numerous others¯it castigated the August 2013 MOU on energy and water cooperation that was signed by Israel, Cyprus and Greece. Syriza issued a press release warning of "catastrophic consequences", and explained that the Greek government "was transforming the country from a colony of debt to an energy and military protectorate of the American-Israeli alliance in the region" (Tziampiris 2015a, p. 174).

Yet despite emotional, provocative and at times even incendiary rhetoric, as often happens in politics, reality proved different once Tsipras was in office. Greece's ambassador to Israel, Spyridon Lampridis, sent out an early warning of what was to be expected: "I can see only positive things in the future [for Israeli-Greek relations] … criticism yes … but that will not change the overall target" (Ahren 2015). Greece's new defense minister, Panos Kammenos, was equally reassuring and absolute: "cooperation between Greece and Israel will continue" (To Vima February 2, 2015b).

In the following few months, close relations in tourism were confirmed while the Holocaust was prominently commemorated in Thessaloniki, Greece's second largest city and the epicenter of mass Nazi deportations and crimes during the Second World War. From March 26–April 11, Greece, Israel and the USA jointly executed the massive air force exercise ΗΝΙΟΧΟΣ 2015 (Charioteer 2015). It took place in Greece and involved some 150 military aircraft flying 797 sorties. Furthermore, on July 1 2015, Greece, Cyprus, Israel and the US conducted Nemesis 2015, a search and rescue training exercise (NGTV June 26 2015). This underscored the fact that military cooperation with Jerusalem would continue unabated with the active support and encouragement of Washington (OnAlert April 12 and 14, 2015a, b).

On April 13, 2015 "the foreign Ministers from 16 out of 28 European Union countries sent a letter to EU foreign policy chief Federica Mogherini asking her to push forward the process of labeling goods produced in Israeli settlements that are sold in grocery stores across the continent" (Ravid 2015). Conspicuously absent from the signatories were Greece and Cyprus.[18]

In May, the mayor of the Greek city of Kavala, Dimitrios Tsanakasa, decided to block the unveiling of a Holocaust memorial commemorating the murder by the Nazis of 1,484 Jews. He apparently considered the Star of David engraved on it as objectionable (Jerusalem Post May 16, 2015). This blatantly anti-Semitic act was unambiguously and publicly condemned not only by international and Greek Jewish organizations but also by Syriza and the Greek government. The message was that, despite any past criticisms of Israel, anti-Semitism would neither be ignored nor tolerated. The chastised mayor eventually reversed his decision.

Israel was clearly sensing that relations with Greece would not be imperiled. In an interview, Israel's ambassador to Greece, Irit Ben-Abba, unequivocally stated that "[Greece] *has become one of our most important partners.*" (Ellis May 24, 2015; emphasis added). However, the one area that seemed to appear less promising was energy cooperation, given the stated preferences and actions of Minister Lafazanis:

> There are great prospects for the export of Israeli [natural] gas to Cyprus and Greece and from there towards Europe … The only viable solution is the construction of a pipeline [East Med] from Israel to Cyprus and from there to Greece but this route is not even being discussed in Greece. Now they talk about Turkish Stream and TAP [Trans Adriatic Pipeline]. (Ibid)

Foreign Minister Kotzias visited Israel on July 6, 2015. His meeting with Prime Minister Benjamin Netanyahu went well and underscored the fact that bilateral cooperation was destined to continue for the foreseeable future. In public remarks to the Israeli premier, he stressed: "You know that we regard Israel as a good and important friend of Greece … I believe that very good plans exist that we will actualize together, not just for our generation, but also for future generations."[19] Defense Minister Kammenos also went to Israel on July 21 and signed with his counterpart

Moshe Ya'alon a Status of Force Agreement. Such an agreement covers the rules and legal protocols according to which military personnel of one country will transit or stay in the other. The only other country with which Israel has signed such an agreement is the USA (Kathimerini July 22, 2015). Thus, by Summer 2015 and as the prospects of yet another austerity-centered MOU were becoming apparent, Jerusalem and Athens had decided to remain close.

There are several reasons why Greece's new administration continued—despite most predictions—to cooperate with Israel. First, Panos Kammenos—the minister of defense, and head of the coalition partner ANEL—was a staunch supporter of close ties with Israel. Cooperation was also supported by Foreign Minister Nikos Kotzias, and it is not coincidental that both visited Israel. Also significant is the fact that in his last book published before assuming high office (*Patriotism and the Left*), Kotzias was extremely critical of both Hamas and Hezbolah: "These two Islamist organizations enforce an extremely reactionary policy. They deny multiple rights to women … I do not believe that there is any left-wing Greek who would want to live under such rules" (Kotzias 2014, p. 147).

Second, there was a clear agreement with Israel to disagree on the Palestinian issue. Even when Israeli-Greek cooperation was at a historical high point (2010–12), it was never about Greece abandoning its traditional and close relations with the Palestinians. Athens voted in favor of the Palestinian Authority joining UNESCO and gaining observer status at the United Nations General Assembly, while humanitarian aid continued despite the acute economic crisis. Tsipras could thus truthfully tell his supporters that he had done absolutely nothing to hurt the Palestinians.

Third, President Nicos Anastasiades of Cyprus had successfully beseeched Tsipras not to "rock" the relationship with Israel that also includes Cyprus and has an important energy dimension.[20] Several plans are currently under consideration. They include: building an LNG platform in Cyprus, using Egypt's idle LNG facilities; building the *East Med* pipeline linking Israel, Cyprus and Greece; as well as an electricity cable linking the same countries. At this point, it is impossible to predict which—if any—plan might prevail. What *is* certain is that, were it not for improved political relations, none would even be on the table.

Fourth, decisionmakers in Athens continued to view cooperation with Israel as useful in balancing Turkey's increased regional power and ambitions. Joint military exercises have also to be seen in this light. Fifth, Syriza did not want to create another area of friction with the USA after the Xeros fiasco. It was well understood in Athens that abandoning ties with Israel would have been an unpopular and unwelcome move in Washington.

Finally, Israeli-Greek cooperation was a perfect fit with Syriza's attempt to achieve a multifaceted Greek diplomatic approach. For a country furiously fighting to overturn the effects of austerity and achieve an improved new deal, it was crucial to have an important bilateral relationship with Israel. It strengthened Greece, won plaudits from the USA, alleviated security concerns about Turkey, and was unrelated to the controversies and tensions connected to the sovereign debt crisis.

The core of Israeli-Greek cooperation, based on clearly defined areas of common interest, will continue. It will include several key areas such as tourism (400,000–500,000 Israeli tourist now visit Greece annually), military and security cooperation (with several joint military exercises taking place), trade and investment, and quality cultural exchanges. Cooperation with Israel now spans several Greek administrations and prime ministers with different ideological and policy priorities. This underscores the fact that it represents a strategic national choice which was confirmed by Tsipras's successful visit to Israel in late November 2015 (Keinon 2015).

Syriza's multidimensional foreign policy also included a turn to the BRICS that involved two distinct approaches. The first was a measured, long-term strategy of gradually finding areas of common interest with these countries and pursuing mutually beneficial projects. This requires patience, concerted efforts and promises no "quick fixes." In many ways, when seen in its proper—limited—scope, the envisioned enhancement of Greece's relations with the BRICS represents an exciting new approach to the country's diplomatic outlook.

However, the turn to the BRICS in the period covered in this chapter also included a second approach related to a purported invitation by Russia to Greece to join the BRICS-backed New Development Bank (NDB). This generated false hopes in the less well-informed segments of the political class. Perhaps, they thought, it would be possible after all for Greece to receive significant loans without the brutal conditions of the Memoranda. Minister Lafazanis was—of course—enthusiastically in favor, while Alternate Minister of Social Insurances Dimitris Stratoulis declared that: "If it is needed to ask for funding and they [the BRICS] give it to us on positive terms and without memorandums and without conditions of subjugation for our nation, and they lend to us like a normal country gets lending, then why should we eliminate [the possibility of joining the NDB]?" (Iefimerida May 13, 2015a).

Here was perhaps the clearest example of viewing Greek foreign policy as part of a battle against austerity. Unfortunately, this particular scheme stood almost no chance of success. The prospect of Greece joining this bank was even described as "a late April's Fool's joke." (Kennedy 2015). This is because, even if invited, Greek participation would require a $10 billion entry deposit, that was completely non-existent. In the unlikely event that Greece was offered a steep discount, Athens would almost certainly still not have been able to come up with the necessary amount. Furthermore, it was sheer ignorance to think that the NDB distributes grants with no conditionality, or that it could somehow fund Greece's debt. The bank provides loans for specific, promising projects. Even in a best case scenario, the chances of which anyhow verged on the fantastical, only a few projects could have been completed and none automatically. Compared with the tens of billions of euros that the Greek economy required and the some €240 billion that Athens had already borrowed from its European partners and the International Monetary Fund, NDB help would have literally been tantamount to the proverbial "drop in the bucket". In fact, total NDB capital authorization does not exceed $100 billion. Sure enough, Russia eventually clarified that no formal invitation was extended to Greece to join the NDB (To Vima July 2, 2015f).

Unlike the case of the NDB, improved relations with China were far more promising and realistic. In fact, a concerted effort on this front had been underway since at least 2008. The lynchpin of cooperation between Beijing and Athens centered around the $4.3 billion investment of the China Ocean Shipping Company (Cosco) in the port of Piraeus that allowed the shipping of products to Central and Eastern Europe as much as ten days faster (Palaiologos 2015). Cosco's goal is:

> Turning the port into a key junction of its proposed "One Belt and One Road" transport system, a mammoth project in which Beijing aims to build both an overland corridor and a maritime route connecting eastern China to Western Europe. … In 2008, Cosco secured a 35–year concession for managing two piers at the Port of Piraeus. Last November, the company also signed a deal with Greece's then conservative government … to channel $263 million into the expansion of the most important harbor in Greece. Cosco was also considered the frontrunner in the tender for the sale of a 67 percent stake at the Piraeus Port Authority. Thanks to Chinese capital, Piraeus is now poised to become the biggest Mediterranean port in terms of

> cargo traffic, with Beijing planning to make Greece the main entry point for its exports toward northern and western Europe through the Danube River Basin. (Scimia 2015)

However, despite the strategic importance of this deal, the election of Syriza immediately cast doubt and introduced a significant degree of uncertainty about Cosco's future role in the port of Piraeus. Clearly influenced by far-leftist anti-privatization ideology, Shipping Minister Thodoris Dritsas declared that "We will not sell the majority of the shares of the port of Piraeus. The agreement with Cosco will be amended in favor of the Greek people" (To Vima January 27, 2015a).

What was amended, however, was precisely this attitude. There were three reasons for this. First, the fight against austerity was potentially helped by closer ties to Beijing. Second, a program of privatizations was very much favored by Greece's creditors. Third, Syriza's avowed multifaceted foreign policy simply could not ignore or afford to antagonize the most significant rising power of the 21st century.

Compensatory actions thus had to be taken: Prime Minister Tsipras personally and warmly welcomed warships from China's 18th fleet visiting the port of Piraeus. He purposefully used the occasion to stress his support for Chinese investments in Greece's largest port (To Vima February 19, 2015c). Foreign Minister Kotzias traveled to China on March 27, 2015 and Tsipras received an invitation for an official visit to Beijing. Crucially, the decision to halt the further privatization of Piraeus was reversed. Furthermore, Athens apparently explored the possibility of funding by Beijing in case of an impasse with its creditors, but this was essentially unrealistic (Athanasopoulos March 29, 2015a)

Relations between Greece and China are significant but economic in nature and limited in scope. In the words of China's Prime Minister Li Keqiang:

> China wants more cooperation with Greece in airport, rail, road and other infrastructure development … The Chinese and Greek economies are mutually complementary … Greece is accelerating privatization and infrastructure construction … [and] China will encourage its well-established enterprises to play an active part in this process. (English Kathimerini June 17, 2014)

China cannot and will not surpass the EU in importance as regards the future of Greece. This reality has to be recognized by Greek diplomacy as relations with Beijing are utilized and exploited to the fullest advantage.

The Third Memorandum and the End of Dreams

As Syriza was pursuing the aforementioned foreign policy, negotiations with Greece's creditors were fast running out of time and reaching an impasse. Tsipras surprised everyone by calling a national referendum that took place on July 5, 2015. The Greek electorate voted on a version of an MOA that was technically not on the table. Syriza recommended a NO vote and this position triumphed, wining 61.32 percent of the vote. Tsipras then executed a masterful U-turn, shepherding through the Greek Parliament on August 14 a third memorandum, in agreement with Greece's creditors (Alderman and Kitsantonis 2015). As a result, Greece was awarded another bailout package worth some €86 billion. National elections were subsequently held on September 20, 2015 which Tsipras handily won with 33.46 percent of the vote, electing 145 deputies. He thus continued his coalition administration—which received 3.69 percent and 10 seats—without having to rely anymore on most of the extreme leftist deputies who had previously left Syriza over the new bailout plan but failed to win parliamentary representation on their own.

The third memorandum ensured that there would be no Grexit or bankruptcy, but came at a steep price: "Athens had to capitulate to German demands on austerity, overhaul its welfare, pension and tax systems, and surrender sovereignty over large parts of policy-making" (Traynor 2015). Greece's diplomacy—that had been the result of the enthusiasm, ambition and dream of changing Europe and doing away with austerity politics—thus ended with the signing of the third memorandum.[21] In the words of Alexis Tsipras: "We have lost our sovereignty" (Mason 2015). Writing about a different situation of political disillusionment that almost uncannily fits Syriza's predicament, eminent cultural critic Greil Marcus explains that:

> Dreams are worn down and dissolved as the world mocks them by its versions of reality; they are dissolved because the one who once felt alive because of them must live in that world. He or she does not conform to it, necessarily, but adjusts to it in a hundred ways every day: with every thought he turns away from, with every word she does not speak, with every fantasy of violence, liberation or death that fades into the nightly dreams one does not understand and does not much want to. (Marcus 2008, p. 88)

Given this turn of events, how is Syriza's foreign policy analyzed in this chapter to be assessed? Without any doubt, a specific approach and worldview proved utterly unsuccessful. Certain Syriza factions and ministers—significantly, not well-represented in the Ministry of Foreign Affairs and the Prime Minister's Office), seemed to have naively thought that Greece's predicament could be resolved by relying on a new national partner, especially Russia, possibly China, perhaps even Iran. It is indeed possible that they expected to net a €5 billion advance from Russia, a €7 billion loan from Iran and another €7 billion purchase of Greek debt by China (Antoniou 2015).

In their minds, the pursuit of a multifaceted foreign policy was seen as an antidote to Eurozone-led austerity. It was akin to an insurance policy, equivalent to a worthy Plan B in the event that Athens ended up isolated and cut off from its European and transatlantic partners. Furthermore, steeped in anti-US rhetoric—inseparable from their far-left ideology during the Cold War years and its immediate aftermath—they saw any moves that weakened or replaced ties with the West as positive developments and even a vindication of long-held dogmas.

These far-leftist ideologues were incapable of understanding the realities of contemporary international politics, the constraints—but also privileges—emanating from Greece's institutional affiliations, and that the national interest of other countries did not involve an all-out diplomatic and economic confrontation with the West over Greece. In other words, ideology clouded reason, hope trumped reality, and limited international experience fanned ignorance.

To pursue opportunities and mutually beneficial deals with a host of states including emerging new Great Powers is one thing. To expect that any country would suddenly ride to Greece's rescue and do so partly on the basis of altruism is tantamount to magical thinking. A corrective to the naïveté of such politicians—who subsequently fared badly in Greek electoral politics—can be found in George Washington's justly celebrated Farewell Address. The first US president warns his compatriots that:

> It is folly in one nation to look for disinterested favors from another; that it must pay with a portion of its independence for whatever it may accept under that character; that, by such acceptance, it may place itself in the condition of having given equivalents for nominal favors, and yet of being reproached with ingratitude for not giving more. There can be no greater error than to expect or calculate upon real favors from nation to nation. It is an illusion, which experience must cure, which a just pride ought to discard. (Allen 1988, pp. 525–526)

In addition to the value of this lesson, it is important to emphasize that Syriza's foreign policy can also be credited with some significant successes. It was not all folly and failure because it was never fully hijacked by the party's far-leftist factions. First, by tapping into Greece's underdog mentality, Syriza gave large sections of the population a sense of pride, defiance and hope. This was partly reflected in the resounding NO vote in the referendum. Although Tsipras did subsequently sign a new memorandum, evidence has emerged that the referendum vote was not without consequence, effectively providing Greece with some desperately needed political leeway in negotiations with its European creditors:

> There is nothing Europe's leaders envy and admire more than success at the ballot box. Tsipras's 61% mandate told Merkel that the young prime minister was a force to be reckoned with. "They were impressed by how well he won the referendum," one senior official involved in the negotiations said. "They didn't like the outcome, but they realized how formidable he is." (Traynor, op.cit.)

Secondly, although Syriza failed to end austerity, the worst for Greece was averted, thus creating conditions for a more stable and possibly even prosperous future. Greece did not go bankrupt, did not exit the eurozone, and survived to fight another day for improvements in the third memorandum. All this came at a steep price that included the imposition of capital controls. Nevertheless, Greece retained all the institutional powers, security and prospects that come with membership of the EU.

In retrospect, the most potent Greek argument was not related to hints that Athens would jettison the West for Russia. Rather, it was its emphasis upon the argument that Ukraine, Southeastern Europe and especially the Eastern Mediterranean had entered a period that would certainly be characterized by prolonged instability and serious security challenges including several wars, the operational potency and territorial spread of the Islamic State, a refugee crisis, the rise of nationalisms, economic downturns, the worsening of sectarian violence and several failing states. In the words of Foreign Minister Nikos Kotzias: "Greece is within a triangle of instability and is a bright beacon of stability" (Hellenic Ministry of Foreign Affairs 2015). Indeed, given the state of its surrounding neighborhood and despite facing serious problems, Greece was by comparison the West's stable outpost. To effectively endanger the future of an EU and NATO member at this particular historical moment was correctly seen as recklessness by many

European and US decisionmakers. An imperfect third memorandum and no Grexit were imperfect outcomes but far preferable to Greece becoming another destabilized, failing state.

Finally, Syriza's pursuit of a multifaceted foreign policy seems promising when placed within realistic parameters. There is no reason why relations with a number of countries should be perpetually viewed with distrust or animosity. To quote George Washington's Farewell Address: "The nation which indulges towards another a habitual hatred or a habitual fondness is in some degree a slave. It is a slave to its animosity or to its affection, either of which is sufficient to lead it astray from its duty and its interest" (Allen 1988, p. 523). Thus, seeking new and specific areas and issues of common interest with various states—and especially Israel and China—while taking into account Greece's existing international commitments and affiliations, is an approach ultimately worth exploring and supporting.

In the near future, Greek foreign policy will probably be much more aligned with the concerns and priorities of the West. Relations with Russia will inevitably be downgraded. In addition to a more multidimensional diplomacy, Athens can now focus more easily on the Cyprus issue (Liacouras 2007), the Macedonian name dispute (Tziampiris 2000) and relations with various Southeastern European countries aiming to resolve long-standing disputes and contributing to regional stability.

Notes

1. To quote Syriza's first foreign minister, Professor Nikos Kotzias: "A 'Colony of Debt' within the EU, I define, as a country that is on the low side of the chain rings of the EU, a state, secondly, in the era of globalization whose sovereignty has been drastically reduced [in fact] to a great extent it is only pro forma, but even from that viewpoint shredded. This state, is under the supervision of third powers … The colonial cost of a debt colony … is not covered by the colonial powers, but by the debt colony itself. The economy of a debt colony … is under the control of third parties" (Kotzias 2013, p. 15). All Greek excerpts in this chapter have been translated into English by the author.
2. For a more sophisticated presentation of Greece's foreign policy goals under Syriza that emphasizes the country's potential, capabilities and aim to find a proper niche in contemporary international affairs, see OnAlert (June 11, 2015).
3. The admission of this strategy's failure was made by Vice-President Yannis Dragasakis (Ethnos August 13, 2015a).

4. I am indebted to Professor Stathis Gourgouris of Columbia University, who described Syriza as "polyphonic" at the Association for the Study of Nationalities 20th Annual Convention, during a roundtable panel titled "The Greece–Europe Crisis: End of the Road or Turning Point?" that took place in New York City on April 23, 2015 and in which this author also participated.
5. Not all aspects of Greek foreign policy can be analyzed within the confines of this chapter. The emphasis will be on the initiatives that were directly or indirectly related to the Greek government's battle to secure a substantially improved deal with its European and institutional creditors. As a result, the confidence-building measures pursued with the Former Yugoslav Republic of Macedonia, the deterioration of relations with Albania over a maritime delimitation agreement and relations with Turkey will not be covered in this chapter. This is not to detract, though, from their overall significance for Athens and the future of Greek diplomacy.
6. For example, despite Greece being a NATO member and with the Cold War in full swing, PASOK and then Prime Minister Andreas Papandreou exhibited rhetorical support for General Wojciech Jaruzelski's regime in Poland and the Sandinistas in Nicaragua.
7. For important studies by Greek academics trying to ascertain the legal, economic, political and ethical arguments, as well as the sums that ought to be attached to German wartime reparations, see especially Christodoulakis (2014) and Iliadakis (2012).
8. Top Greek decisionmakers have told the author that Greece was actually not entirely isolated on its stance but found some support from a few other member states, especially Italy.
9. Eventually, a unanimous agreement was reached, with the final text only somewhat watered down. It "dropped language … about drawing up 'further restrictive measures' that had appeared in a pre-meeting draft. The bloc's foreign policy chief said a decision on such measures would be left to EU leaders meeting next month" (Emmott and Polityuk 2015). It is also noteworthy that Foreign Minister Kotzias visited Kiev on February 19, 2015 and offered humanitarian aid to Ukraine.
10. The concern about Dugin by the internationally renowned and respected commentator Anne Applebaum, as well as other experts (Champion 2015; Coalson 2015), largely stemmed from the fact that he was invited to the University of Piraeus to give a lecture titled "International Politics and the Eurasianist Vision" and was introduced by Professor Nikos Kotzias. However, exhaustive research with University administrators, faculty members and students both present and involved with this event, have demonstrated to this author's satisfaction that Kotzias's involvement was minimal, while Dugin's obnoxious (if not worse) arguments were not well received.

This episode should be viewed within the context of the freedom of speech and multiplicity of viewpoints encouraged (sometimes controversially and not always prudently or wisely) by academic institutions, and not as an act of ideological solidarity with a notorious and extreme right-wing ideologue.

11. It is noteworthy that for at least some experts, Turkish Stream had the potential of contributing to Southeast Europe's energy security (Tsafos 2015).
12. Lafazanis was the head of Syriza's Left Platform faction and one of the most powerful and influential Cabinet Ministers. In August 2015 he left Syriza to head Popular Union, a far more left-wing party that publicly supported Greece's return to the drachma.
13. Based on discussions with Greek decisionmakers, Lafazanis had in mind Gazprom and Rosgeo.
14. Tsipras and Putin did sign a Common Action program for the years 2015–16, as well as a common declaration for the 70th anniversary of the conclusion of the Second World War. Also, Foreign Ministers Lavrov and Kotzias signed a cooperation memorandum for the year 2016. In reality, the only concrete gain for Athens involved a Byzantine icon of Saint Spyridonas that had been stolen from Greece by a notorious Nazi war criminal during the Second World War. Russia tracked it down, bought it and gifted it back to the Greek state.
15. Blaveris (2015) contains an exhaustive list of all the potential FOS projects that could have been based on direct Greek purchases, trades or been given to Greece for free.
16. The source of Xeros's serious injuries was a bomb that had exploded in his hands. High-level diplomatic sources in Athens told the author that the Xeros decision essentially ruined Minister Kotzias's meeting with US Secretary of State John Kerry in April 2015 in Washington DC. More than half of the meeting was devoted to this issue, essentially sidelining all other bilateral concerns.
17. This statement was made on May 15, 2015 during a meeting that Lafazanis had with the ambassador of Venezuela in Athens (Proto Thema May 15, 2015b). His ministry then proceeded to issue a press release, in which it was further clarified that Lafazanis "expressed his appreciation for the pioneering role of the Venezuelan government in the anti-imperialist struggle, not only in Latin America, but for the entire world" (ibid.).
18. Eventually, the European Commission did decide to label certain Israeli products as "made in settlements" (Kontorovich 2015; Rudoren and Chan 2015).
19. Hardcopy press release of Foreign Minister Kotzias's remarks made to Prime Minister Netanyahu on July 6, 2015.

20. Based on author's discussions with leading Greek decisionmakers.
21. An excellent account of the endgame between Syriza and Greece's European creditors (often based on interviews with top Greek decisionmakers) can be found in Mason (2015). It is worth noting that in an in an unusually self-critical and objective interview with renowned journalist Paul Mason after his re-election, Greece's premier reflected on the previous tumultuous months and Greece's failure to avoid another austerity program. He reached the following conclusions: "I think that we lost time. At the end we were out of power and out of money. If we knew that in advance we could have made braver decisions at the beginning … [Tsipras] says he underestimated what Germany's intention was, underestimated how much his opponents were trying to make an example of Greece, to stop a domino effect of debt restructuring across Europe, rather than calculating purely on the economic pros and cons of a Greek deal … I know that the result and what happened [after the referendum] was not good, but the fact that people had the chance to express their feelings and to feel dignity was something very, very important. These were historic times for Greece and for the Greek people—and these times happened" (ibid.).

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Index

Note: Page numbers followed by 'n' denote footnotes

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