

# **Greek Foreign Policy<sup>1</sup>**

## *Global Trends and Challenges*

**Dr. Maria Gianniou (ed.)**

**Athens**

**February 2013**

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<sup>1</sup> *The information provided in this book is designed to provide helpful information on the subjects discussed. The views expressed here are those of the authors, and do not necessarily reflect those of EKEM.*

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EKEM operates as a channel of communication between the government, the academic community and the private sector, in an effort to contribute to the formulation and implementation of a comprehensive and cohesive European policy.

It is a research Institute and a forum for dialogue on matters of European integration, as well as a liaison between Greece and other European countries. EKEM, via its autonomous intervention in public debate and its effective contribution to policy formulation, aims at promoting public awareness and active civil society involvement on matters of European importance.

The Hellenic Centre for European Studies wishes to express its gratitude to EKEM's young researcher **Eleni Papacharalampous**, for her valuable support in the realization of this publication.

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## PREFACE

The goal of this policy recommendation volume is threefold. Firstly, it aims at considering different perspectives in European and foreign policy issues albeit not in a single theoretical understanding framework. Secondly, it attempts to bring together under one roof policy-oriented opinions written by academics, diplomats, promising scientists, researchers and foreign policy experts. Last but not least, its ambition is to offer a primarily new and fresh view on topical issues of Greek foreign policy in view of the Greek EU Presidency during the first semester of 2014. All working papers reflect only the authors' personal beliefs and do not bind the Hellenic Centre for European Studies (EKEM). Furthermore, this special edition, which will be completed by an upcoming second volume, inspires to increase interest in scientific research away from traditional theoretical approaches and towards a political recommendation viewpoint in foreign policy and international relations.

In his contribution Prof. K. Ifantis, President of the Scientific Board of EKEM, sets the general framework of Greek foreign policy in a very interesting and useful way. Dr. A. Tsakona tries to explain the rapid rise of euroscepticism in Greece, while Lect. S. Blavoukos focuses on emerging "islands of cooperation" in the European integration process.

Prof. P. Tsakonas examines the hard security issues in the Eastern Mediterranean basin. At the same time Assistant Prof. V. Kefala underlines the new challenges in the Broader Middle East and North Africa region, while Dr. M. Gianniou focuses on Greek foreign policy in the Eastern Mediterranean.

Meanwhile, Assistant Prof. E. Lazarou focuses her research interest in Greek-Brazilian Relations. Prof. A. Huliaras proceeds to an extensive analysis of Greek-China relations along with S. Petropoulos and to the opportunities of Greek-African cooperation along with prof. K. Magliveras, while EKEM's researcher K. Lambropoulos explores the dynamic of U.S.-Greece relations.

Given the important contribution of Economy to foreign policy, Prof. P. Liargovas examines the impact of economic crisis on Greek foreign policy. At the same time, Associate Prof. C. Tsardanidis and L. Mysiri focus on the challenges of Greek economic diplomacy.

Amb. T. Theodorou, Secretary General of EKEM's Board of Directors, focuses on the impact of European energy policy in southeastern Europe depicting current and future challenges.

Prof. M. Tsinisizelis examines the European Internal Security Strategy, while EKEM's research fellow Dr. G. Koukoudalis sets economic recovery as a top priority of Greek national security strategy.

Finally, Dr. S. Stavridis explores the possibilities of an engaged parliamentary diplomacy, while Dr. I. Stribis, legal officer at OSCE Secretariat, underlines the importance of cooperation between EU and OSCE.

Panagiotis Koutsoumpelis

A handwritten signature in black ink, appearing to read 'Panagiotis Koutsoumpelis', is written over a light gray rectangular background.

President & Director General, EKEM



## KOSTAS IFANTIS<sup>1</sup>

### *FINDING THE WATER'S EDGE*

Allowing for the necessary adjustment, the 1943 classic formulation by Walter Lippmann is still illuminating: "In foreign relations," Lippmann wrote, "as in all other relations, a policy has been formed only when commitments and power have been brought into balance.... The nation must maintain its objectives and its power in equilibrium, its purposes within its means and its means equal to its purposes." Lippmann, of course was referring to the economic costs of US global engagement, but his primary concern was the political "solvency" of foreign policy, not the adequacy of a country's – in this case the US - material resources. He lamented the divisive partisanship that had so often prevented the United States from finding "a settled and generally accepted foreign policy." "This is a danger to the Republic," he warned. "For when a people is divided within itself about the conduct of its foreign relations, it is unable to agree on the determination of its true interest.... The spectacle of... (a)... nation which does not know its own mind is as humiliating as it is dangerous."

In the case of Greece, and allowing for "natural deviations" the post-1974 era brought about an end to the bitter partisanship of the past and gave way to a broad consensus on foreign policy that was to last for the next four or so decades. After WWII, Greek foreign policy lurched incoherently between stark alternatives. The Right bandwagon with the West while the Left viewed this as little more than capitulation to the interests of American imperialism. Constantine Karamanlis embraced the European idea, investing in the institutionalizing European cooperation that would ease the costs of the Greece's modernizing effort and engagement with the world. One of Karamanlis's greatest achievements was overcoming this political divide and steering Greece toward a new era of bipartisanship. With the dictatorship's trauma and deteriorating relations with Turkey as a backdrop, Karamanlis laid the foundations for a broad coalition behind Greece's liberal European orientation. This course entailed a commitment to both liberal democracy and a foreign policy less exceptional within the European integration context. This domestic compact, although weakened by populist political struggles in the 1970s and 1980s finally emerged as the dominant paradigm. The steadiness of bipartisan cooperation on foreign policy was the product not just of strategic necessity but also of changes in the nation's political landscape. Relative economic growth eased the socioeconomic divides of the post-WWII era, closing the

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<sup>1</sup> Kostas Ifantis is an Associate Professor of International Relations in the Department of Political Science and Public Administration, University of Athens.

ideological distance between the liberal Right and the social-democratic Left and making it easier to fashion a consensus behind the western liberal paradigm. Prosperity and affluence helped nurture Greece's political center, which served as the foundation for growth and development, although major developmental deficits were not addressed.

As Greece has entered one more year of economic recession, social change and political turmoil, the challenges of adjustment and painful transformation are yet to be met. At the same time, the country because of the devastating transition experience is in the midst of a polarized and bruising debate about the nature and scope of its engagement with Europe and the world. The current reassessment is only the latest of many; ever since Greece's emergence as a modern nation-state, its leaders and citizens have regularly scrutinized the costs and benefits of foreign orientation. For Greeks who lived through the bipartisan consensus of the post-1974 era, the current political warfare over Greece's external orientation seems to be a dramatic aberration.

Fuelled by these ideological divides, partisanship has engulfed Greece. The political landscape today is more politically fractious and polarized than at any time in the last forty years. Instead, the political rancor has only intensified. The sources of this return to partisan rancor are international as well as domestic. The global financial crisis and the absence of a global consensus to deal with it have weakened the European integration project, producing growing disparities in wealth among Greeks, creating new socioeconomic cleavages and eroding support for Europe, and leaving the country's foreign policy more vulnerable to the vicissitudes of party politics.

In a crisis-riven Greece, however, Lippmann's concern with political solvency is more relevant than ever. With the collapse of a social, economic and party system paradigm, Greeks appear to share less common ground on the fundamental purposes of Greece's position and role in Europe and the nature of its future engagement with the world than at any other time since the early 1980. It seems that a critical gap has opened up between Greece's European orientation and its political appetite for sustaining them. The parliamentary election of June 2012 revealed a polarized political arrangement between those who believe in the country's European present and future and those who blame Europe for Greece's predicament and envision a parochial radical and/or autarchic alternative. The two sides disagree on matters of grand strategy as well as on matters of political economy. As made clear by the collision between these two formal and informal coalitions the country's bipartisan consensus on foreign policy is in real danger of collapsing and the political foundations of Greek statecraft will continue to disintegrate, exposing the country to the dangers of an erratic and incoherent foreign policy.

The financial collapse and the rapid deterioration of social conditions marked the hollowing out of the bipartisan center that had been the pre-crisis consensus political base. Lawmakers that support the government and those that oppose it hold very different views on foreign policy. On the most basic questions of grand strategy - the sources and purposes of Greece's relative power, the role of European institutions - representatives of the government coalition and those of the Left and extreme Right are on different planets. "European" Greece and "non-aligned proud" Greece disagree about what the nature of the country's engagement in the world should be as well as about domestic issues. Liberals are in ever shorter supply, resulting in the thinning out of what Arthur Schlesinger, Jr., aptly labelled "the vital center." A generational change has taken its toll. The "metapolitefsi generation" is fast retiring from political life, heavily burdened by guilt over its grand domestic failures. With the pro-European forces opting for the painful but necessary course of a long awaited adjustment and modernization, the widely accepted compact for Greece's liberal vocation has come undone. The ideological overlap between the two sides is thus minimal, and the areas of concord are superficial at best. With the domestic landscape already deeply etched along ideological lines, the partisan confrontation is poised to intensify - a recipe for political stalemate at home and failed engagement abroad.

In such a critical moment, the tripartite government, which represents the forces for Greece's European vocation, needs to understand the urgency and gravity of striking a new balance between Greece's purposes and its political means. The government would also enhance Greek security by crafting a new grand strategy that is politically sustainable, thereby steadying an international and European community that continue to doubt Greece's ability and willingness to reengage itself at a regional, European and global level.

Formulating a politically solvent strategy will require adjusting to diminishing means. It will be necessary to stabilize the nation's foreign policy by shoring up public support for a new vision of Greece's foreign and security responsibilities. Solvency is the path to security; it is far better for Greece to arrive at a more rational grand strategy that enjoys adequate domestic backing than to continue drifting toward an intractable polarization that would be as dangerous as it would be humiliating.

Former US Secretary of State Dean Acheson once claimed that 80 percent of the job of foreign policy was "management of your domestic ability to have a policy." He may have exaggerated, but he expressed an enduring truth: good policy requires good politics. Bringing ends and means back into balance would help restore the confidence of the Greek public in the conduct of foreign policy. But implementing a strategic adjustment will require dampening polarization and building a stable consensus behind it. Sound leadership and tireless public diplomacy are prerequisites for fashioning an as widely accepted as possible cooperation on foreign

policy. Greek foreign policy should focus on the five "intermestic" issues below that will resonate across pro-European political forces and help forge the kind of grand strategic approach to Greece's problems the country yearns for today.

**Escaping the threat of leaving the euro zone once and for all.** Nothing can be more urgent than stabilizing expectations. The Euro is not just a currency. It is the symbolic landmark of a modernizing effort that seemed at the time to be defeating populism and recidivist exceptionalism. There can be no real recovery and growth in the face of a historic strategic failure of such magnitude.

**Get over the mindset that Greece is doomed and that recovery is unattainable.** The fear that Greece cannot recover from the current dramatic state of affairs has gained considerable traction during the five years. The government should make national competitiveness a top priority. This means a renewed and uncompromising focus on reforms in education, public administration, the primary sector, technology and speeding up privatizations that will keep Greece in its rightful place among the richest countries in the world. We should never forget that even after five years of recession Greece remains a country of 10 million people with a GDP of 200 billion euro.

**Rethink defence in an era of economic restraint.** The time for a major defence rethink is more than ripe. A new thinking on threat assessment and the allocation of defence resources in an era of economic restraint is a grand strategic necessity. Getting this right is critical not just for national security, but will have profound implications for the Greek budget in the long term.

**Re-engaging Turkey.** Greece should restrain traditional competitors through engagement. Using shrewd diplomacy to dampen any chance for strategic competition with Turkey re-emerging is a strategic imperative. Should Greek efforts be reciprocated, they promise to yield the substantial benefits that accompany a reinvigorated rapprochement.

**Intensify efforts to control irregular migration.** Immigration cannot be stopped; it can, nevertheless be contained and controlled. A dual effort is needed and Greece should be at the forefront of it: Europe should tackle the push factors by enhancing cooperation, on a bilateral level, with countries of origin in the Mediterranean littoral states and beyond and undertake, at the same time, measures that will allow the preservation and the stability of the European social model. Even if patterns change, immigration waves will be affecting Europe in the years to come. This has undoubtedly afflicted Greece. The rise of far-right, xenophobic parties cum-militia highlights conservative attitudes towards migration, indicating that Greek perceptions towards the other are more and more security-related, be it safety or employment.

Therefore, Greece needs to pursue a new grand strategy that is politically solvent. In today's polarized landscape, restoring solvency means closing the gap between resources and commitments by rebuilding relative power and enhancing strategic

ties with Europe. Doing so will also create a solid foundation from which to re-engage the world on more explicit foreign policy issues. Far from being “cautious”, such strategy would guard against populist and parochial tendencies. In contrast, pursuing a foreign policy of “business as usual” would risk a political backlash that could produce precisely the turn inward that Greece cannot afford. It is not an easy task, especially in the face of strong populist and irrational reaction, but in the medium term, the pro-European forces are poised to reap a reward by attracting strong popular support for saving Greece from itself.

**ANNA ELISABETH TSAKONA\***

***GREECE: FROM EUROPHILE TO EUROSCEPTIC. IS EU'S NEGATIVE IMAGE HERE TO STAY?***

Recently at a lecture held in Athens, world known historian Mark Mazower stressed the dangers stemming from the ascending power of the Greek far right party (Xrisi Avgi) and urged politicians, opinion makers and elites to stop underestimating the problem facing the Greek society. He drew parallels between Xrisi Avgi and the nationalist socialist (Nazi) party of the 1930s in Germany. "There is commonality of approach," Mazower said of the two parties stressing their emphasis on "biological racism and violent street tactics that sets them apart from other European nationalist movements like Le Pen's National Front party". A recent opinion poll estimated the party's support at 11.5 percent, compared to the 7 percent that it garnered in June's election. This places the party, which currently holds 18 seats in the 300-member House, in third place behind conservative coalition leader New Democracy and leftist opposition SYRIZA (Kathimerini, 13.02.13).

The rapid rise of the Greek far right wing party together with the fact that a big part of the Greek society seems to have already turned its back to the European Union and the values it represents are indicative of the profound change that the Greek society has gone through during the past couple of years. It is a change without precedent in the recent history of any western state. Within a few years Greece has been transformed from a highly pro-European nation, at the heart of the European Union and the Eurozone, into a profoundly Eurosceptic, even anti-European nation, with a frustrated population, suspicious over its own political system, over the European Union, over any international organization, which has fallen short of expectations to successfully handle the economic crisis facing Europe. The purpose of this paper is to monitor the development of Euroscepticism in Greece from 2009, when the effects of the economic crisis were not yet felt by the Greek public, to the end of 2012, when a devastated population, suffering under the hardships of tough austerity measures started questioning the purpose, the meaning and the very essence of the European Union. In the last part of the paper a set of recommendations are being made on how the phenomenon of Euroscepticism could be controlled before it is too late.

***The history of Euroscepticism in Greece***

There is a wide range of scholarly definitions of Euroscepticism. Oliver Daddow for example has suggested the possible meaning of the term to include 'a broader-brush populist skepticism about anything to do with Europe at all' (2006, p.64). Paul Taggart on the other hand has been more specific in defining Euroscepticism. He

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\* Anna Elisabeth Tsakona has a Doctorate Degree in International Relations and is currently working in Switzerland as government consultant. She is a research associate of EKEM.

terms as Euroscepticism a 'contingent or qualified opposition, as well as...outright and unqualified opposition to the process of European integration' (1998, p.365). Taggart and Szczerbiak have suggested a distinction between hard and soft Euroscepticism. Hard euroscepticism is defined as 'principled objection to the project of European integration...involving outright rejection of both political and economic integration and opposition to their country joining or remaining members of the EU' (Taggart & Szczerbiak 2008, pp. 7-8). With soft euroscepticism, 'there is not a principled objection to the European integration project or transferring powers to a supranational body such as the EU, but there is opposition to the EU's current of future planned trajectory based on the further extension of competences that the EU is planning to make' (Szczerbiak&Taggart 2008, p. 12).

In any attempt to define Euroscepticism it should be noted is that it is not a single coherent stance on the EU as a polity. Instead it covers a broad range of positions in which opposition can concern the whole concept of European integration or could be confined to the EU's current form, to particular present aspects or policies and/or to future deepening, either in general or with regard to specific competences (Nich Sitter, 2001). This is the definition of Euroscepticism used for the purpose of this analysis.

As Susanna Verney has noted in her analysis of the history of Greek Euroscepticism, 'Greece is a particularly interesting case owing to its apparent exceptionalism. A spectacular Eurosceptic high point occurred in 1981, just ten months after EC entry, when almost 60% of the Greek voters supported Eurosceptic parties, which won 185 out of 3000 parliamentary seats.' (Verney 2011, p. 51) One should be careful to assume that the sole reason for the success of those parties was their Eurosceptic stance. There were also reasons related to populism and promises of tax cuts and benefits that influenced peoples' vote at the time. Whatever the motive, the result of the election was an openly Eurosceptic government, which tried to block deeper European integration. The paradox lies in the fact that less than a decade later official government policy had placed Greece firmly in the pro-federalist camp. At a time of generally declining support for European integration, Greek public opinion appeared amongst the most pro-integrationist in the EC (Verney 2011, p. 51-52).

Based on Verney's analysis of Eurobarometer data, by spring 1990, combined negative and ambivalent responses to the EC represented a clear minority in Greece. By 1990, Eurosceptic responses were in single figures. In 1988-9, levels of Greek euroscepticism and euro-indifference also fell below EC averages for the first time. The shift in Greek attitudes clearly pre-dated the fall of the Berlin Wall and negative sentiment declined faster in Greece than in the EC as a whole. The decline of Greek Euroscepticism at the time could be partly attributed to the impact of financial transfers from the EC/EU budget in Greece. The second half of the 1980s was the period when EC regional funding began to flow to Greece. (Verney 2011, p. 64-66).

Even during the post Maastricht era, when there was a breakdown of the EU popular 'passive consensus' previously supporting European integration, Greece stood out as one of the most Europhile member state. Support for European integration remained steadily above the EU average until 2008.

### ***Greek Euroscepticism during the economic crisis***

The economic crisis and the way the European Union handled it had a profound effect on EU's image. Greece experienced a rapid transformation of its society from a profoundly pro-European into a deeply Eurosceptic. According to Eurobarometer surveys, in spring 2009, before the effects of the Greek economic crisis started to take effect, 49% of Greek respondents believed that *'Things are going in the wrong direction in the EU'*. This changed completely in autumn 2012, when Greek society was suffering under tough austerity measures. The percentage of people believing that the EU is heading towards the wrong direction rose to 74. In a question about trusting the European Union, in spring 2009, 45% of respondents said that they did not trust the EU, whereas in autumn 2012 the percentage rose to 81. As Greece was driven deeper and deeper into recession and people experienced their lifelong savings disappearing and their standard of living rapidly deteriorating, negative feelings towards the European Union were multiplying. (See chart 1)

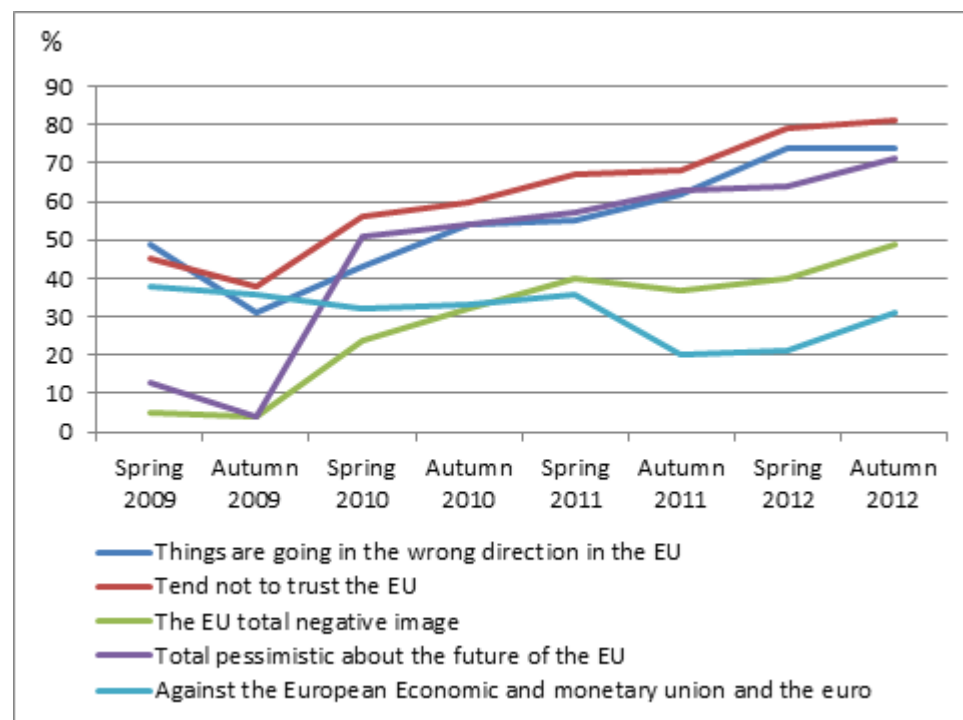
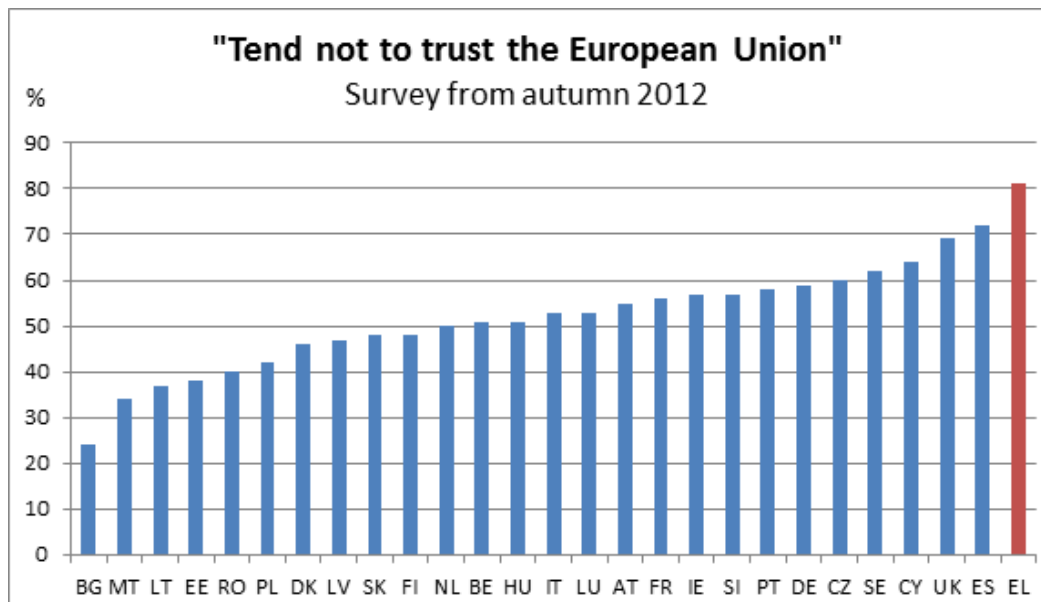


Chart 1 (Source Eurobarometer)

As shown in the above chart all negative indicators regarding the EU have had a sharp increase from spring 2009 to autumn 2012. This sharp rise in EU's negative image has had no precedent in the history of the EU. Greece has turned into the





number one Eurosceptic country among the 27 member states, leaving even traditional 'euro-hostile' Britain behind. As mentioned before, in autumn 2012, 81% of Greek respondents replied that they did not trust the EU, the largest percentage in the EU27, followed by Spain and the UK. (See chart 2)

Chart 2 (Source: Eurobarometer)

Similarly, Greece held the first position in negative responses about the future of the EU. 71% of Greek respondents replied that they were 'total pessimistic about the future of the EU', followed by crisis-stricken Portugal with 64% and Cyprus with 59%. (See Chart 3)

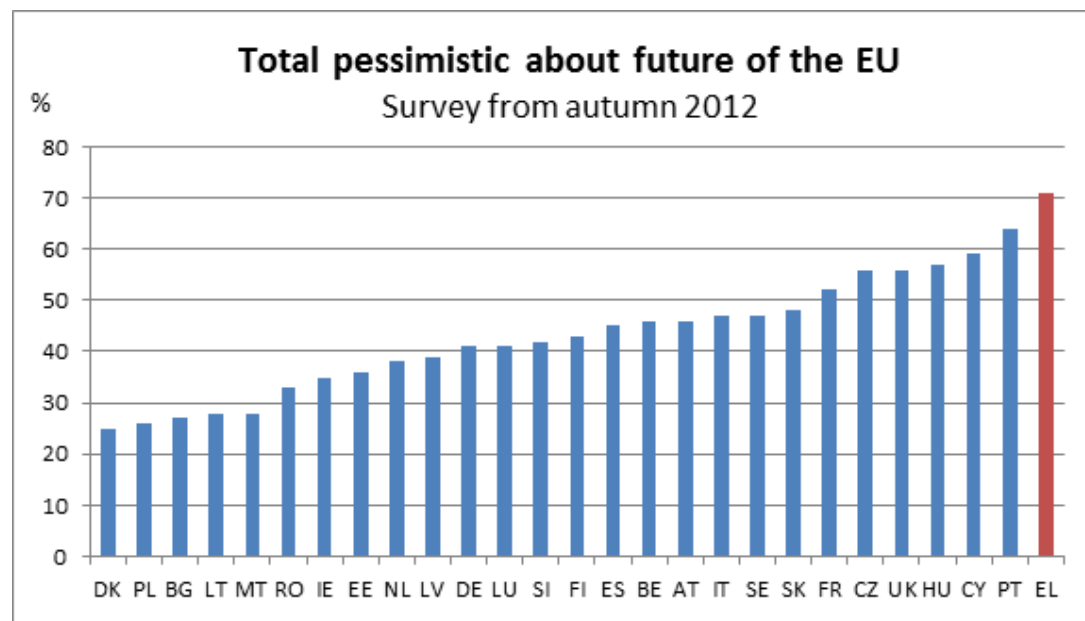


Chart 3 (Source: Eurobarometer)

In other words, it becomes evident that the economic crisis not only threatens the stability of the euro and the economic integration of the EU. It has had a far-reaching impact on the people of Europe and on the future of the European Union, which is in danger of becoming an empty promise without the support of its own population.

Having said that, it is noteworthy that while the EU as a whole is experiencing a complete shatter of its public image in Greece, the European Economic and Monetary Union with its common currency - the euro - seems to have more faithful supporters. People who expressed opposition to the euro have steadily remained a minority in Greece. Indeed, more people were against the euro in spring 2009 (28%), than in autumn 2011 (20%) or in autumn 2012 (31%) (Eurobarometer). This can be partly explained by the fact that Greeks have been well informed about the risks facing their country if they returned to their national currency, therefore they believe that the only solution to the current crisis is more rather than less European economic integration and the development of a truly functional and strong European Economic and Monetary Union. On the one hand they feel that the European political unification has failed to fulfill their high expectations of solidarity, unity and understanding and on the other they know that their fate is bound to the euro and that they have to face their problems within the EMU.

### ***The way forward***

Such a grave negative turn of EU's public image needs to become an issue of major concern from both the EU and the Greek side. Euroscepticism is a phenomenon that if left to thrive and consolidate could pose major hurdles in the path towards European integration. Euroscepticism, linked to pessimism, denial of western values and frustration, could have severe consequences to social cohesion and development. In the case of the European south, it seems to have already initiated a snowballing effect thus threatening to create sources of instability at the heart of the European Union. It would be a mistake to argue that Greece is the odd man out in terms of EU bashing. In the Greek case, a traditional Europhile country, the contrast between the past and the present is much graver; however, the EU must not make the mistake in believing that it is an isolated phenomenon.

As S. Usherwood and N. Startin have recently argued, in the eyes of its people the EU is not working as well as it could or as it has promised to do. Especially "in terms of public goods, the EU is no longer the benign force which it could once lay claim to be: prosperity, stability and security are still tantalizing objectives for very large numbers of Europeans. EU citizenship remains a largely unknown quantity, and its benefits uncertain." (2013) Based on the Eurobarometer surveys it is apparent that negative attitudes towards the EU have not only increased in countries with traditionally high levels of Euroscepticism such as the United Kingdom and Denmark, but also in founding states (Germany and France), in traditionally Europhile nations such as Ireland and the Netherlands, and in new members such as Poland and the Czech Republic. In short, public attitudes have never reached the highs of 1991, where 72% of respondents stated that membership of the EU was a good thing and 59% stated that their country had benefited from EU membership (Eurobarometer, 1991). By the end of 2011 (Eurobarometer, 2011), 26% of EU27 respondents had a

negative image of the EU, compared to 31% with a positive image, with nearly as many pessimistic (46%) about the EU's future as were optimistic (48%). With the current global economic crisis putting the eurozone under increasing strain, Euroscepticism looks set to become increasingly embedded at the level of public opinion (Usherwood and Startin, 2013).

This trend clearly demonstrates that if the European Union wants to move forward it should in the long run focus on becoming more efficient, more functional and more democratic. In the short run, however, EU officials have to work closely with national governments on EU's public image. The European Union has offered and is still offering a lot to its member states; failure to communicate the successes the Union has had is part of the problem. Of course deeper reforms have to take place, EU leaders have to finally decide what their vision of the European Union is and act accordingly. Having said that, the EU has at the same time to improve its image and restore the faith of the European public.

There are simple ways to do that. Taking the example of Greece, the Greek government has a major opportunity ahead, namely the Greek Presidency in 2014. It has to make the most of it in close cooperation with the European Union and its institutions. Greece has been at the center of negative public attention worldwide in the last years due to the economic crisis. The Greek presidency is an opportunity for both the EU and Greece to improve their public image, something that both parties are in desperate need of. The first step would be to 'bombard' the Greek population with EU positive practices that make a difference to the everyday lives of the population. This needs to be done through the social media and through institutions and think tanks that have the capacity and the know how to reach large number of audiences. These institutions could organize campaigns and public events targeting schools, universities and even shopping malls, where young people, who now shape their views about the world, are likely to be found.

Europe's initiatives that benefit the individual citizen are not well known. According to Eurobarometer, in spring 2012, only 4% of Greek respondents said that they have benefited from studying in another EU country, 5% from working in another EU country, 13% from strengthening air transport passenger rights, 6% from receiving medical assistance in another EU country and 19% from lower communication costs when using a mobile phone in another EU country. Similarly, only 20% have claimed to have benefited from improved consumer rights when buying products or services in another EU country. At the same time 93% of the Greek population expected more help for the poor and socially excluded. In other words it is the EU's soft power that governments need to focus on and it is this side of the EU that has been neglected in the past years.

The afore mentioned data demonstrate that people are either ignorant about those EU initiatives that can make a difference in their everyday lives, or they have actually

not used them (which is highly unlikely given the number of Greek people travelling abroad, studying or working in other EU countries). The EU has the means to make small but significant improvements to the lives of the people during the crisis and the governments have to make sure they use these means and communicate them to their populations.

Education programs that enhance mobility among students have to receive more support from the part of the EU and have to become more well-known through national governments. The same principal holds for programs regarding young professionals, who can work for a specific period of time abroad, in international/EU institutions and agencies, acquiring technical skills and necessary experience. The EU should further support those programs and the Greek government should ensure their timely utilization. Programs that support entrepreneurship and focus on small and medium enterprises have to become well known to the wider population, user friendlier and less bureaucratic. These are initiatives that the Greek and every national government should take in cooperation with the European Union.

All the above initiatives will also assist the EU and national governments in restoring their relationship with the media, the principle formulators of public opinion. It is true that only bad news make the headlines, but Greece is in desperate need of seeing a light at the end of the tunnel. Apart from a long term economic strategy, the necessary structural reforms and the need for raising competitiveness, small everyday things can have a practical impact on their wellbeing of the population. Whether EU's negative image is here to stay or not is a question that only policy makers at the European and national level can answer. Finding solutions is not as hard as making governments and the EU see the problem before it is too late. This is the first step to restore faith in the European Union and to build a common European future.

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**SPYROS BLAVOUKOS<sup>1</sup>**

***A GLIMPSE OF THE FUTURE? EMERGING 'ISLANDS OF COOPERATION' IN THE EUROPEAN INTEGRATION PROCESS***

There is no denying the fact that the ongoing financial crisis has not only tremendous consequences on the shape and mode of governance of the Eurozone but also strong political implications for the EU. Institutional developments and responses to the multi-faceted crisis testify to the strengthening of intergovernmental cooperation that encroaches on supranational advances of the past. True, the integration pendulum regularly swings back and forth with periods of 'Eurosclerosis' followed by intensive cooperation and integration leaps. Then, is there something alarming in the current situation vis-à-vis the future of the European integration process?

To address this question, we need to disentangle ourselves from the Eurozone crisis limbo, not because this is unimportant -after all, what has been at peril is one of the major cornerstones and points of reference of the integration process. However, being so heavily preoccupied with the crisis, we have paid less attention to other developments that challenge fundamental principles of the integration process the way we have come to understand it in the last sixty years. The 2012 Nobel Peace Prize symbolically seals an era, signaling the end of the EU as a peace project that brought about the end of the Franco-German rivalry and the political rehabilitation of Germany in the security greenhouse created by the US in the context of bipolarism. A new narrative is now required for the EU... or should we better refer to the quest of new *narratives* (plural)?

Multi-tier Europe is a reality with different societal and governmental perceptions in member-states shaping different national narratives of the integration project, its past, present, and more significantly future. First and foremost, with only 17 out of 28 member-states participating in the Eurozone, the division in economic and monetary governance seems entrenched. The UK and Ireland have long taken distance from the Schengen *acquis*. 'Enhanced cooperation' initiatives have begun to appear, for example in divorce law, with a few others in the pipeline, most prominent of which are definitely the financial transaction tax and the initiative for an EU patent. Not to mention the area of security and defense that revolves almost by default around 'permanent structure cooperation'. So, is the future of European integration linked with overlapping, *ad hoc* schemes of cooperation? Such schemes

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<sup>1</sup> Spyros Blavoukos is a Lecturer at the Department of International and European Economic Studies at the Athens University of Economics and Business, focusing on the Analysis of International and European Institutions.

can either be created through intergovernmental agreements and brought in the EU architecture at a later stage from the back door (like the establishment of the borderless Schengen zone and the Bologna process in the field of education) or emerge as a result of vertical integration initiatives that have hit the wall of political feasibility and are forced to cede the 'right to choice' in order to avoid shelving. How many clusters would then appear, how many different tiers, cores and peripheries? Would such a trajectory lead also to the dilution of the existing *acquis*, questioning *in extremis* the achievements of sixty years of integration?

Of course, differentiation is not a new concept. Various forms of differentiation have characterized the European legal order since its beginning and still persist. They range from specific safeguard clauses in the original 1957 Treaty and the numerous protocols attached to the Treaties to the differentiated treatment of Member States and their regions in the manifold exceptions found in secondary legislation. They add up to a complex picture in which even the single market, which is often regarded as the sacrosanct core of European integration, is subject to various degrees of flexibility. Moreover, differentiation is not only vertical, in the sense of special arrangements for individual member states; the European constitutional order is also fragmented horizontally with different Treaty regimes governing, *inter alia*, security and defense as well as the Economic and Monetary Union. These early forms of differentiation, however, have not generally limited the scope of European law by exempting one or several Member States from its geographic field of application, but have rather suspended or modified their legal effects in one or several Member States. They may have also suspended the application of European law in the new Member States for the time period specified in the accession treaty; but once this period has elapsed, the European law automatically applies.

More significant politically is the invocation of differentiation when trying to put under pressure a resilient minority of one or more member-states. In that respect, differentiation has strong political connotations in the European integration process. It has sealed major 'package deals', like in the cases of the British and Danish 'opt-outs', institutionalizing in a way the benefits of unyielding recalcitrance. It has resurfaced in the prospect of the 2004/7 enlargement, as a means to cope with the deriving institutional and political challenges of such an endeavor.

Although it has been given different names in the past ('Europe à la carte', 'concentric circles', 'multi-tier/multi-speed Europe'), the essence has remained the same: in pursuit of further deepening, differentiated integration has constituted a way to bypass insurmountable obstacles raised by marginalized but not capitulated member-states. The emphasis has been laid on the collective benefits deriving from such a strengthening of cooperation that should not be held hostage by small minorities often of one. In other words, the underlying logic and rationale of the differentiation concept has been the furthering of integration in the form of letting

overwhelming majorities proceed without being bogged down by ‘awkward partners’. It has appeared as a pragmatic new structural institutional arrangement to allow for limited asymmetrical progress in specific situations when Member States cannot agree on the appropriateness of collective European action. In that respect, enhanced cooperation and the other forms of flexibility have allowed the accommodation of political diversity in the existing EU institutional and legal framework.

What is different in the current debate, though, is the lack of a compact nexus of member-states and EU institutional bodies that should theoretically aspire to upgrade the *status quo* of integration but is unfortunately held back. A closer look at the initiatives outlined above reveal a different picture: overlapping ‘islands of cooperation’, either in place or in the making. In other words, it is no longer an issue of ‘opt-outs’, but rather ‘opt-ins’. The Treaty of Lisbon sets the minimum threshold for enhanced cooperation schemes at nine member states. In that respect, groups of nine countries and more are free to engage in closer cooperation as long as they do not undermine the single market and the economic and social cohesion of the EU and remain open to other member states that may wish to participate in due time. The acts adopted in the framework of enhanced cooperation schemes are not considered part of the *acquis* and they apply only to the participating member states. Naturally, the Council and the Commission are given the task to ensure consistency between the undertaken activities within this framework and the other EU policies and activities.

The ascendance of enhanced cooperation entails three kinds of challenges for the European integration process and the participating countries:

1. First, these emerging islands of cooperation challenge fundamentally the existing pattern of public policymaking in the EU, replacing the lowest common denominator perspective that has been predominant in most policy areas for a long time with a ‘clusters logic’. The former required the identification of the policy vanguard and the laggard(s) that caused the delay or watered down any initiative. The latter entails a completely different policy strategy; as long as the conditions set by the Treaty are in place, partners are sought to reach the magic number of nine and launch an enhanced cooperation scheme. The experience of the early attempts in the cases of divorce law and EU patent offers useful insights along these lines. In the first case, the initial proposal was put forward by eight member states (Greece – only to withdraw its request later on-, Spain, Italy, Hungary, Luxembourg, Austria, Romania and Slovenia), joined at a later stage by Bulgaria and France and after the issuing of the Commission’s opinion by Germany, Belgium, Latvia, Malta and Portugal bringing the total to fourteen members. The composition of the group discards the concern that enhanced



cooperation was conceived as a means to assist old members overcome the objections of the newer members and move faster in the integration process. In the case of the EU patent, only two member-states (Spain and Italy) expressed their concerns on the basis of linguistic issues and not because of fundamental objections to the policy *per se*. On the one hand, the overwhelming majority that embraced this initiative testifies to the utility of enhanced cooperation. On the other hand, it indicates the vulnerability of even big member-states to the 'dictatorship of nine' (or from a different perspective the liberalizing potential it has for the smaller member-states). Still, it is too early to tell how enhanced cooperation will fare in other policy areas with greater economic or political impact, in which the interests of member-states may clash more violently.

2. Second, it is crystal clear in the process of the institutionalization of enhanced cooperation that the acts adopted in the framework of such schemes bind solely the members of the scheme and do not form part of the broader communitarian *acquis*. However, it is worth considering whether the policy impact of such acts can be hermetically contained within the group and whether (un)anticipated spillovers may appear, very much along the lines of the neofunctionalist logic but this time not in scope but more in terms of geographical dispersion like contagion theory in sociology suggests. Given the historical record of the ECJ in judicial activism bulldozing obstacles raised by member-states to further integration, the dividing lines may get blurred. In any case, it is hard to imagine that the non-participating member-states will face no pressure at all, especially when larger schemes come into play. From a Eurosceptic national point of view, the deriving challenge is related with the modality of limiting the effects of enhanced cooperation to the outsiders. From a pro-integrationist perspective, the challenge revolves around the identification and exploitation of the proper transmission mechanisms to multiply the policy effect.
3. Finally, in a more macroscopic perspective, the big challenge for the EU is how to manage unity and asymmetry, allowing the latter without jeopardizing the former. This has to be done in a more systematic way than in the past, a way that reflects the reality of twenty eight for the time being, heterogeneous partners. Thus, the real questions are not about the institutional micro-foundations of enhanced cooperation –which are also important in the sense that path dependency remains a key feature of European integration- but rather about how far forward it pushes asymmetry and in the end, how much asymmetry is desirable and sustainable in the EU political system.

The response to these challenges depends obviously on the standing point of the member-state vis-à-vis individual schemes of enhanced cooperation. However, a few general macro-policy recommendations can be attempted.

The multiplication of such overlapping schemes entails that the core-periphery distinction decreases in significance. It is reasonable to expect countries leading in one scheme while remaining outside several others. In that respect, the political argument that prevailed the discussion about the Greek membership in the EMU project in the nineties that it would seal the country's participation in the core of European integration, would be less important in an environment of numerous such schemes. Decisions on joining or not in an enhanced cooperation scheme acquire in the great majority of the perspective cases an *ad hoc* character, taken on the basis of a cost-benefit analysis. Membership in any such scheme should not be taken for granted *a priori* on the basis of general country attitudes vis-à-vis European integration or considered a litmus test of EU-philism.

However, obviously, not all these schemes currently have and will have the same political connotations and gravity. Assuming that the sacrosanct nature of the Single Market remains unscathed, the EMU and cooperation in defense and security have more far-reaching political implications and will constitute key poles of differentiated integration. At the moment of writing, Greece has seemingly avoided the danger of leaving the Eurozone –for best or worse. Furthermore, the emerging agenda to improve the efficiency of economic governance is to a large extent in conformity with broader Greek priorities. In that respect, the first pillar of differentiated integration seems to raise fewer problems for Greece, as long as there are no negative surprises in the front of financial stabilization and eventually economic recovery.

In the fields of defense and security, military collaboration is also building up, mostly as a response to the economic crisis and the deriving cuts in defense expenditure. The long acclaimed pooling and sharing of resources emerges as an attractive solution, although the term covers a range of different types of cooperation, from procurement of weapons to integration of forces in order to reduce training and maintenance and even some degree of specialization. The record of existing initiatives suggests that success draws on a *similarity of strategic culture, trust and solidarity, clarity of intentions, and forces of similar size and quality*. These elements indicate the future of cooperation in this field, namely not a single scheme of permanent structured cooperation but rather the formation of multiple, discreet, most probably regional groupings, each of which will have a different scope of collaboration, military identity and of course different level of integration. Member-states with a high degree of self-sufficiency, like the Franco-British collaboration following the Lancaster House Treaty in 2010, will want to preserve their broad-spectrum militaries, so most probably they will be inclined to share only some niche

capabilities. But small and medium-size member-states have the potential to integrate more deeply, especially in non-deployable forces and services (maintenance, training, education, etc.) that have smaller political complications. An active Greek engagement in this field will be beneficial both in terms of budgetary constraints and preserving high standards of deterrence for the Greek military.

Following the invitation of the European Council in December 2012, the EU High Representative and the European Commission is due to develop proposals for enhancing the Common Security and Defense Policy of the EU by September 2013. These proposals will constitute the main policy inputs for the EU summit in December 2013, which is scheduled to discuss thoroughly the need for a longer-term, more systematic cooperation in the field. Among others, a key question is how to improve intra-EU collaboration, by articulating more cooperation-oriented national defense planning and take advantage of synergies between bilateral, sub-regional, European and multilateral initiatives. In this hectic period of political osmosis, Greece is centrally located by virtue of holding the Presidency in the first semester of 2014. Obviously, the High Representative reins the process, but the Presidency *trio*, of which Greece is the third member, will also be involved to some extent. Given the fluidity of the ongoing deliberations, an opportunity arises to engage vividly in the discussion, taking stock of member-states' preferences and creating networks for future partnerships.

PANAYOTIS J. TSAKONAS<sup>1</sup>

***REFORMING GREECE'S SECURITY AGENDA IN THE EASTERN MEDITERRANEAN: OLD THREATS AND NEW CHALLENGES IN GREECE'S IMMEDIATE SECURITY ENVIRONMENT***

Developments in Europe and the Mediterranean basin over the last three years (the ongoing Eurozone crisis, the political reconfiguration of the Middle East and North Africa (MENA) region after the so-called “Arab Spring” and, not least, the polemic and uncompromising stance adopted by Turkey, Israel and Cyprus after the findings of natural gas reserves in the Eastern Mediterranean) had further deteriorated an already unstable geopolitical environment.

Being an integral part of this fragile and unpredictable environment, Greece is today faced –besides improvement in relations since the late 1990s with neighboring Turkey— with what it considers as a security threat and a number of risks and challenges, which are seen as resulting from Mediterranean instability, including some of the so-called transnational threats.

***Indeed, Greece appears as the main recipient of most of the new security problems and challenges appearing in the Mediterranean region in the post-9/11 era. These new threats and challenges to Greece's security include: (i) illegal migration and the influx of refugees, mainly due to armed conflict, poverty, and environmental degradation in the south of the Mediterranean, the Caucasus and Southeast Europe; (ii) international organised crime, which is directly and/or indirectly linked to various terrorist groups and activities; (iii) the spread of international terrorist activities across Greece's Mediterranean borders; (iv) the challenge associated with the explosion and increased significance of Information Technologies (IT) –which may cause a shift in the traditional security “paradigm”, which focuses on threats against territorial integrity— by highlight the new asymmetric weaknesses and vulnerabilities a state has to deal with; (v) The proliferation of weapons of mass destruction (nuclear, biological and/or chemical), and (vi) environmental problems due to degradation and scarce water resources and natural and man-made disasters (earthquakes, fires, major industrial accidents, and epidemics).***

Thus, Greece is still faced with a major security threat, which is still perceived to emanate from neighboring Turkey, and a number of risks, which are seen as resulting from Mediterranean instability, including some of the aforementioned transnational threats.

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<sup>1</sup>Panayotis J. Tsakonas is an Associate Professor of International Relations and Security in the Department of Mediterranean Studies, University of the Aegean.

More important, Greece is also forced to effectively fulfill its obligations deriving from its membership in NATO and the EU, mainly in regard to its participation in peace operations and/or multinational forces within the context of either NATO or the EU's Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP). In practical terms this would in turn mean that the traditional deterrent mission of the Greek Armed Forces should be coupled with the effective management of the new asymmetric threats and challenges.

### **Dealing with uncertainty in the midst of economic crisis and forced adjustment**

Is Greece prepared for dealing with the new and complex Mediterranean security environment? It seems Greece has a long way to go before it manages to be considered as a "modern national security state". With fragmentation, lack of coordination and effective management being endemic characteristics of Greece's institutional framework of national security and crisis management, Greece is still quite far from being a state capable of effectively managing "traditional" threats and risks to its security along with the new "asymmetric" challenges that arise from a dramatically more complex and particularly unforeseeable regional environment.

To make things worse, over the last three years, namely from June 2010 to the present, Greece's fiscal, income, pension and employment policies are being shaped by a "troika" of international lenders –the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). The "troika" monitors one of the harshest austerity programs ever applied on a global scale –the so-called "Memoranda"— in exchange for large international loans supplied in the form of rescue packages (the first package was drafted in May 2010 by the Papandreou government, the second in February 2012 by the technocratic Papademos government and the third in October 2012, by the tripartite coalition Samaras government).

Interestingly, never before in its post-war history, perhaps with the partial exception of the decade that followed the end of the bloody Civil War (1946 – 49), has the dependence of Greece on exogenous agencies seemed so conspicuous. The consequences in Greece's economic indicators were indeed dire, leading to the country's fifth consecutive year of recession. The tremendous wage and pension cuts applied in both the public and the private sector since the first Memorandum together with sharp tax increases had also led to unemployment, high poverty rates, desperation and social unrest.

The political and social consequences of the Greek crisis seem to be also of utmost importance, as shown by the spread of unemployment and social unrest, the rise of the Left and the Far Right, the creation of a new dividing line of the Greek society and body politic, polarizing between "pro-" and "anti-Memorandum" camps and the

intensification of the deep-running cleavage in Greek society between Europeanists and nationalists.

### **“Euroscepticism”, “credibility deficit” and erosion of influence**

Moreover, during the current economic crisis, the so-called “anti-Memorandum” political parties in Greece viewed and presented the process of Europeanization as a type of “imposed Europeanization”, which asked for ruthless austerity measures along with harsh structural reforms in Greece’s institutions. This had in turn enhanced “Euroscepticism”, not only among the Greek public, but also among most of Greece’s political parties. By implication, Greece’s European identity started being questioned by a furious Greek public and the country’s immediate default and exit from the Eurozone started appearing as an attractive alternative. Thus, at the level of discourse, the very essence of Greece’s participation and contribution into the European project and, by implication, the range and depth of Greece’s Europeanization have been questioned.

Unfortunately, “Euroscepticism” in Greece was further enhanced by the policy prescriptions the EU and IMF decided to put forward at the time. Suggested, and to a certain extent imposed, by the German Chancellor, that policy prescription was but a coercive formula which, coupled with the on-going crisis in the Eurozone and the EU’s political and legitimacy crisis, had further delegitimized and disdained any progress achieved so far by Greece in terms of “policy Europeanization”, namely influence of the EU integration on Greece’s foreign and security policy (actors, policy instruments and styles).

Furthermore, Greece’s dire economic situation has also detrimental implications not only for the country’s credibility within the EU but also for its ability to influence developments in its immediate environment. One should note at this point, however, that Greece’s underperformance on foreign policy initiatives both in Southeastern Europe and in the MENA region should not be exclusively attributed to the economic crisis, as it remained an established characteristic of Greece’s foreign policy since the mid-2000s. It goes without saying, that with economic means being substantially curtailed Greece is now obliged to make the smartest use possible of the limited resources available so as to better manage a series of current as well as emerging security challenges in the Mediterranean, with the management of migratory flows appearing as the most serious and demanding one.

### **The way forward**

For dealing with old and new security challenges while facing a severe economic crisis and being under extreme budget austerity, Greece must proceed to a fundamental reform of its security institutions so that they play an effective, legitimate and democratically accountable role in providing external and internal security to its citizens. It should be stressed at this point that security is no longer

just a military concern and a clear distinction between external security and internal security is hard to be drawn. By implication, the attainment of security can no longer be the sole responsibility of the Ministries of Defense and Foreign Affairs –which have, to date, been the main ministries involved in security cooperation. Indeed, the Ministry of the Citizen Protection (MCP) should also be an integral part of a comprehensive institutional framework of Greece’s national security strategy.

Towards this end, the aforementioned three main pillars of Greece’s national security strategy should embark upon the drafting of the institutional documents where the short, medium and long-term goals of Greece’s national security strategy, as well as the means of its implementation will be recorded. Of particular importance is also the preparation and drafting of the “Foreign Policy”, “Defence Policy” and “Homeland Security Doctrines”, by the Ministry of Foreign Affairs, the Ministry of Defense and the Ministry of the Citizen Protection, respectively.

Moreover, the attainment of a functional linkage and coordination of action among the main institutions in charge for the implementation of Greece’s national security strategy appears as the only way forward for Greece to deal with the explosive mixture of the traditional and new/‘asymmetric’ threats and challenges in the Mediterranean. Indeed, attaining security requires the coordination of the so-called ‘external’ services/ministries, i.e., MOD, MFA, and MCP and their agencies, i.e. Armed Forces, Intelligence Services with those of the ‘interior’ ones, namely internal affairs, education, finance, overseas development, transport, environment; health, etc., as well as with their agencies, i.e. policing forces, security, disaster relief agencies, etc., where a culture of cooperation is still lacking.

Last, but not least, Greece needs to improve its domestic response, particularly in terms of training, equipment, and information-sharing on issues such as money-laundering, cyber-terrorism and cyber-crime, and prevention and consequence management of NBC terrorist attacks. The considerable resources –trained personnel, organization, equipment, planning and experience– that were used for the security of the 2004 Athens Olympic Games constitute an important post-Olympic legacy, leaving Greece with a high quality infrastructure in terms of equipment and trained personnel.

After realizing that adjustment policy conditionality is Greece’s last chance to reform the state and economy within the euro, Greece should –in view of the EU Presidency in 2014—make a smart use of its rather limited resources and capabilities by restructuring its current fragmented and inefficient institutional framework of national security so as to better deal with emerging challenges in the Mediterranean basin as well as to become a pivotal player to issues of particular interest to the EU and US, including energy security and migration management.

VIVI KEFALA<sup>1</sup>

**GREEK FOREIGN POLICY AND THE BROADER MIDDLE EAST AND NORTH AFRICA  
(BMENA)**

The present situation

Since 2011, both Mediterranean South and North are suffering from deep and dangerous crisis, though for different reasons. Concerning the Mediterranean North, the deep financial and economic crisis striking the European South has been followed by an unprecedented political crisis in the interior of the so-called P(ortugal)I(taly)G(reece)S(pain). This fact alone could be enough to annihilate the results of the European policy in the Mediterranean, which could be, really, characterized as poor so far. Moreover, the crisis in the European south has tested, in a very tough way, the European cohesion threatening the existence of the euro-zone itself, and consequently, affecting the very future of the European Union (EU), namely its more substantial unification, absolutely necessary in a globalized economy. But the fact that EU faces such serious problems, along with the fact that its Mediterranean policy has achieved very little so far, means that the EU is far from being able to face the regional problems and challenges that have been arisen in its south frontiers.

In fact, the crisis in the South Mediterranean not only has to do with the chronic problems and conflicts of the region, but also with the uncompleted popular revolts that swept the authoritarian regimes of Tunisia, Egypt and Libya. Moreover, the situation in the Mediterranean South is rather critical in those countries because the new leaders have not yet been able to fulfill the popular demands and the economic, political and social expectations created by the Arab revolts. Three years after the popular uprisings have been erupted in the Maghreb, the only tangible difference in these countries is that the political elites have change, through the democratic elections that took place after the *ancient regimes* have been turned over: Instead of a cosmic government Egypt is under Islamic control and, *mutatitit mutandis*, so does Tunisia and Libya.

For the time being, these new regimes claim that they follow the so-called Turkish model and are not going to adopt an anti-western policy. Still, the West has a rather suspicious attitude toward them, being afraid of the radical political Islam and the terrorist armed groups connected with it. This, has become a much more serious threat for the western interests and policy than it was in the past as on the one hand, the western policy (especially the American middle-eastern policy between

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<sup>1</sup>Dr Vivi Kefala is an Assistant Professor in International Relations in the Middle East, Department of Mediterranean Studies, University of the Aegean.



2001-2008) has been proved to be catastrophic in Iraq and in Afghanistan, without achieving any of its objectives; and on the other hand, because this policy has provoked quite strong reactions in the public opinion of the countries of the broader Middle East and North Africa (BMENA). In this context, one can easily explain the endurance of the Islamic fundamentalism and its reappearance in the sub-Saharan Africa in its most dangerous form, namely the one of Islamic armed groups –like Al Kaida of the Maghreb- aiming to conquer the power in weak states, like Mali, to impose a theocratic regime and to extend their dominance to the neighboring countries if possible.

But the Islamic threat it is not the only challenge to the West in general, and, more specifically, to the EU. The crisis that suffer both the European Union and the Broader Middle East and North Africa, means that each one has its own priorities, uses different strategies to affront the crisis or worse no strategy at all. At the same time, the traditional means used by the EU to promote the regional cooperation and to smooth the bitter regional conflicts, namely the European financial help given to its Mediterranean partners, is no more available or, at least, is not available to the same extent that it was in the recent past. That, significantly incommodes any European attempt to face the regional threats and challenges.

### The Challenges

There are too many challenges in the region of the Broader Middle East and North Africa concerning their economic and social development, as well as their access to the political modernity. Consequently, causes like poverty, or problems related to human security –e.g. food security, desertification, climate change etc- force an increasing number of people to illegal migration to the European countries in search of a better life. Although this has been also a problem in the past too, under the present circumstances of the European economic crisis it has become a serious political problem for every European country, amplified by the fact that the neo-fascist parties are exploiting it, which is a very serious challenge to Democracy. Another serious challenge is also the existence of organized crime, as well as the smuggling of any kind, –especially the smuggling of drugs, because, among others, it is often a source of finance for terrorist organisations.

Since 2011 the challenges in the region of the Broader Middle East and North Africa are multiplied and have been more serious than ever. To start with, there is no sign that open conflicts in the area are coming to an end or that territorial disputes are going to be solved peacefully in the near future. Instead, new challenges have arisen. A very important challenge is actually the political instability that threatens the whole region due to the uncompleted Arab revolts: Egypt faces serious economic and political crisis, so does Tunisia, while Libya is politically fractured given that each tribe seeks more power. Consequently, in Egypt there is always the possibility of a

military intervention against the Islamic regime of president Morsi, or the possibility of wide popular demonstrations against the government because of the persistent poverty. In Tunisia, the elected government struggles against poverty and the pressures of radical Islamists. Concerning Libya one cannot exclude the possibility that the country could be divided in three small states following the frontiers of the three regions, namely as it was during the Italian occupation. Furthermore, the Syrian conflict is still open and there is also the possibility that Syria could also be divided in small states, as it was during the French Mandate. It is easy then to understand what the possibility of changing the international frontiers in that region would mean, as it is full of national and religious minorities.

Finally, the Iranian problem is still open: Israel urges the United States to undertake a military operation against Tehran alone or in cooperation with Washington and the American president has limited options. In the case of a military attack, even a small scaled one, there will be very serious consequences, not only because of the instability provoked by any armed conflict, but also because such a response to the Iranian nuclear program will strengthen the Islamic fanaticism and, also, there will be a new oil crisis. It's easy to understand what such an eventuality would mean for the western economies. In this context, European Union should manage to persuade Israel and the United States to give up the military option. Last but not least, the echo of the Arab revolts seems to have put the regional monarchies, mostly Jordan and Morocco, in a state of alarm. That means that in the context of a policy of stabilization, Greece's European presidency should try to persuade Amman and Rabat that smooth democratic changes are inevitable and that the way of gradual reforms is better than a popular revolt whose outcome is uncertain.

Concluding, it is to be said that the current period is a transitional one for both the North and the South of the Mediterranean and -as it happens in such periods- it is very difficult to handle the challenges in a way which could transform them into opportunities.

#### Propositions

Any member-state assuming the presidency of the European Union has to overcome a number of difficulties, given that at the same time it has to promote the goals of the European Union and also its own national priorities. This difficult equation worsens at the time of a generalized crisis like the one begun in 2011, and especially for a country like Greece who has to struggle for its own economic survival. Also Greece has to deal with difficult neighbours, while it occupies a geopolitical position that makes it part of uneasy regional subsystems such as the Balkans and the Broader Middle East and North Africa (BMENA).

What Greece could do assuming the European presidency in order to promote its national interests? First of all, Athens should take the initiative to strength the Euro-

Mediterranean relations that suffer from the double crisis and promote the revival of the Euro-Mediterranean relations as one of its priorities. Greece has to persuade its European partners that the European Union should pay attention and respond in a positive way to the challenges emerged in BMENA for its own best interest. Furthermore Greece has on the one hand to encourage inter-religious and intercultural dialogue and, on the other hand, to promote joint ventures with the countries of BMENA.

Athens should also adopt a policy of cooperation with all the states of the BMENA, with no exclusion, a bilateral or multilateral cooperation based on common interests. That means that Athens has to try to improve its relations with the Arab world, cooling down after its rapprochement with Tel-Aviv, because even if the positive Greek policy towards the Arabs did have any brilliant results, yet thanks to this policy Greece is spared from terrorist attacks, as it happened to other European capitals, and also the so-called state of Northern Cyprus is not recognized by any Arab state. Simultaneously, Greece has to extend its collaboration with Israel in the domain of the delimitation of Exclusive Economic Zones (E.E.Z.) in the East Mediterranean taking advantage from the Israeli-Turkish frictions. Into the same context, Athens has to support Egypt in order to persuade Cairo to ignore Ankara's threats in this matter. For the same purpose Greece has to approach Libya and any other state involved in the delimitation of the Exclusive Economic Zones in the region. By doing so, Greece serves its national interests while promoting better relations with third Mediterranean states. As far as Turkish reactions to the delimitation of E.E.Z. Athens has to mobilize the Greek lobby in the United States and follow an effective but low profile policy like the one followed by Cyprus in this matter.

Last but not least, Greece should pay attention to the question of illegal migration. Ankara doesn't seem willing to take the appropriate and indispensable measures to bloc the illegal migration from its soil to Greece and then to other European countries. Athens has then to demand financial and political support from its European partners in order to accomplish its responsibilities in the context of *Frontex* and to be able to face Turkish policy in the domain of illegal migration. Finally, European Union should remind Turkey that good neighbouring and effective control of its borders are some of the obligations that has to fulfill in order to prevent from smuggling and illegal migration, if it is still interested to its European perspective.

**MARIA GIANNIOU\***

***GREEK FOREIGN POLICY AND THE EASTERN MEDITERRANEAN: A LONG-TERM STRATEGY FOR A REGION IN TRANSITION***

From the Ancient Times since the Late Middle Ages, the Mediterranean region represented the centre of European development and prosperity. Yet, the political and economic demise of the Italian peninsula, *inter alia*, has contributed to a shift in the balance of power towards commercial centres in Western Europe, which shaped the Europe's evolution all through the modern times. The Old Continent's unification project, since its inception, embraced Europe's southern dimension. The Mediterranean region's geopolitical significance was hence acknowledged constituting an essential component of the EU's evolution process. Social, economic and political developments in Europe's southern flank have always captivated its attention and still continue to constitute a major source of EU policy-making.

Within this framework, Greece represents an inherent part of Europe's Mediterranean expression maintaining sound economic, commercial and diplomatic relations with the peoples of the coastal countries and promoting EU policies and initiatives affecting the well-being, the prosperity and the stability of the wider region. In view of the Greek EU Presidency, during the first semester of 2014, what are the challenges that Greece will probably face in the Eastern Mediterranean region and what should the priorities for action be?

**Current situation**

*Mare nostrum* for the Romans, the Mediterranean basin connects a multitude of civilizations illustrating a remarkable socio-cultural mosaic and expressing strong ties between peoples sharing a common space. Since the time of Herodotus this *sea between the lands* witnessed both periods of prosperity and strife. History has shown that cohabitation and cooperation, as difficult as they may be, are considered inevitable. But, most of all, it has proved that prosperity flourishes through stability and equilibrium. Yet, uneven socio-economic development has led to the creation of demarcation lines between the northern and the southern shores, while, at the same time, the long-term Israeli-Palestinian conflict remains the region's core unresolved issue.

Within this framework of solicitude and uncertainty, both Greece and the European Union should contemplate on the region's future considering the latest developments in the Eastern Mediterranean. Since December 2010 the region has entered into an era of political transition and social transformation, which outcome

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\* Maria Gianniou holds a PhD in International Relations from the Sorbonne University. She is currently a Research fellow at the Euro-Mediterranean Observatory, Hellenic Centre for European Studies.

is yet to be decided. The “Arab spring” has triggered irreversible collective metamorphosis paving the way for the establishment of new governance models adapted to the demands and aspirations of the region’s societies. The European Union has welcomed these developments on the grounds that they signal the peoples’ willingness for political change towards more democratic and accountable regimes. At the same time, the EU and its member states tried to respond to these new geopolitical facts, in a coherent and effective manner, by reframing the EU-South Mediterranean relations after the “Arab Spring” on the basis of a revisited conditionality model putting forward the notion of *deep democracy*.

Yet, the EU will have to find ways to deal with continuing security commotion in the Eastern Mediterranean region. Tension and escalating violence in the Syrian front between governmental troops and rebel forces since March 2011 are responsible for civilian casualties and have stigmatized the country’s leadership on human rights violations. The international community’s efforts to impose a peace plan are, until now, unsuccessful while UN reports of abuses by the Syrian government’s forces further accentuate the grave and serious consequences of enduring disorder and political chaos. Besides the Syrian front, negotiations between the Israelis and the Palestinians are still on hold. Following the January elections in Israel the Likud Beitenu leader Benjamin Netanyahu is trying to form a sound coalition government that will be able to deal with Israel’s major issues without risking a break down. On the other hand, inter-Palestinian reconciliation efforts, backed by Egypt, have not bear fruit as of yet. Israeli - Palestinian negotiations are practically non-existent during the past four years, while the decision to confer non-member observer state status to Palestine, on 29 November 2012, has caused frustration among the Israeli political stakeholders.

Beyond these security concerns, the new geopolitical context is also characterized by the shifted relationship between Israel and Turkey during the past years. The *Mavi Marmara* incident on May 2010 has pushed Israeli-Turkish relations into a new era of awkwardness and discomfort. B. Netanyahu denies to positively respond to Turkish PM Recep Tayyip Erdoğan’s three demands following the Gaza flotilla raid. At the same time, Eastern Mediterranean developments are overshadowed by the Syrian conflict and the prospects of the post-“Arab Spring” era. Within this framework, mending relations with Israel was not a strategic priority for Turkey who saw a window of opportunity and a chance to play a leading role in the political developments in the Arab world. On the other hand, Israel, given the circumstances, has opted for an enhanced cooperation both with the European Union and with its neighboring states such as Cyprus and Greece. The choice to upgrade relations with these two countries comes at a time of general economic and political turmoil in the region and depicts a strategic priority of the Hebrew State.

Within this general context of transition and re-definition, Greece will lead the EU during the first semester of 2014. This entails the conception of a detailed and well-programmed road map including specific objectives for action and tools that will help achieve these objectives. Unfortunately, Greece will have to perform this dire task while facing, at the same time, the heftier socio-economic crisis since the *metapolitefsi* period. The country's critical economic situation has led to a severe and acute social crisis that defines internal developments and politics during the past three years. Austerity measures and rescue packages have led to a fragmentation of the society and a liquidation of the social apparatus. The current economic crisis not only challenges the EU social model creating demarcation lines within the EU and accentuating underlying divisions, but it even puts into question Greece's engagement with the EU. Greece is currently witnessing a polarized political scene – not ruling out the scenario of a possible departure from the Euro zone - which could be harmful to the country's European affiliation. While support for the European Union is eroding, the country's international leverage and impact is diminishing on a constant basis. In this context, Greece will have to seize the opportunity of the EU rotating Presidency in order to readjust its international profile, reaffirm its European membership and embrace economic development prospects in the Eastern Mediterranean region and beyond.

### **Challenges and Opportunities**

The Eastern Mediterranean has always been a region of tension and animosity. During the past couple of years, the emerging geopolitical conditions are propelling new, but also old, challenges which affect not only the stability of the region but also the European order as well. In this respect, Greece will have to come up with a long-term action plan that will safeguard its national interests while simmering down EU worries.

On the security level, the continuing Syrian conflict directly affects the stability of the whole region and challenges Greece's internal policies on human security. On the crossroads between Asia and Europe, Greece is witnessing important immigration flows on its sea and land borders during the past years. In 2011 almost 55.000 irregular immigrants were arrested in the Greek-Turkish land borders. This number dropped to 30.433 for 2012. Yet, a closer look to Greek police data reveal that the number of Syrians entering Greek soil in 2012 (7.927 arrests) was considerably higher than the one in 2011 (1.522 arrests)<sup>1</sup>. When arrested a great number of Syrians become asylum-seekers. This demands a well-functioning and effective

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<sup>1</sup>Greek Police Data, on [http://www.astynomia.gr/index.php?option=ozo\\_content&perform=view&id=12080&Itemid=429&lang=](http://www.astynomia.gr/index.php?option=ozo_content&perform=view&id=12080&Itemid=429&lang=)

asylum management agency yet to be put in place by Greek authorities<sup>1</sup>. Refugee management will represent a top priority of Greek immigration authorities who wish to offer fair treatment to people seeking international protection, while, at the same time, adequately controlling economic immigration flows.

As already said, the Mediterranean region represents, in many ways, a region in transition. Yet, transition is not an easy task. The abandonment of past practices and the passage to new structures demands considerable undertakings and entails a multitude of risks. Democratization of its neighboring countries might be a European ambition, but, there is not a fit-to-all model. In the Arab Mediterranean societies who participated in the socio-political upheavals, the rise of Islamic parties to power represents more than a probable outcome, challenging the region's stability and the EU's vision regarding Euro-Mediterranean relations. In Egypt, the overthrow of Mubarak's regime has prompted the Muslim Brotherhood's quick rise to power. Yet, even though a dominant political force, Egypt's internal politics are still unsettled and the eventuality of an Islamic state is still pending. This scenario could easily be reproduced, of course adapted to the situation, in Syria. As the country remains an open field, it could easily be turned into an arena of Shiite-Sunni confrontation, a possibility that could destabilize Syria's neighbors and the wider region as well.

Spill-over effects could, at the same time, disturb the moribund Middle East Peace Process. Israeli concerns over Iranian ambitions regarding the region dictate the country's stance during the past years. On the other hand, Hamas' ideological affiliations to the Muslim Brotherhood as well as the emergence of other Palestinian jihadists groups add to Israel's security concerns, which is eager not to jeopardize its peace treaty with Egypt due to political transformations in the region.

Another challenge in which Israel is directly involved is the energy issue in the Eastern Mediterranean region. The discovery of probably the world's largest gas findings in the region during the last decade, back in 2010 has, of course, triggered a number of investigations in the littoral states and incited the forming of new and the reshaping of old alliances between the interested parties. Israel and Cyprus have already signed, in 2010, an agreement regarding their exclusive economic zones. But this is not the case for all the countries in the region. Lebanon and Israel have not yet agreed on their maritime border provoking disputes over the gas fields, while Turkey is craving for a leading role on energy matters. Greece, on the other hand, considers the hydrocarbon "window of opportunity" as an exit ticket from the current economic crisis. Due to its geographical position, Greece could possibly play a crucial

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<sup>1</sup> The Asylum Agency was created in 2011 but is still understaffed. During the past five years only 1.262 people have been officially recognized as refugees by Greek authorities. Ministry for Citizen's Protection Data, on [http://www.yptp.gr/asylo.php?option=ozo\\_content&perform=view&id=4254&Itemid=156&lang=&lang=GR#politiko\\_asylo\\_1](http://www.yptp.gr/asylo.php?option=ozo_content&perform=view&id=4254&Itemid=156&lang=&lang=GR#politiko_asylo_1)

role regarding the transportation of gas findings from the Eastern Mediterranean to the EU, bypassing non-EU member state Turkey. This could entail infrastructure investment, inciting, thus, economic growth and fostering cooperation between Greece, Cyprus and Israel.

Within this framework, the upgrade in Greece's relations with Israel is of paramount importance. Greece seized the momentum after the rift of the Turkish-Israeli relationship, offering long-lasting cooperation to the Hebrew state, which aspires to the establishment of synergies in a multitude of areas, focusing, *inter alia*, on the field of agriculture, services and investment. In particular, energy security is a strategic priority for Israel. The suspension of gas supplies on April 2012 after the attack on the Arish-Askelon pipeline underlines the importance of safe energy supplies.

### **Policy proposals**

Greece will have to find ways to deal with all these challenges while concentrating on the biggest challenge of all: to safeguard the country's European vocation and to avoid incoherent foreign policy tactics provoked by the polarization of politics. A consensus on foreign policy represents the cornerstone of successful action and, consequently, of effective outcomes. Bearing this in mind, and in view of the EU Presidency, Greece could:

- Propose a holistic foreign policy including day-to-day action by the diplomatic services as well as coordinated action between the Ministry of Foreign Affairs and other actors, such as the Ministry of Defense, the Ministry of Development, Competition, Infrastructure, Transportation and Networks, the Ministry of Economy. Within this framework, the Ministry of Foreign Affairs could make use of Greek MPs membership in regional parliamentary assemblies and in the Greek Parliament's friendship groups in order to ensure multi-level action regarding the Eastern Mediterranean region.
- Promote investment opportunities making use of the Hellenic public asset development fund (HPADF), without, however, jeopardizing the country's prospects of independent economic growth.
- Seize the momentum regarding energy exploration opportunities in the Greek waters. Possible exploitable findings could not only produce economic growth but also new facts on the ground. On this basis, Greece should maintain a climate of equilibrium in its diplomatic relations, enhancing cooperation with Israel and avoiding to enter into friction with Turkey, which will probably find itself marginalized, at least until relations with Israel are warmed up again.



- Promote bilateral/multilateral cooperation between SMEs in Greece, Cyprus and Israel in areas of common interest such as water security, agriculture and energy.
- Push forward, during the EU Presidency, the inclusion in the European agenda of issues of vital interest for the stability of the region such as immigration flows, energy infrastructure and market opportunities, support for the Middle East Peace Process and gentle transition towards more democratic regimes in the Mediterranean region.

Last but not least, Greece should become the EU's *porte-parole* in the Mediterranean expressing its vision regarding Euro-Mediterranean relations and playing a vital role in shaping the EU's deficient strategic vision on the region.

**ELENA LAZAROU<sup>1</sup>**

***THE EU AND EMERGING BRAZIL: A CHALLENGE AND AN OPPORTUNITY FOR THE GREEK PRESIDENCY?***

The past decade has left little doubt that the international environment has changed. The significant power shifts brought about by the commodities boom, the increasing dependence on energy and food producing countries, the depletion of natural resources and changing demographics, among other factors, have led to a world where the so-called emerging markets have gained unprecedented relevance and cannot be neglected. The rise of the BRICS (Brazil, Russia, India, China and South Africa), the shift of gravity towards the East (Asia) and South (Latin America and Africa) and the development of new economic powerhouses with large domestic markets, attractive investment potential, large foreign reserves and alternative social models have fundamentally altered the dynamics of the world in which the EU operates.

At the same time, the global financial crisis which hit Europe and the United States more than any other part of the world, and the subsequent need to complete the recuperation that has started, calls for an emphasis on diversification of trade and foreign relations, an increase in competitiveness and scales of exports and a quest for innovation in partnership with those ascending economic markets in the East and South.

The EU's relations with Brazil fall exactly within this line of strategic thinking. Increasingly, and particularly since the middle of this past decade, it has become evident that the EU needs to strengthen its ties with the Latin American giant on all levels – political, financial, commercial, R&D. Subsequent EU Presidencies have put a strong emphasis in this area – particularly those held by countries traditionally linked to the Latin American continent through cultural affinities, such as the Portuguese or Spanish, or longstanding commercial or investment relations or even development cooperation. The latter is the case of France, the UK and some Scandinavian countries.

But to Greece, just as to most of the Eastern European countries, Brazil is an unknown and relations – on all levels – have always been limited, albeit friendly and conflict free. But just as larger Eastern European countries, such as Poland, are investing on creating a «Brazil policy», so must Greece. And it should do so in the run-up to the Greek Presidency of the EU, arriving to 2014 with an agenda that will

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<sup>1</sup> Elena Lazarou is the Head of the Center of International Relations, School of Social Sciences (CPDOC), Fundação Getulio Vargas, Brazil. She is also an associate of the Hellenic Center for European Studies (EKEM) and ELIAMEP. She holds a PhD in International Relations from the University of Cambridge.

position Greece on the EU member-state map, as a state whose reach goes beyond its neighborhood and traditional partners and holds potential for global reach and innovative proposals. Before analyzing in detail how Greece may proceed to materialize this goal during its presidency, the next section summarizes the background and state of EU-Brazil relations, as well as the main areas which present challenges to their development. The concluding section includes concrete areas and ideas regarding the Greek Presidency and Greece-Brazil relations.

### **The State of EU – Brazil Relations**

Brazil and the European Communities have maintained diplomatic relations since the 1960s, but while the dialogue with specific EU member states accelerated fast in some cases, relations with the European Community did not evolve significantly until the return of democracy in Brazil (1985). From 1995 onwards, relations were guided by a Framework Agreement which focused on the specific areas of science and technology, investments and industrial property (a major worry on the EU side). Meetings were held every two years in the form of an official Joint Committee, but few practical decisions were made and no central political statement was delivered. With the creation of Mercosur<sup>1</sup> in the early 1990s the EU made a turn towards interregional (EU-Mercosur) rather than bilateral (Eu-Brazil) relations, a trend which lasted by and large until the failure of the EU and Mercosur to conclude an Association Agreement, which would also include trade liberalization, in 2004. In 1999, another multilateral initiative emerged: it was the year the first high level summit of the European Union-Latin America and Caribbean Chiefs of State (EU-LAC), complemented as of 2013 by the newly established CELAC - EU Summit<sup>2</sup>.

While both interregional frameworks are still operational, EU-Brazil relations are, nowadays, largely governed by the 2007 EU-Brazil Strategic Partnership – or at least, this is the EU's aspiration. This was launched by the EU in recognition of Brazil's growing role as a regional power and economic powerhouse in the mid-2000s. By 2007, Brazil's large territory (the 5<sup>th</sup> in the world), significant population (close to 200 million people) and impressive – not to mention growing - GDP (Brazil is the 6<sup>th</sup> largest economy in the world, with a GDP of approximately 2 trill. USD), alongside its abundant natural resources and potential for industrialization, had generated more serious attention from Europe and other established powers. A stable democracy since 1985, with abundant natural resources and potential for industrialization, and an emerging interlocutor for the Global South (through the G20, IBSA and BRICS groupings among other things), and – arguably – for Latin/South America, 21<sup>st</sup>

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<sup>1</sup> Common Market of the South Cone, composed by Brazil, Argentina, Paraguay and Uruguay. Despite the name, Mercosur has still not become a common market, still facing troubles even to maintain its customs union.

<sup>2</sup> CELAC ( Community of Latin American and Caribbean States) is a regional block of 33 Latin-American countries, founded in 2011 in Caracas.

century Brazil fit the definition of “strategic partner” reasonably well. In addition, more than other emerging powers, Brazil exhibited a set of values and a multilateral agenda which did not fall far from the EU’s own views on global governance and international institutions.

On the Brazilian side, the partnership was welcomed as a symbolic recognition of the country’s growing weight in the international arena and impressive macroeconomic and social achievements. The entry into the EU’s club of “select partners” was also viewed as a step towards ensuring European support for the country’s claims to more – and fairer – participation in international institutions, principally its claim to a permanent seat in the UNSC and its demand for a substantial reform of the division of power in the Bretton-Woods institutions. With regards to Brazil’s regional influence, which the EU has been keen to capitalise on through the partnership (indeed the EU referred to Brazil as a regional leader since the first commission Communiqué on the partnership), Brazil has remained reluctant and silent as countries across the region, particularly neighbouring fellow G20 member Argentina, have voiced concerns regarding Brazil’s “special relationship” with the EU and their own exclusion from the high level dialogue.

Since the establishment of the Partnership, the EU and Brazil have held annual high level meetings (Joint Summits). These meetings are a mechanism which institutionalizes the special dialogue, bringing together not only the political elites, but also specific workgroups and representatives of the business communities, the latter in meetings which occur in parallel with the State summits. Input from all these levels is considered in the formulation of agreements, such as the Common Action Plan.

The Summit agendas include issues in three areas: “multilateral/global challenges”, “regional agenda” and “bilateral concerns”. This division reflects the several interests embraced by EU and Brazil, as well as their different perspectives towards the partnership. An overview of the joint statements of the six summits that have taken place so far reveal that on the global level the recurrent issues were: the reform of the UN Security Council, the consequences of the financial crisis along with a formulation of multilateral mechanisms to avoid future bankruptcies, and coordination of policies in climate change talks. The addition of regional issues has been an important demand of Brazilian diplomacy, which have wanted to include programs for the strengthening of ties between the EU and Mercosur to avoid being accused for exceptionalism. It is also a major concern for the EU which hopes that Brazil will push for a renegotiation of an EU-Mercosur Free Trade Agreement. The bilateral agenda has been devoted to controversies about migration policies and coordination of actions on organized crime matters, which in the 6<sup>th</sup> Summit (24 January 2013) seem to have been largely tackled with the new provisos on visas. The summit also marked a big shift towards emphasis on business and on the creation of

a friendlier environment for mutual investment. The business focus was emphasized in Commission President Barroso's statements in the aftermath of the meeting.

### **Challenges and opportunities in EU-Brazil Relations**

Since the establishment of the Strategic Partnership a lot has changed for both partners. In Brazil the continued implementation of successful social policies and sound macroeconomic strategies led to continuous growth throughout the period since 2007 up to today, with a slight 6-month slump in 2009 which was quickly tackled by the Central Bank. In 2012, Brazil, which had reached its highest ever debt to the IMF in 2002, became a creditor of the IMF, having achieved single digit inflation rates, foreign reserves higher than the equivalent of one year's imports, and a significant drop in public debt. With almost one quarter of its population coming out of extreme poverty into the new middle class, Brazil also grew as a consumer market and became the fourth biggest receptor of foreign investment (UNCTAD). Brazilian investments abroad expanded, just as its contribution to global development aid. On the regional level, Brazil continued to support cooperation initiatives through its National Development Bank (BNDES) and its leading role in MERCOSUR, UNASUR and CELAC. On the international front, the global financial crisis privileged Brazil's influence through the empowered G-20, and the institutionalization of the BRICS. As a non-permanent member of the UNSC in 2010 and 2011 Brazil was given the opportunity to project its approach in the field of security in issues such as the Arab Spring, the norms of intervention and nuclear proliferation. Finally, as the host of the Rio +20 United Nations Earth Summit and an active participant and mediator in the COP Summits, Brazil won recognition as a champion of multilateralism in the area of climate.

On the EU front the financial crisis generated political and economic instability in the countries of the South, severe drops in the levels of trade and prolonged discussions about the sustainability of the supranational integration model. Nevertheless, the EU remains a frontrunner in the promotion of regional cooperation and multilateralism, a leading actor in innovation and technology, as well as a major trading partner for all world regions. With the coming into force of the Lisbon Treaty in 2009, the EU reinforced its participation in international security and development issues, and remained a leading diplomatic voice in the attempts to resolve conflict in the Middle East and the world's biggest aid donor.

Within this context the two partners aim to advance their partnership with attempts for closer cooperation in the key fields of trade and investment; business; energy and climate; security and conflict prevention; humanitarian and development aid; education, science and technology; migration and regional integration. The following sections briefly look at four areas which featured high on the agenda on this year's (2013) summit and will have a significant impact on the evolution of the partnership, if the main obstacles and challenges involved are tackled.

### *Trade and investment*

The EU is Brazil's main trading partner, representing approximately 23% of its total trade, and the biggest foreign investor in the country. For the EU, Brazil is an important supplier of agricultural products and a destination for industrial goods. Protectionism on both sides has prevented an EU – Mercosur Association Agreement which would liberalise trade between the two blocs and increase its volume significantly from coming into force. As of 2009 the financial crisis has been a further deterring factor in trade and investment relations between the two. Not only has the crisis reduced EU trade significantly, but as of January 2012 Brazil has also suffered the consequences, registering its biggest trade deficit in 39 years due to a drop in the prices of commodities and to the declining numbers of exports to the EU and China. Overall, in the past year, declining growth rates, high welfare policy costs and dependence on commodity-led growth have begun to worry the Brazilian government.

This was reflected in the 2013 EU-Brazil Summit where, contrary to previous years, preoccupations regarding the crisis were equally shared by the two parties. As a result, discussions were dominated by a strong bilateral focus on boosting trade and investments in both directions. The decisions included, among other things, an emphasis on Public-Private Partnerships and the urgent need to conclude EU-MERCOSUR negotiations. Brazilian diplomacy, which has already been pushing hard for more progress in the Association Agreement in recent years, worked towards the promotion of this goal in the subsequent EU-CELAC summit, gaining Argentinian consensus. Unless there is immediate and efficient follow up to this, it is likely that Brazil will look to India and other Asian countries in order to diversify its trade relations and to the Gulf region for the attraction of investment. This would undoubtedly weaken the strategic character of the EU's partnership with Brazil in the economic arena. A lot will depend on the initiatives taken by businesses and the determination of governments on both sides to facilitate business interactions and investments.

### *Global Financial Governance*

The global financial crisis broke out soon after the establishment of the EU-Brazil Strategic Partnership, inevitably occupying an important space in the partnership's agenda. Increasingly the issue has been linked to Brazil's demand for a reform of global financial institutions and the empowerment of the G-20. As the crisis enveloped Europe, while Latin America continued to grow, Brazil, along with other BRIC countries, became a creditor to the IMF. The IMF in turn became an intrinsic part of the mechanism charged with the resolution of the crisis in the EU's southernmost states. Nonetheless, in the Brazilian view, Europe still needs to make concessions in terms of the distribution of quotas in the IMF in recognition of the changing patterns of economic power. To this end, this year's summit made

references to the need to reform international financial institutions further. The shared concern with the social implications of economic decline is perhaps an issue which the two partners in unison may be able to upload to the international multilateral agenda. As mentioned above, intentions for more business were discernible, including in the fields of technology, aviation, agriculture and biofuels. To this end, there is need for further formal and informal dialogue between the EU and Brazil to reach mutually accepted norms in these areas.

### *Security*

In spite of both parties' consistent defence of multilateralism, democracy, nuclear non-proliferation and human rights, the EU and Brazil have failed to reach common positions on a number of critical issues in the past years, including the Arab Spring and Iran. Normative disagreement regarding intervention has led to discrepancies within the UN and in their bilateral discussions on security. The cases of Libya, where Brazil abstained from resolution 1973, Syria and Iran, where Brazil is reluctant to speak of sanctions are a few examples. The establishment by the two parties of a formal ***High Level Dialogue on Matters pertaining to international peace and security including peacekeeping and peacebuilding*** in 2013 opens up space for mutual understanding in this area, and creates potential for more coordination in the area of global security.

The 2013 Joint Statement also revealed the joint intention to increase humanitarian aid combined with the promotion of democratic processes through technical cooperation and collaboration with the local authorities in fragile states. If taken forward, this may lead to more trilateral and multilateral joint missions. The model is close to the one that Brazil followed in Haiti, Guinea Bissau and Namibia (which included assistance with security and defence sector reform).

### *Development Cooperation*

Hailed as one of the most successful achievements of the EU-Brazil partnership trilateral cooperation for development, particularly in Africa and Latin America, is emerging into a key area of the partnership. In this year's Summit, the European Commission agreed to sign the Charter of Brasilia which sets out future actions of trilateral coordination to support electoral processes in Portuguese speaking countries. Further agreements on technical cooperation and humanitarian assistance linked to socioeconomic concerns are paving the path for a renewed approach to development shared by the EU, the world's largest donor, and Brazil – an emerging one. The Brazilian experience as a recipient of aid and a developing country, along with its particular modus operandi as a donor in African Portuguese speaking countries are thus joined with the EU's long history of technical cooperation in the quest for more effective aid policies, ones that will be received with less scepticism..

### *Regional Integration*

The question of Brazil's regional leadership remains to be answered. There are many reasons why it is not in Brazil's own interest to be seen as such, even if its size would suggest otherwise. Brazilian diplomacy has always been cautious when promoting regional integration, engaging in the project with enthusiasm but refraining from hegemonic behaviours or even from attempts to convince its neighbours to follow its practices. Thus, the aspiration of the EU to promote regional integration à la EU through its ties with Brazil, is unlikely to materialize. But what has materialized, once again due to the pressure brought about by the crisis and by the generalized Latin American objective to see business and investment flourish, is a decision to move forward with the EU-MERCOSUR negotiations for an Agreement. Brazil's commitment to act as a promoter of this goal in the EU-CELAC Summit definitely has contributed to this, as has the very business-oriented nature of the interregional summit which was marked by the presence of around 300 business and political leaders from over 60 countries.

### *Education and Culture*

Exchanges of students and research have occupied an important space in the EU-Brazil agenda and received generous funding from the EU in the past. Now, through the ambitious *Science without Borders* program (2011), the Brazilian government is investing heavily in the training and learning of its own students abroad (101,000 scholarships), with the aim to cover – in the long-term – the lack of qualified professionals in the country in light of the challenges ahead (eg. Infrastructure, health sector, innovation and technology). While some EU member-states have already promoted their educational institutions abroad, countries in the East and South of Europe are at a relevant disadvantage due to language barriers and the lack of previous ties with Brazilian academia. The challenge for the EU as a whole is to become an optimum destination for Brazilian researchers and students and vice-versa.

### **Policy Proposals**

In spite of the ongoing crisis of the Euro, today the EU is still Brazil's main trading partner, accounting for 22.2 percent of its total trade and 29.796 billion dollars of its trade balance surplus<sup>1</sup>. More than that, despite the growing financial relevance of China in Latin America and the traditional economic influence of the US, the EU as a whole remains the most important investor in Brazil<sup>2</sup> and Brazil has now become an important investor in the EU. But there is still space to be covered both in the

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<sup>1</sup> Data provided by the Ministry of Development, Industry and International Trade. Available at: <http://www.mdic.gov.br/sitio/interna.php?area=58&menu=2477&refr=576>

<sup>2</sup> Data provided by the Brazilian Central Bank. Available at: <http://www.bcb.com.br/rer/ied/port/ingressos/htms/index3.asp?idpai=INVEDIR>



commercial and political aspects of the EU-Brazil relationship, as well as in the area of education and culture. In this context, the Greek Presidency of the EU could aim to:

- Include a preparatory summit for the evaluation of the EU-Brazil Joint Action Plan (2011-2014) during the first semester of 2014.
- Promote interactions for the exchange of ideas on trade and investment between EU and Brazilian businesses and investors, including small and medium size corporations.
- Capitalize on the opportunity of the Presidency in order to bring emerging economies such as Brazil and others closer to the realities of the impacts of the Eurozone crisis in Southern Europe.
- Include in the priorities of the Presidency issues of mutual interest such as renewable energy, sustainable development, poverty alleviation, green policies.
- Engage in the discussion about trilateral cooperation with Brazil in the area of development in Africa, given that Greece is one of the EU countries closest to the continent in geographical terms.
- Engage countries beyond the EU, such as Brazil, in informal dialogue with the EU regarding the Middle East and the aftermath of the Arab Spring, which also is in the vicinity of Greece.
- Promote a joint discussion with Brazil on issues regarding migration (skilled and unskilled) including exchange of practices and possible joint policies.
- Promote exchange of practices on social policies and poverty alleviation programs, areas in which Brazil is becoming a leader gradually.
- Promote exchange of academics and students between Brazil and the new/Eastern/Southeastern EU member-states and EU candidate states.

## ASTERIS HULIARAS\* – SOTIRIS PETROPOULOS\*\*

### GREEK-CHINESE RELATIONS

*Until the turn of the millennium Greece's relations with China could be characterized as weak. Official contacts were limited to few visits by Greek politicians to China, some declarations of mutual respect as well as the signature of general Protocols or Memoranda of Cooperation. However, Greek-Chinese relations have impressively grown over the last few years. Sino-Greek political contacts as well as trade, investment and touristic flows have increased significantly. Although China is rising in the global political and economic scene, Greece does not seem to have formulated a strategic plan for further developing the relationship.*

### Historical Context

In 2012, Greece and China celebrated 40 years of diplomatic relations. However, for more than two decades, the two countries had few official contacts and bilateral trade remained at very low levels. Despite official visits to China by Greek prime ministers (Constantinos Karamanlis in November 1979 and Andreas Papandreou in April 1986), Beijing did not show any particular interest in developing bilateral relations. It was only in Spring 1991 that the Chinese foreign minister Qian Qichen visited Greece as part of a trip to south European countries.

During the decade of 2000 official visits between the two countries were multiplied, while the year 2006 is of crucial importance as the visit of the then Greek Prime Minister was followed by a Common Declaration for the Establishment of a Comprehensive Strategic Partnership. Since then, Greek-Chinese relations grew spectacularly.

Indicative List of Greece-China Official Visits
1979: Greek Prime Minister Constantinos Karamanlis visits China
1986: Greek Prime Minister Andreas Papandreou visits China
1988: Greek President Christos Chartzetakis visits China
2000: Chinese President Jiang Zemin visits Greece

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\* Asteris Huliaras is Professor in comparative politics and international relations in the Department of Political Science and International Relations in the University of the Peloponnese.

\*\* Dr. Sotirios Petropoulos is a Research Fellow at the University of Peloponnese. He holds a PhD in Geography from Harokopion University of Athens, Greece as well as an MA in International Political Economy from Warwick University, UK.

2002: Greek Prime Minister Constantinos Simitis visits China
2006: Greek Prime Minister Constantinos Karamanlis visits China
2008: Greek President Carolos Papoulias visits China
2008: Chinese President Hu Jintao visits Greece
2010: Chinese Prime Minister Wen Jiabao visits Greece

It is worth noting that in many cases the two countries have expressed common political positions. For example, using similar arguments both Greece and China (as well as Russia) have refrained from recognizing Kosovo's independence. Furthermore, in March 1997 Greece supported the evacuation of Chinese citizens from Albania during the collapse of the Albanian government while during 2011 Greek ships transported part of the 13,000 Chinese living in war-torn Libya. Finally, the good Sino-Greek relations were expressed by the initiative of Athens to provide humanitarian assistance worth 1 million euros to earthquake victims in Wenchuan (12 May 2008).

### **The European Factor**

Indisputably, Greek – Chinese relations are conditioned by the relations of the latter with the European Union. Indeed, after its entry to the European Economic Community in 1981, Greece implemented the *acquis communautaire* in its trade relations with China and developed a position on EU-Chinese relations in the framework of European Political Co-operation. In the second half of the 1990s, Sino-European contacts expanded spectacularly and the relationship was widely discussed in both Brussels and Beijing. The EU became Beijing's largest trade partner, with overall trade increasing by a factor of sixty between 1975 and 2005 to €210bn (\$326bn).

China focused more on its relationship with the EU after the American military intervention in Iraq in 2003, an intervention which was greeted with much suspicion by Germany and France, who shared with China the view it was made without the approval of the UN Security Council. In 2003 the EU and China declared a 'strategic partnership'. By 2004 some EU states began to push for the lifting of the arms embargo which was imposed on China after the Tiananmen Square massacre in June 1989. France and Germany drove the campaign to end the embargo but at the end US pressure was successful in keeping it in place. Greece kept a rather low profile in the debate though it was classified in the group of countries that supported the lift of the embargo. After 2005, when the EU had to accept diplomatic defeat, Beijing 're-evaluated' its approach to the EU, re-directing its focus from Brussels to bilateral

relations with member states. Still, the lifting of the embargo remained an objective of Beijing's policy towards the EU.

Beijing also exerted considerable pressure on Brussels to grant China 'market economy status' which would effectively mean the elimination of anti-dumping tariffs. As Chinese exports to EU grew and many EU countries faced large deficits in their current account balances, the discussions in Brussels on further liberalizing trade relations with China or, on the contrary, imposing more anti-dumping measures, became heated. EU member states adopted different positions. Greece was one of the countries that from an early stage joined those voices that urged the EU to adopt vigorous protectionist measures against China. In fact, the Greek textile industry was particularly hit by the skyrocketing growth of Chinese textile exports, especially after January 2005 that marked the end of country-to-country quotas on textile products imposed by the WTO. Greece joined other countries like France, Italy and Portugal, urging the Commission to undertake an investigation for the activation of specific protective measures concerning textile products from China. China would in the end agree to voluntarily limit exports to the EU until the end of 2008 and allow a 'reasonable growth' of textile exports reaching European market. In addition, the attempt of the EU to impose a carbon-tax to airlines from China created some tensions while EC's investigations on possible trade malpractices of Chinese companies (e.g. in the field of solar panels) are expected to further increase tensions between the two parties.

### **Economic Relations**

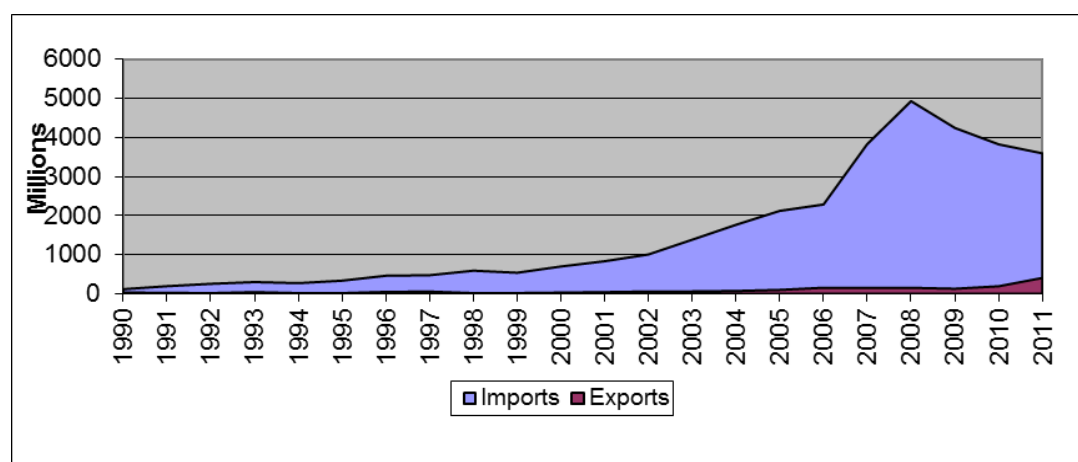
Greek-Chinese trade in goods has spectacularly increased in the last decade, reinforced by China's accession in the World Trade Organization in 2001. Although both Greek imports from and exports to China have increased in the last decade, the balance of trade remained negative for Greece and the gap was particularly wide in the 2006-08 period when Chinese imports rose to almost 5 billion dollars per year. Since then, imports from China have declined (due to the Greek economic crisis and the consequent decrease of consumption) and Greek exports to China increased – though the gap in the trade balance remained wide. It should be noted that the rise of Greek exports to China during the 'difficult' years of 2009-11 are, from a Greek perspective, of particular importance as today the economy is trying to escape the negative effects of decreased public spending. Preliminary data for 2012 also record a continuation of this trend, reinforced by Beijing's strategy to increase private spending within China (see 12th Five-Year Plan [2011-15]).

According to data from the Greek Embassy in Beijing, Greece's imports from China include industrial products like engines, minerals, clothing and footwear. Main Greek products exported to China are mineral ores, minerals and fuels, with the quantity of olive oil constantly on the rise.

On the other hand, despite the significant growth of Greek exports to China, they still represented in 2011 just 1.3 per cent of total Greek exports (0.3 per cent of total exports in 2000). On the contrary, Greek imports from China represented 5.9 per cent of total imports in 2011, rising from 2.3 per cent in 2000.

It should be noted though that, even though overall data present China as a market destination of low significance for Greek exporters, an assessment of specific categories of products leads to rather different conclusions. For example, China absorbed in 2011 more than 24 per cent of total Greek cotton exports, one of the main Greek agricultural products, recording a 5,887 per cent increase since 2010. Similarly, China receives more than 25 per cent of Greek exports falling under the 'salt, sulfur, plaster and cement' category.

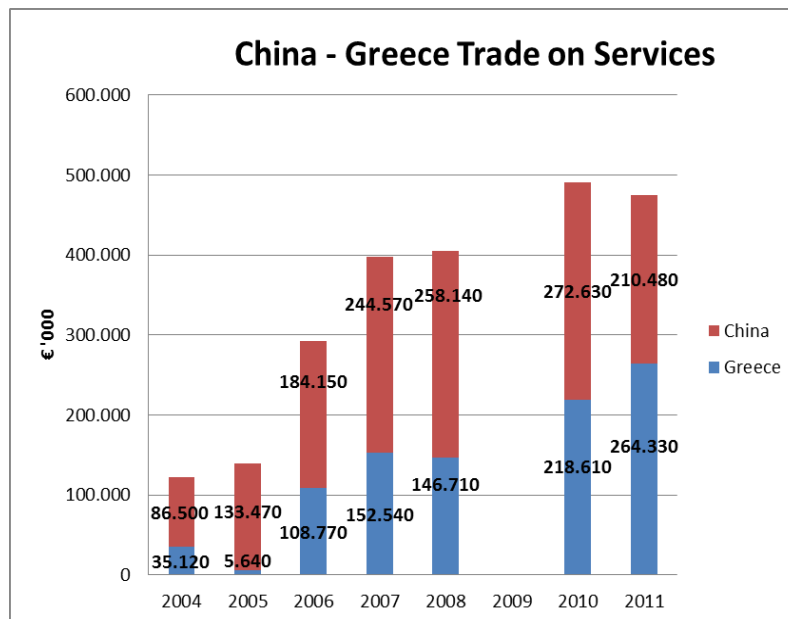
Figure I: Greece – China Bilateral Trade (commodities)



Source: OECD 2013

On the service sector, the huge imbalance between Greek imports and exports tends to smooth out. During 2011, Greece has managed to shift from a net importer of services from China to a net exporter, registering a more than €50m surplus, while even during previous years the imbalance was not as high as in the trade in goods.

Figure II: China – Greece Trade on Services

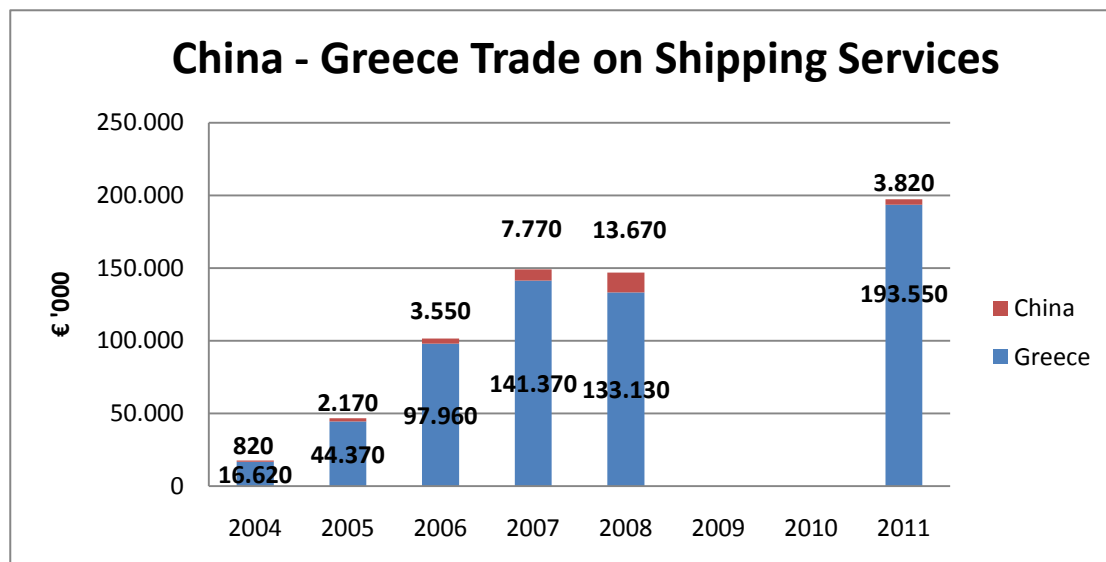


Source: Eurostat 2013

What is certain is that the Greek surplus is based on shipping services. Available data clearly demonstrate that Greek offering of sea transport services (transport of products) have steadily increased during recent years, constituting more than 73 per cent of total Greek services exports.

Figure III: China – Greece Trade on Shipping Services

(Transport of products)



OECD: Eurostat 2013

It should be noted that these data do not include the sea transport of products by Greek-owned ships, i.e. those ships which have not been registered under the Greek

flag. Hence, it is estimated that Greek shipowners are more involved into Chinese external trade than what official statistics show.

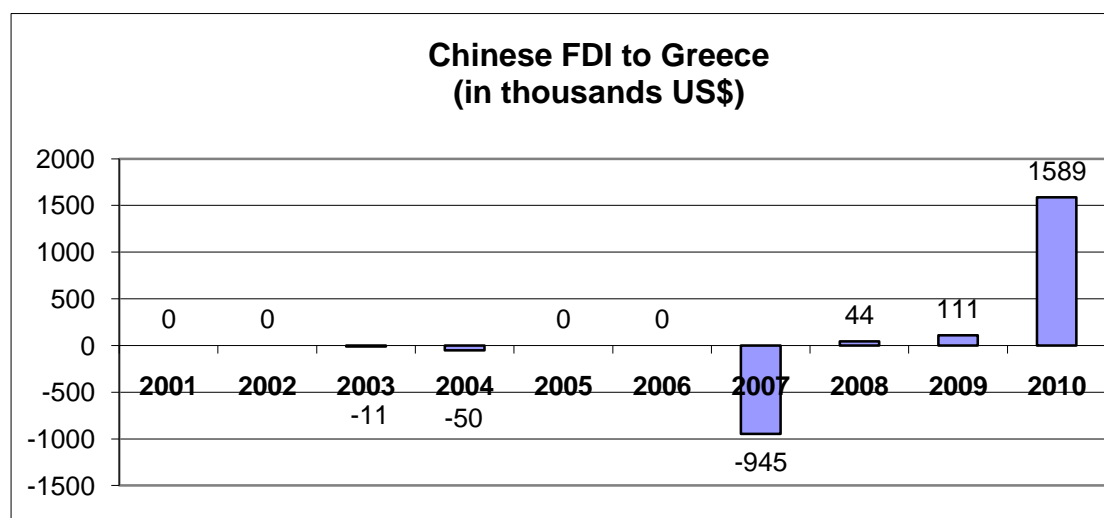
### Investment

In the field of investment flows the Greece – China relations present significant interest – especially when deals that have been announced but have not yet been recorded in official statistics are concerned. Besides the COSCO investment in the port of Piraeus, Chinese companies have signed or have expressed their willingness to sign with the Greek government or Greek companies specific deals.

For example, Beijing is the highest bidder for government shares in Athens International Airport for the 2026-46 period worth €500m. In October 2011, the President of the Chinese Senate, Jia Qinglin visited Athens with a group of executives of 40 Chinese companies. During the visit an agreement worth €500m was signed between marble company Aghia Marina Marble and Xibang Building Stone Development Ltd. In June 2011, the Chinese state-owned company Dongfang signed an agreement worth €2bn with the Greek partner DTS for the production of solar energy plants and wind turbines. The Greek telecommunications firm OTE signed a deal with its Chinese counterpart Huawei while the public television networks of the two countries (ERT and CCTV) also signed a co-operation agreement. News that the Chinese have expressed an interest to buy shares to state-owned Hellenic Railways Organization (OSE) scheduled for privatization, led many observers to argue that Beijing sees Greece as an entry point of Chinese products into European and Middle Eastern Markets.

Most of these deals have not yet been recorded in official statistics (data are available for up to 2010) but even before 2011 and especially during the critical (for the Greek economy) 2009-2011 period Chinese FDI has gradually increased.

Figure IV: Chinese FDI in Greece



Source: OECD 2013

On the other hand, many Greek companies were attracted by the lure of doing business in China and several of them succeeded in taking advantage of the opportunities offered by the size and massive expansion of the Chinese economy.

Hence, major Greek companies have gone beyond exporting to China and have invested in either production facilities or stores. For example, Kleemann Hellas (elevators), S&B (Minerals), Olympia Stones Co. Ltd (marble), FHL Kyriakides Group (marble), Lazarides Marble Group (granite), Plastika Kritis Group (plastics) have opened production lines in China. Moreover, Greek companies such as Korres (hair, body and face products), Oxette (jewelry), Coco-Mat (bed products), Folli Follie (jewelry, watches, bags, etc.) and Tsantali (wine) have opened numerous retail stores in many Chinese cities.

### **Other aspects of Greek-Chinese Relations**

Going beyond the economic field, the Greek-Chinese relationship also includes the existence of about 20-30,000 Chinese migrants living in Greece. Some of them are legal but many others are not. They have started settling in Greece in the late 1990s, mainly from the south-eastern provinces of Zhejiang and Fujian. Most of them are small entrepreneurs that came with their own capital and are involved in the retail and wholesale business. The economic crisis has hit hard the Greek Chinese community as demand for consumer goods has decreased, so those who have the financial capacity are returning to China but most of them are expected to stay and wait for the situation to improve.

Finally, the issue of Chinese tourists coming to Greece has been on the focus of most Greek governments and media since the mid-2000s. Based on the fact that China has an immense population and a rising GDP per capita, tapping such a source of tourists is of great significance for a country that understands tourism as a major national industry. However, although several agreements have been signed and a direct air connection between Athens and Beijing operated by Air China (via Munich) has been established, Greece is receiving but a small percentage of Chinese tourists to EU-27, just 2 per cent in 2010 although it rose from 1.2 per cent in 2005. It should be noted though that statistics are only covering Chinese tourists coming to Greece directly and not through other countries.

### **The two windows of opportunity**

#### *The Olympic Games*

The real impetus to the Sino-Greek rapprochement was given after Athens hosted the 2004 Olympics and offered to transfer part of its know-how to the Chinese for the 2008 Beijing Games. The successful implementation of the games in Athens in addition with the Chinese leadership's anxiety to organize successful games formulated a positive environment regarding cooperation initiatives between the two countries and overall contacts related to the Olympic Games gave a momentum



to the relationship. Also, the fact that Greek police efficiently tackled anti-Chinese protest by pro-Tibetan activists in the Olympic flame relay had already created a positive milieu for the strengthening of the bilateral relationship.

Indeed, the issue of the Olympic Games was cited in numerous Greek and Chinese official visits. They were, for example, part of the agenda, in both 2006 visit of the Greek Prime Minister Karamanlis to China and the 2008 visit of the Chinese President Hu Jintao to Greece. Furthermore, several specific visits dealing exclusively with passing on know-how from Athens to Beijing were organized, such as the July 2005 visit of Greek minister of Culture Fani Petralia to China and the March 2006 meeting between Public Order minister Vyron Polydoras and the Chinese Deputy State Security minister Geng Huichang (over security issues related to the Olympic Games). However, despite official visits, it was mainly private Greek companies (mainly construction and security businesses) that were involved in the preparation of the Beijing Games as sub-contractors.

#### *Piraeus Port Pier II and III concession*

While the random event of the Olympic Games of Athens being followed by the ones in Beijing created opportunities for cooperation, the concession of Piers II and III of the port of Piraeus gave a strong boost to the bilateral relationship.

Since the late 1990s, China was particularly interested in establishing reliable transportation corridors throughout the world. Due to the fact that eastern Mediterranean serves as a primary gate for both South-east Europe and the Black Sea region, Chinese interest over establishing a foothold in the Mediterranean was strong throughout the 2000s. Based on its privileged position, Piraeus was among the ports for which several Chinese companies showed a strong interest. It should be noted that the Chinese interest for Piraeus port was gradually heightened, with Beijing asking at some point for gaining the control of the port through an interstate agreement, a development to which the European Commission expressed its negative position requesting an international procurement process. The importance given to this issue is also evident from the fact that it was partly handled by the Greek Prime Minister C. Karamanlis who, during his official visits to China in January 2006, met with the state company COSCO's president, Cpt Wei Jiafu.

Indicative of the interest of the Chinese leadership for the Piraeus Port and of its importance on furthering the intensification of relations between the two countries was the fact that the signature of the initial agreement with COSCO (2008) as well as of its renegotiation (2010) was followed by visits of high ranked Chinese officials to Greece. More specifically, in October 2008 the Chinese President Hu Jintao made an official visit to Greece followed by the Chinese Deputy Prime Minister Zhang Dejiang and the Prime Minister of China Wen Jiabao in summer and fall of 2010.

The importance given by the Chinese to the Port of Piraeus had positive consequences on Greek-Chinese relations, although the concession faced the opposition of the dockworkers' union as well as of almost all Greek political parties.

Moreover, the expressed further interest of COSCO for Greek transport networks suggest that relations between the two countries can be further enhanced based on cooperation in trade and transport networks.

Finally, it is worth noting that Greek ship-owners represent an important factor in the development of bilateral relations. The latter, through their dominant position in the global shipping industry, are playing a key role in China's international trade. Many Greek shipping companies such as Shanghai Costamare Ship Management Co. Ltd (member of Constantacopoulos Shipping), Lavinia Corporation (member of the Laskarides Shipping Group), Tsakos Group, Diana Shipping and others, have long established offices and operations in China. These companies were among the first to identify the advantages of not only servicing Chinese trade (import of raw materials, export of final products) but also for using the Chinese shipyards for placing their new ships orders. Interestingly, the latter have benefited from Chinese government's special policies which created an advantageous environment for potential customers: from easy and quick loan facilities when required to frequent offers of multi-year chartering vessels to a Chinese operator. These incentives for using Chinese shipyards and the strategy of tying foreign shipowners with Chinese operators formed the basis of Chinese initiatives to form strategic alliances with significant players in the global transportation business as well as to gain from know-how acquisition.

In 2000s, Greek shipowners became the most important customers of Chinese shipyards, and nearly 50 per cent of Chinese exports and imports with Greece were transported by Greek-owned merchant fleets. Since 2000, Greek shipowners have ordered nearly 500 vessels from China, of which 155 have already been delivered. During his official visit to Athens in 2010, the Chinese premier Wen Jiabao promised to set up a special Greek-Chinese shipping development fund of \$5bn in order to offer Greek shipowners a basket of financial support to buy Chinese-made vessels.

### **Policy Recommendations**

Since the change of the millennium, a big volume of reports and surveys have made clear that China is expected to play a central role in the global political and economic scene. Until today, all indications show that China constitutes the second most important player – after the United States – in the global economy. For example, global economic growth rates are directly related to the growth rates of the Chinese economy while amendments to the international financial environment's distortions are also depended on the political decisions of the Chinese leadership. Moreover, through its huge foreign exchange reserves China is expected to play an even more

central role over the proper functioning of the global economic environment being the most important potential lender both bilaterally and multilaterally – via for example channeling funds to the IMF or the EFSF. Furthermore, the fact that Beijing has set through the current 5-Year Strategic Plan (2011-2015) as a main target the increase of private consumption, it is expected that the special weight of the Chinese economy on the global level will be increased.

What is even more interesting is the growing Beijing initiatives over the whole spectrum of international relations, expressing increasingly its views on many important global and regional issues. China now openly expresses its position over transnational issues such as global warming, the international financial environment, the structure of international economic architecture, the decision-making processes in international organizations such as the IMF and the World Bank, the economic policies of the United States, etc. One example of this new stance related to Greece is the fact that during Mrs. Merkel's official visit to China during August 2012, the Chinese Prime Minister Wen Jiabao discussed the issue of Grexit while he promised to buy European governmental bonds only after the stabilization of the situation in Greece in particular and Europe in general.

Within this context, the following policy recommendations are presented:

1. **Emphasis to the development of bilateral economic relations** through two basic pillars of the already established cooperation: promote investment in Greek transport networks and helping Greek shipowners to do business with China.
  - i. Regarding the first point, the Chinese interest over transport networks in Greece can be taken for granted. Furthermore, although the Chinese are used to work along a different model of cooperation (i.e. through interstate agreements) it seems that they are open in taking part in international procurements (as required by EC regulations) after interstate consultations. Increased participation of China to the transport networks of Greece – always in accordance with European and national laws – will further interconnect the future of Greece with that of China's. To this end, it would be very beneficial to use part of the EU structural funds during the next programmatic period (2014-2020) for completing related transport networks in which would enhance the transportation of goods from Piraeus and Thessaloniki to Southeast Europe.
  - ii. Regarding the second point, it is proposed to encourage Greek shipowners furthering their connections with China, mainly through the facilitation of shipbuilding activities in Chinese shipyards. Beijing's interest to develop the shipbuilding sector is strong and therefore linking this development with Greece will have positive results. Furthermore, the Foreign Ministry should mobilize Greek shipowners towards in promoting Greek interests in China as well as in promoting Chinese investments in Greece.

It should be noted that further interconnection between Greece and Chinese economic interests is expected to have multiple positive results due to the fact that China is now increasingly active in the international economic scene pressurizing both the United States and the EU USA and the EU to adopt certain economic policies, China's specific weight on the global economic scene is constantly increasing, it is expected to gradually become the main lender of the IMF and therefore already influences the latter's policies. It is also expected to be the main state lender in international markets while Chinese companies (both state-owned and private) which in most cases follow governmental choices hold significant financial resources and are searching for investment opportunities.

Hence, even though the Chinese Prime Minister Wen Jiabao's declaration in the Greek Parliament in 2010 regarding China buying Greek state bonds when Athens reenters the international market were considered by many analysts as very broad and vague, it had a positive (though brief) effect over Greece's position in the international markets as it was perceived as a vote of confidence. As the special weight of China increases, such declarations in the future will be important even if they are not followed by actual purchases of bonds. As in the field of FDI, what is more important is not the level of Chinese investment but the very fact that these take place in a period of economic uncertainty in Greece.

**2. Emphasis to further developing the flow of Chinese tourists to Greece.** As traditional sources of tourists flows seem to be rendered unpromising due to the overall negative economic climate in the West it becomes imperative that a focused promotion of Greece in China as an ideal touristic destination emphasizing both the beauty of its environment and its civilization is formulated. To this end, besides the required advertising and the enhancement of relations with Chinese agencies, subsidization of some co-productions of TV series and movies with shootings in Greece or attracting producers of Chinese movies in our country could be beneficial.

**3. Emphasis to strengthening exports to China.** The expected increase of private consumption offers great opportunities for further increasing Greek exports. To this end, increased staffing of the commercial section of the Greek diplomatic mission in China as well as the subsidization of the promotion of Greek products in the Chinese market is required.

**4. Emphasis to further developing bilateral cooperation at the political and military level.**

- i. China's participation in all major international fora and organizations, its position as a permanent member of UN's Security Council as well as its

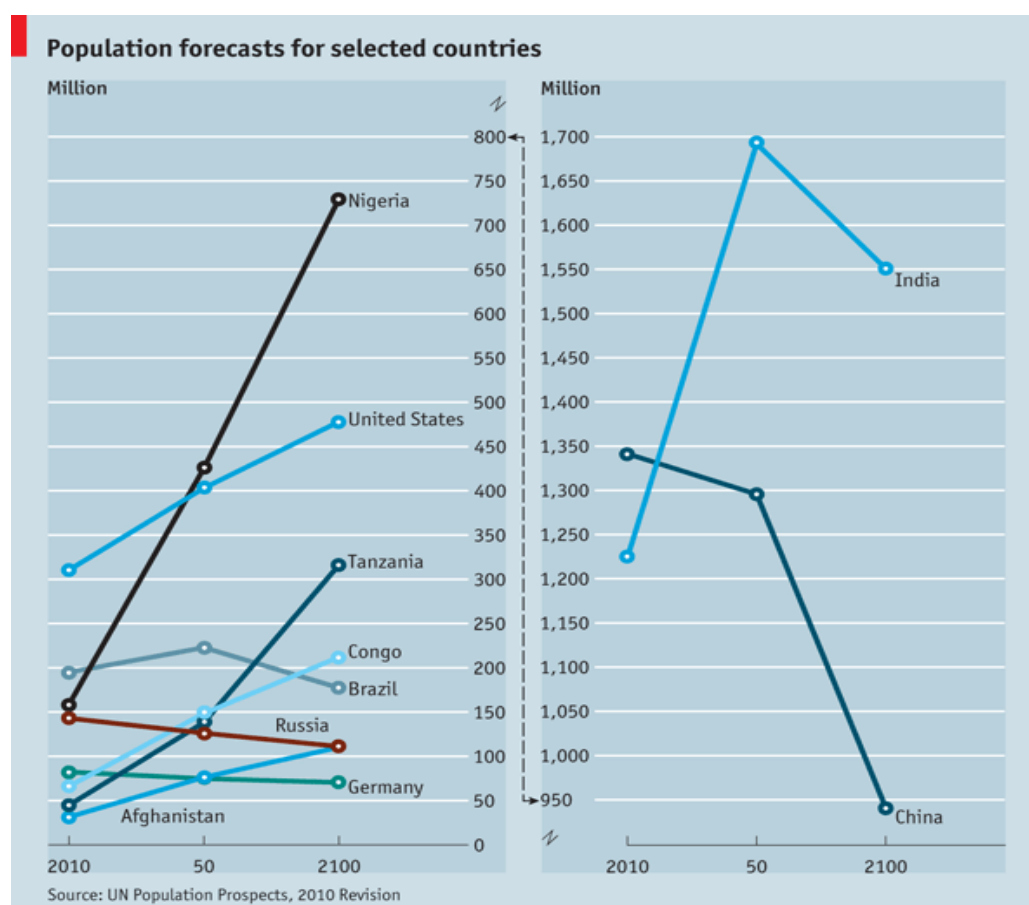
participation in new fora such as G-20 makes Beijing a crucial partner. As there is considerable convergence of views on various international issues a more active promotion of political contacts is required. For example, Turkey has proceeded in such strategy, especially over the issue of Iran.

- ii. A first contact regarding military cooperation issues has taken place during 2007, when the Chinese Minister of Defense Cao Gangchuan visited Athens. But although the fact that Turkey, for example, has already conducted a common air exercise (which was announced during its commencement and not before) Greek-Chinese military cooperation is very limited. It is worth noting that although the relations between China and Turkey have been upgraded based on a series of economic agreements signed during Turkish President Gul's visit to China in June 2009, a number of serious issues such as the handling of Uyghur minority issues (Muslim population) and the fate of Turkish textile industry still create tensions.

## ASTERIS HULIARAS\* AND KONSTANTINOS MAGLIVERAS<sup>1\*\*</sup>

### GREECE AND AFRICA

For several decades, Greece's relations with Africa were weak. Political contacts were limited, trade was insignificant and the small Greek communities in the continent were in decline. However, recent and positive developments in Africa lead us to the conclusion that Greece should reconsider its relationship with the 54 states of a continent with a rapidly growing population: for example, the most populous African country, Nigeria, is expected to become before the middle of the century, the third largest country in the world.



\* Asteris Huliaras is Professor in comparative politics and international relations in the Department of Political Science and International Relations in the University of the Peloponnese.

\*\* Dr. Konstantinos D. Magliveras, D.Phil (Oxon), Associate Professor, University of the Aegean.

African economies are growing with unprecedented rates. According to the International Monetary Fund, six (6) of the fastest-growing economies in the world in the 2001-10 period were African, while in the 2011-5 period seven (7) of the fastest-growing economies in the world will be in Africa. Despite the still rapidly-growing China and India, the performance of the average African economy has surpassed the performance of the average Asian economy.



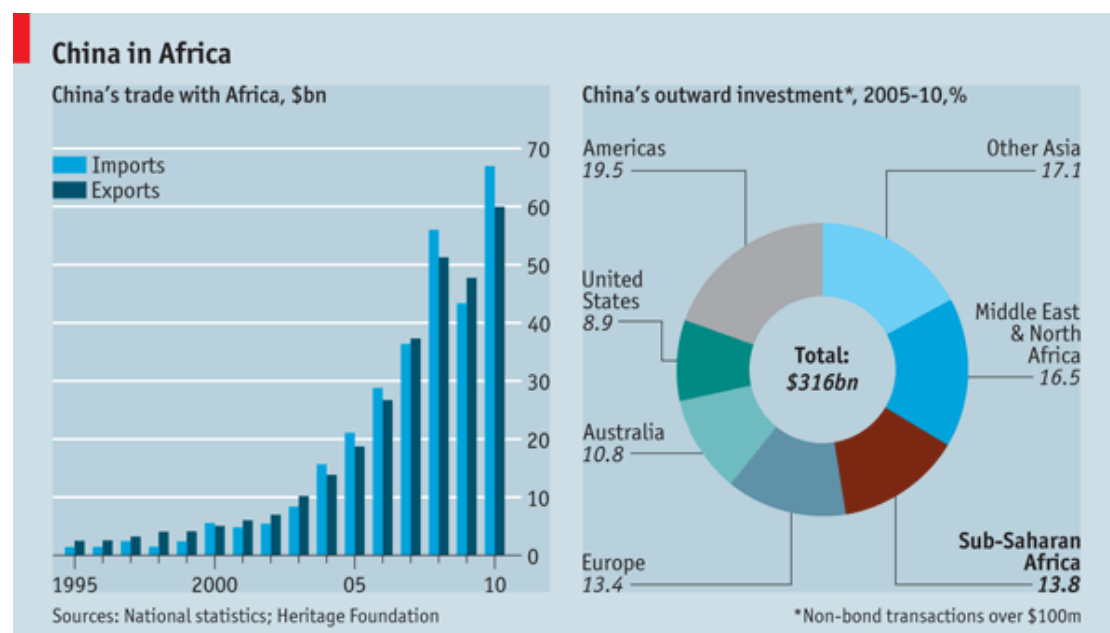
Economic growth has improved social indicators. According to a recent World Bank report on Africa's future, poverty and infant mortality are being reduced, the AIDS mortality rate has stopped increasing and primary education enrollment is growing with impressive rates. Several Africa countries (like Ethiopia, Ghana and Malawi) will have reached the Millennium Development Goals before 2015. According to the report, African economies may have reached the level of take-off, reached by China 30 years ago or India 20 years ago.

The economic growth of African countries is partly linked to the increase in the international prices of natural resources (like oil, gas and metals) or primary products (like cocoa), traditionally the largest part of African exports. However, in parallel, growth is also linked to the development of other sectors like mobile telecommunications and banking. Only in Nigeria there are now more than one hundred million mobile phones and in several African countries mobile money (the use of mobile phones for transfer of money) is widely used. Africa's impressive

economic performance is due to major reforms introduced in the 1980s and the 1990s, including better economic management, liberalization of markets and macroeconomic stability.

The good business climate has increased the international capital. In 2008, Foreign Direct Investment to Africa reached 72 billion dollars, an impressive increase in relation to the 9 billion dollars of 2000. All these developments have moderately contributed to an increase of the income of Africans. It is estimated that 300 million Africans have an average income of more than 2,400 dollars per year. So there is spectacular change. It is, for example, indicative of the spectacular change that the World Bank's Ease of doing business League, South Africa is in the 35<sup>th</sup> position, Rwanda in the 45<sup>th</sup> and Greece in the 100<sup>th</sup>!

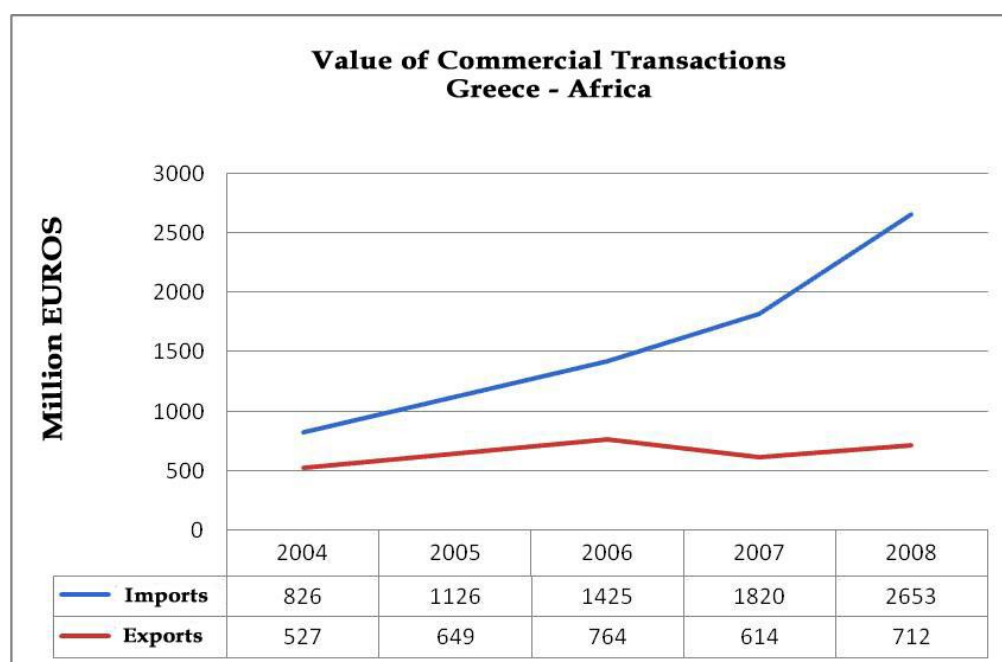
No other country has foreseen the change of Africa more clearly than China. In 2000, China was the fourth largest trade partner of Africa. By 2008, China surpassed the United States to become the largest trade partner of the continent, with annual trade reaching 130 billion dollars. The Chinese have heavily invested in Africa with thousands of projects. Chinese companies are involved in building ports and railway lines, constructing trade centers and government buildings, organize production units and distribution networks.



But the transformation of Africa is not merely economic. The continent is more democratic than ever before. Authoritarian have collapsed, coup d' états are rather rare and elections at regular intervals, that often lead to change of government, have almost become a norm. Furthermore, Africa is more peaceful than ever before. Violent conflict is limited in certain regions (the Sahel, Eastern Congo), is of relatively low intension, while peace agreements are often monitored by the presence of United Nations or regional peacekeeping forces.



All these developments offer huge opportunities for Greek foreign policy. Neighbouring Turkey can act as an example. Since 2004, Turkey has undertaken a number of important initiatives. In 2005, it gained an observer status at the African Union and also applied to join the African Development Bank. In 2008, the First Turkish-African Summit took place in Istanbul with the participation of leaders and representatives from 50 African countries. The Turkish Ministry of Foreign Affairs announced the opening of 15 new embassies in Africa. The results were impressive. Turkish-African trade tripled within three years – from \$ 5.4 billion in 2003 to \$ 15.8 billion in 2009. Turkish exports to Africa increased fivefold – from \$ 2.2 billion to \$ 10.2 billion in 2009. It is indicative of Turkey's success that in 2010, France expressed its interest for common French-Turkish commercial missions in Africa.



Despite the lack of a colonial past and the existence of Greek communities in many African countries, Greece's presence in Africa continues to be very limited. Trade relations are weak and Greece has a growing trade deficit with Africa. Greece has only 13 embassies in Africa (8 in Sub-Saharan Africa) and official visits by Greek Prime ministers in the countries South of the Sahara are inexistent. Only the PM George Papandreou traveled to South Africa – but for participating in a UN Conference (Global Conference for Sustainable Development). Also the former President George Stefanopoulos made an official visit to South Africa in 2002. The same year Nelson Mandela visited Greece. In 2005, the former South African President Thabo Mbeki made an official visit to Athens – part of a European tour. Greece's development assistance to Africa was always limited – as Greece channeled most of the funds to the Balkans. But even the Greek private sector has limited presence in Africa – especially south of the Sahara. With few exceptions like Frigoglass, Germanos, Fage, Petzetakis, Chipita Titan, Eurodrip, the National Bank of Greece and Intralot, the Greek businessmen continue to ignore Africa. Nevertheless,

the newly formed Hellenic-African Chamber of Commerce has been very active in promoting the opportunities offered by the African market. However, there are exceptions. Greek ship-owning companies (like the Tsakos Group) have strong interests in Africa and some Greek-owned companies (like the Flour Mills of Nigeria) have a strong presence and extensive activities in the continent.

Moreover, the European Union has, in the last decade, shown a strong interest in further strengthening Euro-African relations. The Euro-African Summits are a clear indication of the emphasis that Brussels gives to the relationship. The signing of Economic Partnership Agreements and the related liberalization of trade have created important new opportunities for the business community.

### **Policy Proposals**

What should be addressed is not only how the Greek foreign policy will take advantage of the economic revival that parts of the African continent have been experiencing and the ensuing prospects for Greek investments in infrastructure projects in African states (including the communication and transportation sectors), but also how to handle the problems and scourges that have plagued Africa for so many years and continue to constitute threats. Furthermore, the so-called 'Arab Spring' taking place in the Northern African theater, a process towards democratization which is still ongoing and whose end chapter cannot be foretold with any measure of accuracy, has resulted in significant challenges and has overturned the status quo that has existed in the region for many decades. In their turn, these challenges have not posed difficult and complex issues for the countries concerned but also for neighbouring states such as Greece, whose geographical proximity to Northern Africa could have left them without any consequences.

Principally among these issues has been the question of population movements from African countries to European states which are deemed to offer excellent opportunities for a better, safer and more prosperous life. However, even though these issues and specifically the question of the migration flows (often illegal flows) have been of concern to the Mediterranean Member States of the European Union (Italy and Malta in particular), arguably the European Union has not taken the collective action that has been required under the circumstances and given the very negative consequences if the situation were to run out of control. Therefore, it will be proposed that Greece devise coherent plans to deal with these and similar situations and contingencies either on its own or together with other Member States facing the negative consequences (for example Italy) and without necessarily expect support and assistance from the European Union. This suggestion does not only concern the countries of the "Arab Spring" but also other troubled Sub-Saharan countries (e.g. recent events in Mali) for whose population Greece is or could become a favourite destination.

At the same time, Greece ought to participate and support as much as possible the various EU activities assisting Africa to deal with its problems. It is to the best interests of Greece to offer its assistance to the Strategic Partnership with Africa that the European Union has been promoting since 2007 and which will soon will have to be revised considering that the current action plan runs to the end of 2013. There are currently eight areas for strategic partnership: Peace and Security; Democratic Governance and Human Rights; Regional Economic Integration, Trade and Infrastructure; Millennium Development Goals; Climate Change; Energy; Migration, Mobility and Employment; as well as Science, Information Society and Space. If not in all at least in some of these areas there could be involvement by the Greek public sector but also by the private sector as well. The importance of migration and infrastructure for Greece has been noted above. But there can be a sizeable Greek contribution to areas such as trade, energy and science.

Other ideas that could become policies are the following:

- Greece should gain observer status in the African Union as well as in the African Regional Communities
- Greece should become a member of the African Development Bank and pay the respective financial contribution
- Greece should strengthen the Commercial Offices of its embassies in Northern Africa and create respective offices in Greek embassies in Sub-Saharan Africa. Greece could also exploit the institution for honorary counsels in those African states that has no diplomatic representation at all.
- Greece should organize a high-level Greek-African Summit, bringing African leaders to Athens.
- Greece should participate (even with few military observers) in all UN and EU peacekeeping operations in Africa, ranging from the EU Force in Somalia's coast to the EU mission in Chad to the UN operation in DRC.
- The Greek Ministry of National Defense should sign cooperation agreements with respective African militaries and provide generous financial assistance and know-how to AU peacekeeping missions. It could also increase the number of African entrants in the Greek military academies and Police academy.
- Greece should organize business missions to Africa
- Greece should provide political support to Africa in the framework of the Common Foreign and Security Policy
- Greece should increase its development assistance that is directed to Africa – especially Sub-Saharan Africa.
- Greece should develop an exchange program, sending young university graduates (probably with an M.A. or Ph.D.) as interns to African regional institutions and accept African graduates to government institutions.

- Greece should cement relations with the remaining Greek communities and attempt to promote its various interests through them.

The geographical proximity of Greece to Africa and the long standing relations with whole parts of Africa can be a source of advantages but also of disadvantages. Greece should contain the latter and promote the former. To do so, the Ministry of Foreign Affairs could seek the input of Greek academics and scientists who have a strong interest in African political, economic, social and legal affairs. To that effect, the very recent establishment of the Hellenic Network of African Studies should be mentioned. The Network is a collaboration between two Greek universities (the University of Peloponnese and the University of the Aegean) and aims at linking up Greek speaking scientists with considerable interests and research experience in the African continent. One of the Network's principal functions will be to offer consultative services to state and private entities by pooling together the expertise of its members.

## KONSTANTINOS LAMBROPOULOS\*

### ***RESETTING THE US-GREEK RELATIONS: SECURITY CHALLENGES AND OPPORTUNITIES FOR GREEK FOREIGN POLICY IN AN ERA OF REGIONAL UPHEAVAL***

#### **The dynamics of the US-Greek Relations: Past and Present**

The historical record of the bilateral relations between the Hellenic Republic and the United States of America, dates back to early 19th century, when Greece was fighting for its independence from Ottoman rule in 1821. The United States was the first country to recognize Greece as a sovereign State, while both countries shared close political, economic and military ties over the decades and remained staunch allies, in both the World Wars and the Cold War respectively.

The Greek-American partnership has been defined by Greek and American policymakers alike, as a win-win bilateral relationship that has endured through turbulent times during the Cold War and during the geopolitical shifts that have taken place in the post Cold War era. The foundation of the bilateral partnership rested on the shared values of democracy and freedom, shared strategic insights, together with a commitment to NATO, participation in multinational peacekeeping operations, multilateralism and support of policies based on mutual interests. Their interaction was dominated by political and military considerations relating to Europe, especially with regard to the means to counter the Soviet strategic threat and by political and strategic considerations relating to Greece's disputes with neighboring Turkey.

However, the bilateral relationship has been marked not only by the convergence of interests and perceptions on political, economic and security issues but also by friction stemming from mutual misperception regarding each other's intentions on specific matters. It must be noted that the asymmetry of power between the two countries frequently dictated a particular pattern of relations, in which Greece often believed it was pursuing policies in favor of U.S. interests at the expense of its own.

Serious signs of strain in bilateral affairs were clearly evident after the Turkish invasion of Cyprus in 1974 when Greece left the military wing of NATO as a gesture of showing its displeasure to the American response to Turkish aggressiveness. Additionally, Greek public support of Serbia during the Kosovo Crisis in 1999 resulted in the deterioration of bilateral relations with the United States. Furthermore, the alignment of Greece with Russia in 2007, cooperating in the construction of an oil pipeline project that would transport Russian and Caspian Oil from Burgas to the Greek port of Alexandroupoli, bypassing the Bosphorus and Dardanelles route, vexed

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\*Konstantinos Lambropoulos is a Research Fellow at the Hellenic Centre for European Studies. He is currently teaching European Defense Issues at the National School of Public Administration.

the bilateral relationship as the Greek government's drift to Russia, was met by suspicion and distrust by the other side of the Atlantic.

Although the Greek-American partnership suffered serious setbacks during its long historical evolutionary process, nevertheless Greece's bilateral relationship with the United States has also undergone substantial and positive change. Relations with Washington have been normalized in key respects. Questions of military presence and ideology, key features of the Cold War relationship, no longer exist. Washington and Athens share for the most part, common goals on issues of mutual importance. When the two countries interests' diverged, the ability of the two states to handle the fallout has paid dividends for an enhanced relationship going forward.

From a U.S. perspective, Greece, by virtue of its geographic and political position, has emerged as a key interlocutor and partner in southeastern Europe and the Eastern Mediterranean and a key contributor to regional stability. From a Greek perspective, Greece's strategic relationship with the U.S. is essential to confronting potential regional challenges. As the only superpower, emerging from the Cold War, the US was the center of gravity for Greek politicians and strategists alike, for its status as the guarantor of international peace and security was unrivalled among the Great Powers. The bilateral relationship today is excellent as it was described by US President Obama himself<sup>1</sup>. This is not to say that the potential for sharp disagreement has evaporated.

On the contrary, there are certain aspects of US foreign policy, regarding US pro-Turkish attitude, that impede the blossoming of the Greek-American partnership. There is also a misperception in Greek policymakers about the roots and the factors that account for the inclination of the US to pursue close ties with Ankara at the expense of Greek-American relations. Furthermore serious impediments for the continuing growth of Greek-American relations, lie in the serious faults of Greek foreign policy itself.

#### **US attitude towards Turkey as a factor of strain in Greek-American relations:**

Washington's encouragement and acceptance of Turkey's revisionist policies and toleration of the threatened use of force (*casus belli*) against Greece and Cyprus, cannot be justified in any case. One must, however interpret US behavior by entering into the assessments made by US officials regarding the role of Turkey in regional and international stability, especially in the post Cold War setting. Turkey adapted quickly to the post Cold War environment by promoting itself in terms compatible with US interests. It constituted the second most important pillar in the US Security Strategy towards the Middle East (the most prominent pillar is Israel), Eastern

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<sup>1</sup> US President Obama's speech during the ceremony, in which he received the credentials of Greece's new ambassador to the US, Christos Panagopoulos.

Mediterranean and the Black Sea region, containing Russia from exerting its influence into vital areas for US strategic interests. Moreover, Turkey's foreign policy was able to remain consistent in a changing environment with the assistance of an effective lobby in the United States.

On the other hand, Greece's lack of a pragmatic, coherent and committed strategy towards the US and the absence of a Greek lobby in Washington, hampered bilateral ties, resulting in the infliction of severe damage on Greek vital interests, as it is clearly shown in the case of Greece's rights to an Exclusive Economic Zone in the Aegean, where the US continues to disapprove of unilateral "action" siding with Turkey's views on the issue. Furthermore the lack of an effective communication strategy towards Washington facilitated US approval of the term "Macedonia" with regard to the dispute of Greece with FYROM, thus depriving Greece of its most powerful ally in a dispute with little to gain but much to lose. As a result, Greece's inability to adapt to the post Cold War environment hampered its ambition to stabilize its northern borders and encourage cooperation and economic prosperity in Southeast Europe and the Mediterranean and consequently restricted Greece from deepening further Greek-US bilateral ties.

### **The need for a new Greek-American Partnership in the midst of economic crisis and regional upheaval**

Being a critical component of the Euro-Atlantic Alliance, as well as, a stalwart member of the European Union and enjoying a unique geostrategic position, lying at the crossroads of three continents, Europe, Asia and Africa, Greece remains a key element of regional stability, thus a strategically important country for the United States. Being in the midst however of a severe economic crisis, complemented by a serious humanitarian catastrophe and regional turmoil in Europe's periphery, Greece simply cannot afford to lose ground as a regional actor, which would undermine significantly its foreign policy mechanism and lead to previous reactionary policies, thus jeopardizing its chances of getting out of the crisis.

The US on the other hand, must not allow the status of Greece to diminish or weaken considerably, for it would have unpredictable implications for regional security that would extend outside of its immediate borders. To make matters worse, the scenario of Greece, becoming a semi-failed state, would be catastrophic for the West as a whole as it would endanger its most southern flank. Furthermore, given the extremely unstable and fluid situation in Eastern Mediterranean, including the Arab Spring, the rise of fundamentalist Islam in Turkey, the tension with Iran, the uncertainties regarding EU-Turkish relations and Russian assertiveness in the new Putin era, the US cannot neglect the importance of Greece as a reliable and solid actor in this critical region.

Greece faces a series of domestic and external threats, such as the resurgence of Albanian nationalism coupled with the irresponsible behavior by FYROM, which presents a serious challenge that needs to be met by using all of its diplomatic potential. Moreover, a Turkey turned Islamic, with an overinflated ego, that blames everyone else but itself for its internal and international problems may seriously undermine Greek sovereignty and regional stability in the near future. Consequently, Greece's need to strengthen the bilateral ties with the US is urgent. Greece should reinvigorate the Greek-American partnership by making smart use of its limited resources and opt for a pragmatic approach towards the US, based on the changing geopolitical reality in its periphery.

### **The Obama administration's "doctrine" of foreign policy and the challenge for Greek strategic planning**

Turkish reorientation in its foreign policy and its growing pro-Islamist sentiment will endanger US –Turkish Relations in the near future. Such is the view that certain policymakers and academics have in the US <sup>1</sup>. Nevertheless, the Obama administration seems to ignore that Turkey is pursuing its own agenda, which contrasts with US interests in the region, and opts to render Turkey a regional, almost equal to Israel's, status.

However the US adopts a strategy based on realism and the sheer facts. Obama's seemingly opt for Turkey to play a crucial role in the regional affairs of the Middle East is temporary and should not be overestimated by the Greek side. After two costly and draining wars, in Iraq and Afghanistan, the US under the Obama administration sought to revise previous doctrines of unilateral action, by envisaging the application of smart power and a "leading from behind" approach, opposed to hard power strategies used by its predecessor George Bush.

Smart power strategy is defined as "an approach that underscores the necessity of a strong military, but also invests heavily in alliances, partnerships, and institutions of all levels in order to expand American influence and establish legitimacy of American action."<sup>2</sup> Obama's "doctrine" of foreign policy will favor a US strategy of restraint at a regional level. It will also require the investment in strong alliances to overcome the pitfalls/threats posed by a rapidly changing and unpredictable global security environment. Current US foreign policy trends, show that the Pacific in the first place and also the Middle East will be at the forefront of the US security agenda for the years to come. The importance of regional actors that will act with the US side by side to meet the security challenges of the rapid changing security environment

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"Ackerman dismayed over plan to honor Turkish Prime Minister" Statement by US. Rep. Gary Ackerman, 15/6/2010.

<sup>2</sup> CSIS Commission on Smart Power, A smarter, more secure America, 12/4/2012.



must be valued both by the Greek strategists and foreign policy makers, who need to grasp the opportunities, arising from the Obama's foreign policy imperatives.

For Greece, the key question today is finding ways and means to upgrade regionally in order to become a key producer of security in its turbulent neighborhood. It should embark on building a ring of alliances for this purpose, being compatible with Obama's foreign policy vision, thus creating the field in which overlapping strategic interests can forge a new Greek-American partnership that will be able to deal with the effects of the turmoil in the Arab world. Resting on the "sidelines" instead of pursuing an active role in the Mediterranean and the Middle East, would mean strategic irrelevance in a region vital for its strategic interests.

**Seizing the initiative: Building a model of cooperation which will favor the Greek-American Partnership.**

Although Washington's assumptions about Turkey's importance in the Mediterranean region have intensified during the first period of the Obama administration, nevertheless Turkey's arrogant behavior stemming from its contradictory "Strategic Depth" Foreign Policy Doctrine, has seriously damaged its relations with Israel. Greece, although hogtied by a most severe economic crisis, has filled the vacuum, created by Ankara's ineptitude by forming a strategic partnership along with Cyprus, with Tel Aviv.

Greece's alliance with Israel bears significant strategic weight to both countries but also it will improve Greek-American relations. Israel is the most prominent ally of the United States and the most important pillar in US security strategy in the Middle East. In geopolitical terms, the countries' strategic location, natural resources and intellectual capital will prove indispensable to US vital interests in the region, especially after the Obama declaration of a shift of the US Foreign policy priorities towards the Pacific<sup>1</sup>. Greece must strengthen the newly established ties by involving the US in all aspects of the partnership agenda. Collaboration in the fields of economic development, energy production, energy security and counterterrorism, should be supported by Washington in order to provide a buffer to the various instabilities and threats that plague the MENA region, emanating from the spillover of the Arab uprisings. Most important, the newly established geostrategic triangle reflects the changing geopolitical reality and may certainly act as a model of stability and prosperity for the Arab countries. That's precisely what the United States needs, in order to manage one of the most unstable parts of the world.

In April 2012, the path of cooperation by Greece Israel and the US was carved, when Greece and Israel along with the US, concluded "Noble Dina," their first joint naval

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<sup>1</sup> US President Obama's speech in Canberra, Australia, 11/11/2011.

exercise. Greek participation in such military exercises is indicative of the new impetus of a growing strategic relationship between the United States, the State of Israel and Greece itself. The new partnership between Greece Cyprus and Israel offers benefits to the Greek-American relations disproportionate to the size of the actors involved. Therefore it is essential for Greek policymakers to apprehend its full potential, in order to upgrade Greece's standing in the regional but also in the international arena.

### **Thinking Ahead**

Although operating under the Damocles sword of unprecedented economic crisis, Greece remains a pivotal state for the United States, whose fate is critical for the regional and international stability. The goal for Greece, which has long-standing diplomatic, political, and military ties with the United States, should be to modernize the bilateral relationship in a way that reflects not only common American-Greek interests but also Greece's new role to play in a changing Middle East. Greece may not have the status of one of Washington's "big" European allies, such as Germany, France or the UK, but there is good strategic reason for the bilateral relationship to grow and mature into a mutually beneficial partnership that can manage a complex set of security, economic and humanitarian problems. Although a vibrant bilateral relationship already exists, there is an opportunity to institutionalize the relationship further and expand issues of common interest. A strengthened security and economic partnership on a new basis, will not only help Greece overcome its financial constraints, it will also reinforce the broader relationship between the US and Greece.

### **Principles that adhere to a new partnership:**

- mutual respect for each other's interests
- confidentiality and mutual trust
- close and intensive consultations to identify common goals and strategies on issues of critical interest that will provide mutual benefit

### **Policy Recommendations for Greek Foreign Policy at the strategic level**

- Think big by pursuing a new pattern of US-Greek relations as a result of continuous promotion of the Greek –Israeli partnership, maintaining excellent relations with the Arab world and especially with Iran, where Greece could act as a mediator between the US, the EU, and Israel with Tehran.
- Establish a government-wide forum for cabinet-level engagement, resembling the model of US strategic-level consultations with Israel.

- Upgrade Greece's standing in US fora by creating an effective lobby in Washington, making smart use of its diplomatic capital and the Hellenic-American community's ties with US officials in the US.
- A long-term vision from both sides for bilateral trade is needed.

**PANAGIOTIS LIARGOVAS<sup>1</sup>*****ECONOMIC CRISIS AND GREEK FOREIGN POLICY*****Current Situation**

Since May 2010, Greece has been operating under an agreement put forward by the so-called troika of the European Central Bank, the European Commission, and the International Monetary Fund (IMF). The main purposes of this agreement have been (a) to reduce Greece's fiscal deficits and debt to a sustainable level, (b) to implement structural reforms to make the economy more efficient and competitive, and (c) to allow government finances to recover to the point where Greece can return to borrowing from private financial markets at sustained interest rates (IMF, 2012). Although more than 2 years have passed since this agreement was approved, the economic situation in Greece, which entered its sixth year of recession in 2013, remains dire. According to the IMF (2013), Greece will lose more than 25% of GDP in 2013 compared with its peak in 2007. This vast loss of income is comparable with some of the worst financial crises in the twentieth and twenty-first centuries.

**Challenges**

There is no doubt that a country's economic situation has a strong impact on foreign policy. This is manifested in various ways; trade, services, exploitation of energy resources and other economic activities. Even the decision to start a war depends on the state of the national economy e.g. the growth rate, unemployment rate and inflation rate, as argued at least for the U.S. (Fordham, 2002: 578-580, 593). There are also a lot of studies arguing that the internal political situation is affected critically, among other things, by the global economic conditions, particularly between neighboring countries with similar political structures (Kayser, 2007). In other words, international economic conditions (e.g. oil prices) directly affect the domestic economic environment and in general the national political environment.

Modern foreign policy of both developed and developing countries seems to have geared towards facilitating and strengthening international trade relations. Therefore, it is not uncommon for leaders, even from powerful states, to conduct official visits abroad with the main task of signing trade agreements and promoting local products.

Indicative of the close relationship between the economy and foreign relations is the example of excessive financial transfers from the United States to their allies, an option which, although accompanied by a significant financial cost, proves to be

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<sup>1</sup> Panagiotis Liargovas is Professor in International Economics at the University of Peloponnese. He also holds a Jean Monnet Chair in "European Integration and Policies".

beneficial for the medium to long term American interests (Olson and Zeckhauser, 1966: 1, 37 – 38, Sandler, 1993).

In addition, a number of countries have recently established economic departments and directories within the Ministries of Foreign Affairs, which before belonged to the traditional area of the economy. Nowadays, economic issues and foreign trade belong to the main businesses of diplomats. Therefore, the interplay between the two policy areas is self-evident. It follows, then, that favorable economic conditions, both domestic and international, strengthen the objectives of foreign policy. However, the situation changes dramatically in the opposite conditions, i.e. in the case of economic downturn, as in the case of Greece.

Despite the fact that the Greek Ministry of Foreign Affairs is a public body with a small structure and hence spending, accounting for just 0.6% of the state budget in 2011, the recent budgetary cuts, have also affected the Ministry, which is already reflected in the restructuring of its organizational structure, especially regarding diplomatic representations abroad.

A number of missions abroad, mainly in Consulates, were either abolished or merged. For example, in 2011, the General Consulates of Hanover, Cologne, Leipzig, Naples, Nice and Durban (National Gazette 141/t.A/16.06.2011) were abolished. Simultaneously, the General Consulates of Brussels, London and Paris were converted into Consular Offices. Personnel were moved to fill vacancies. In the same year, 2011, operating expenses of embassies and consulates abroad in Greece fell by 60%, following a relative reduction of 20% in 2010 (Kremidas, 2012, p.12). Similar reductions were observed in terms of staff, causing reactions from the diplomatic sector.

A similar picture is reflected in peacekeeping missions and/or military reserves abroad. The Ministry of Defense has reduced the costs of participation in such operations to 33 million in 2012 from 122.5 million euros in 2010 and 70.5 million in 2011 (Kremmidas, 2012, p. 13). Through these operations Greece was fulfilling (costly) obligations but at the same time Greece was gaining experience and information as well as political influence.

### **Policy Proposals**

All the above suggest that if the economic situation improves, Greek foreign relations will be strengthened. But how could the economic situation be improved? It is well established in the relevant literature that austerity programs create a vicious circle: austerity leads to recession and reduces GDP even if the deficit remains unchanged (Liargovas and Repousis, 2013). The troika-inspired fiscal adjustment measures are pro-cyclical. Fiscal tightening reduces aggregate demand in the economy, causing it to shrink further. As a result, government revenues reduce (tax payments fall as income declines) and government spending increases

automatically because of the higher demand of unemployment insurances. This makes fiscal targets even more difficult to achieve.

The only way in which Greece can recover from this vicious circle of debt and recession is through growth. Growth can theoretically be achieved through an increase in either aggregate demand or aggregate supply. An increase in aggregate demand (i.e. a counter-cyclical policy) is what Keynes suggested in 1929 to overcome the Great Depression. However, whether Keynesian policies are a suitable alternative to managing the current economic crisis in Greece remains open to debate. Advocates of such an alternative ignore the structural problems of the Greek economy. Specifically, they ignore the preconditions under which a Keynesian policy of increased spending could be carried out. One such precondition is that the country must have a strong production base, which is currently latent because of weak demand, but is able to produce competitive goods and services. Therefore, demand can stimulate existing, but weak, supply, as seen in the US during the 1930s and 1950s.

However, the current problem in Greece is the production base itself. Incidentally, the same problem was apparent in the case of the failed socialist experiment of Mitterrand in France in the beginning of the 1980s as well as the expansionary policies in Greece during the same period. The supply side is more important today because all economies (including that in Greece) are open. A boost in demand would at best only breathe temporary life into the fragile production structures in Greece, which is not a sustainable solution.

The Greek economy is suffering from a supply problem rather than a demand problem, which requires a thorough, realistic, and credible plan of economic reconstruction; in short, Greece needs a supply-side revolution (Arghyrou & Kontonikas, 2012, 6). A way to increase supply in the economy is through structural reforms.

A number of comparative studies and surveys have shown that Greece ranks last as regards state efficiency or the introduction of competitive forces into the economy. For example, according to the World Bank's latest annual 'Doing Business' survey, published in 2012 (World Bank, 2012), Greece is ranked 100th of the 183 participating countries, behind Vietnam and Yemen. Opening a new business in Greece is almost impossible; sadly, closing one is somewhat easier. Further, Greek companies are constrained by a raft of disincentives, such as laws and bureaucratic obstacles that make it hard to do business. In a recent survey, IOBE (2010) counts 250 of them. In the same survey, IOBE (2010, 8) estimates that freeing up all the closed professions could boost Greece's GDP by up to 17 %. Other studies, such as those carried out by the Centre for Planning and Economic Research (2005) and OECD (2012), have reached similar conclusions.

The above-described rankings reflect the fact that Greece has suffered from a long period of structural weakness and systemic delays that were not tackled when the economic environment in Greece and internationally was supportive and the adjustment costs were substantially lower. Structural reforms now represent the only path to recovery, under the given conditions of the debt crisis that deprive the government from implementing expansionary fiscal policy.

Such reforms aim primarily (although not exclusively) at improving economic efficiency, namely making better use of the available resources and thereby increasing domestic wealth and broadening Greece's production capacities by attracting new investment and reallocating resources from non-tradable to tradable areas.

Through these proposed reforms, the government can change the prevailing incentives and disincentives as well as the rules and institutions that enforce them. In other words, structural reforms aim at the reconstruction of the deeply problematic state sector and a substantial improvement in Greek competitiveness. For this to be achieved, the following four conditions need to be met:

- Abolishing all bureaucratic obstacles and other protectionist policies.
- Dismantling rigidities in the labour market.
- Improving confidence and liquidity in the banking sector.
- Cultivating institutional stability and confidence in the political system.

First, by abolishing bureaucracy and eradicating all barriers to trade and obstacles to economic activity, the government could establish a policy framework that favours the reallocation of capital from non-tradable to tradable areas, since it will become far simpler, faster, and cheaper to exploit the available resources in order to set up an enterprise.

Second, dismantling rigidities in the labour market would address structural unemployment at its source, thus facilitating the repositioning of workers to the export sector.

Third, by ensuring stability and liquidity in the banking system, capital flight would be reduced, silent bank runs minimized, and the looming financial panic would disappear, allowing for renewed economic activity.

Finally, and perhaps most importantly, policymakers need to ensure that institutional stability is preserved. This means two things: (a) not changing the political order every few months and (b) ensuring that economic policies have long-term horizons instead of being altered every few weeks. By meeting these four conditions, the country would establish the necessary framework to expand

production capacities, ultimately reversing the current deficit and bringing about recovery in the long run.

Increased production will help Greece escape from the vicious circle of debt and recession and open a window of opportunities both domestically and globally.



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**CHARALAMBOS TSARDANIDIS<sup>1</sup> – LIZA MYSIRI<sup>\*\*</sup>**

## ***ORGANIZING GREECE'S ECONOMIC DIPLOMACY***

### **Introduction**

Foreign economic policy has become an integral part of the broader foreign policy vision. Economic tools have become increasingly important mechanisms for projecting a country's influence and increasingly vital components of its foreign policy. The logic behind economic diplomacy is simple: economic development is essential for peace to take root. And, it is business, not governments, that is the true engine for economic development. Economic diplomacy is going to become even more important over the following decades for several reasons: First, the world economic crisis and especial the debt crisis of the South countries of euro-zone gave the economic dimension of international relations the just and necessary attention that it missed during the previous years. Diplomats and officials finally got the time and energy for dealing with economics, considered to be of much more direct relevance for the well-being of everyday citizens. Second, developing countries are no longer content to have the rules of the games dictated to them by a few large developed economies. Third, the increasing globalization of the economy opens up new perspectives for further trade expansion, but at the same time also sharpens the competition in securing countries' shares in world markets and in advancing new ones. The emergence, also, of new regionalism and the emerging inter-regional and bi-regional cooperation schemes, like ASEM and EU-CELAC, demand new approaches to the multilateral economic diplomacy.

### **Current situation**

Since 1989, Greece's foreign policy has gradually, but radically, changed from what was a purely political approach for at least fifty years into a politico-economic approach. The post cold war developments in South East Europe have made a great impact on Greece as they contributed to the re-establishment of the country's historical economic and trade relations with all the countries of the area. Greece's foreign trade, and above all its exports to other Balkan countries, substantially increased. Furthermore, Greek investment in the Balkans also improved spectacularly. It was becoming clear that Greece had major economic interests in the Balkans and that a new political approach reflecting them had become more than necessary.

Very soon, it became clear that the structure of Greek economic diplomacy was far from being satisfying. The demands kept growing given the fact that in managing of commercial relations but also in attracting Foreign Direct Investments

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<sup>1</sup> Director, Institute of International Economic Relations.

<sup>\*\*</sup> Research Associate, Institute of International Economic Relations.

(FDI), added an agenda of new issues, such as the promotion and the boosting of Greek businesses that started investing beyond Greek borders. Furthermore, Greece increased the development aid that was giving in many countries, mostly in Balkan countries under the framework of the Hellenic Plan for the Economic Reconstruction of the Balkans (HPERB).

Nevertheless, the re-organization of economic diplomacy structure soon became the number one priority as two Ministries, the Ministry of Economics (once named Ministry of National Economy) and the Ministry of Foreign Affairs claimed both and sometimes disputably the formulation of the country's economic diplomacy. The result of this dispute was the emergence of what we can metaphorically call a "feverish reform" including continuous "reconstructions" of economic diplomacy's structural mechanisms. Emphasis was given on the relocation of the *Greek Offices of Economic and Commercial Affairs (OEY)* from the one Ministry to another. During the nineties these Offices belonged to the Ministry of National Economy. In **2003**, they became an integral body, followed by their staff, of the Ministry of Foreign Affairs. It should also be noted that it was only one year before, in 2002, that a General Secretariat of International Economic Relations and Development Cooperation (DOAS- YDAS) was created, supervising the B' General Directorate of Economic International Relations in order to take over all the competencies of the Ministry of Foreign Affairs that concerned economic diplomacy. Four years later, in 2007, a law was approved suggesting the gradual abolition of the body of Offices of Economic and Commercial Affairs (OEY) and the replacement of their vital role by diplomats. According to the Law, their positions became personal posts. In addition, the Department of Economic and Commercial Affairs of the National School of Public Administration (ESDD - now called National Centre for Public Administration and Local Government - EKDDA) in which they were fully trained, after their successful candidacy in the relevant competition, ceased its functioning. And the discussion keeps going on. The Minister of Development, Competitiveness, Infrastructure, Transports and Networks (MDCITN) of the government of Mr. Samaras announced that the personnel and the duties of this body will be once more moved and integrated into the MDCITN, in order to keep up with the vital need of creating a unified system of "economic extraversion". If this reform will finally come into practice, then we would be talking for the fourth vast administrative change that has taken place in a few years time in the field of economic diplomacy. Consequently, one could really wonder about the unceaseable mobility of this particular body; should there be indisputably another change?

## Challenges

Now more than ever, the organization of Greek economic diplomacy faces a number of challenges that seem to demand answers:

Firstly, the developing model of the country should be based on the opening of its domestic market, the business expansion and the increase of FDI. The creation and the good functioning of a unified structure model that will characterize all levels of public administration, from the top to the bottom and backwards, being simultaneously able to promote this developing model of economic extroversion, constitutes the main challenge.

Secondly, the coordination and the organization of economic diplomacy is of vital importance. If the government's plan to move the personnel and the Offices of Economic and Commercial Affairs (OEY) and their duties to the above mentioned Ministry becomes a reality, under the logic of a unified body of economic diplomacy and extraversion, we believe that this evolution might add more problems compared to the ones trying to resolve. Therefore, extreme attention should be paid to the following risks:

a) The risk of having two basic Ministries in the field of economic diplomacy with low-powered, and sometimes not clear duties; from the one hand, the MDCITN with the personnel and the competencies of the Offices of Economic and Commercial Affairs (OEY) from the Ministry of Foreign Affairs. This Ministry will also supervise not only the new Body which will be created from the unification of the Agency *Invest in Greece* with the *Export and Promotion Agency* (OPE) but will be responsible for the old duties that it inherited from the old Ministry of Economy, such as the World Trade Organization's *issues* or the matters of the Organization of Economic Cooperation and Development (OECD). On the other hand, the Ministry of Foreign Affairs with its B' Directorates that are in charge of the bilateral economic relations – if these remain as they are currently formed - will lose their human resources and also part of the financial aid through the *International Development Cooperation Agency - Hellenic Aid (YDAS)*. We strongly recommend that if the desirable political will for the creation of a unified economic diplomacy is sincere and viable, then all services and all competencies of economic diplomacy should be transferred to one Body or one Ministry and this should be the Ministry of Foreign Affairs as it will be explained in the following lines.

b) And what about *the Offices of Economic and Commercial Affairs*? If its personnel will be eventually transferred to the MDCITN, will its positions stop being personal posts and will the body return to its previous status that was lost in 2007? In other words, will it be upgraded to the country's main mechanism of extraversion or, on the contrary, will it be even more under-evaluated? Will there be a possibility of its renewal via the re-functioning of the Department of Economic and Commercial

Affairs of EKDDA or will the future members of the body be appointed by the political leadership of the above mentioned Ministry through a process of selection from the current Ministry's personnel?

Thirdly, the Greek foreign policy and its main tool, economic diplomacy, should, among numerous goals, serve the interests of the Greek businesses, as long as the latter are in terms with the general Greek foreign economic policy objectives. To put it in another way, not only a general strategic planning of the foreign policy is strongly required but also its formulation taking in account the aims and the interests of the business community (stakeholders). The experience of the past was not always a positive one concerning this challenge; numerous advisable bodies were created, consisting of the representatives of the so called social partners, such as the *Export Promotion Agency (OPE)* or the *Council of Competitiveness*, but the results were more than disappointing and the policy outcomes far from satisfying

Fourthly, extreme attention should be paid to the philosophy characterizing the personnel that comprises economic diplomacy. The following important question seeks for its answer; should economic diplomats be generalists, as the role of a traditional diplomat implies, or specialists, that is, people specialized in financial matters and familiarized with the rules of the international market?

## **Policy Recommendations**

### **Coordination**

- The establishment of an Inter-Ministerial Committee, that will be consisted of the Foreign Minister Foreign, the Minister of MDCITN, the Minister of Tourism, the Minister of Rural Development and Food and the Minister of Environment, Energy and Climate Change. The creation of a powerful, permanent and special Secretariat next to the Prime Minister is suggested as the most appropriate supervisory mechanism. Its main mission will be the coordination of economic diplomacy and the formulation of the general objectives of the extraversion policy. This Secretariat may belong to the General Secretariat which is now being under creation ("Centre of Governance"). This Secretariat should
  - be permanent, as has been mentioned, and under Prime Minister's supervision
  - take over the leading role of coordinating economic diplomacy and should be able to propose in the short but also in the long term the basic to the Inter-ministerial Committee
  - keep up with and evaluate the country's foreign economic policy that is directly related to the promotion of the extraversion and the competitiveness of Greek economy.
  - be able to suggest to the Prime Minister ways of dealing with probable

inter-ministerial conflicts over issues of economic diplomacy. During the past years, inter-ministerial disputes, especially between the Ministry of Foreign Affairs and the then Ministry of National Economy, were more than a common phenomenon.

The latest attempted formulation of a Mixed Committee under the title *Coordinating Committee of Extraversion* aiming to the coordination of Greek international actions and to the promotion of the Greek's economy extraversion does not seem to meet the requirements and the importance that need to be paid to the country's policy of extraversion, since it is comprised of the ministries' general secretaries and is supervised by a Deputy Minister.

Consequently, the answer that is given is moving towards the direction of "administrative centralization and not towards the continuing administrative diffusion of different bodies. There should also be one, only one, Ministry in charge of all the unified competencies of economic diplomacy and, simultaneously, of all the actions and aspects that are included in the framework of extraversion; exports' promotion, investments' attraction, boosting and support of Greek investments beyond borders, including also the responsibilities of Greek Commercial and Economic Attachés). Otherwise, there is a high risk for the Greek diplomacy to be everywhere and nowhere at the same time! This fundamental task should be given to the **Ministry of Foreign Affairs** for the following reasons:

- There is undoubtedly a substantial political dimension in the economic diplomacy which refers to the modern aspect of foreign policy formulation and implementation: the new economic architecture is a way for a government to project its power and increase its influence abroad. Political influence has been used for a long time in order to advance commercial goals. It is now more than ever evident that, in today's international reality, a country's negotiation power is more and more a reflection of its economical status and power. One step beyond, a powerful economy constitutes a powerful ground on which the construction of a fruitful external policy is based. Economic tools could also be employed to materialize political goals. In other words, to restate Von Clausewitz's famous dictum: *Economic diplomacy is a mere continuation of policy by other means*. The presence of a country's traders, investors, and financiers can be as effective instruments of foreign policy as military power. Therefore, economic diplomacy has two general usages: it refers to the use of economic resources or the manipulation of economic activity for diplomatic purposes, and to use of diplomacy to promote financial or commercial objectives.
- Due to globalization and the economic situation of our country, today's economic diplomacy constitutes a vital field of exercising a country's foreign policy. So, this is the reason why a unified centre, formulating and

implementing economic diplomacy, should undoubtedly exist. In these terms, the complete coordination between the country's external policy and its economic diplomacy is a necessity which should not be ignored. To put it in simple words, the promotion of extraversion policy, such as the commercial policy (the exports' promotion) or the investments' attraction, the general economic external policy (development of bilateral economic relations or the multilateral economic diplomacy) and, finally, the realization of external financial aid should be under the supervision of the Ministry of Foreign Affairs.

- As the international economy evolves day by day, embassies consume most of their time dealing with matters of economic diplomacy. The political diplomacy now sometimes comes in the second place. If the transmission of Commercial and Economic Attachés in the MDCITN comes into practice, there is the danger of undermining the so far achieved osmosis between the traditional issues of the Greek foreign policy and the emerging vital matters of economic diplomacy that has been accomplished during the last years in the Ministry of Foreign Affairs. Even the possibility of signing a memorandum between the Ministry of Foreign Affairs and the MDCITN sounds like a Greek paradox, if one bears in mind that, during the previous years, there was not a culture of cooperation between them.
- At the same time, in the European Union, there has been created the European External Action Service, which includes not only the the external and commercial relations of the EU but also the matters of Common Foreign and Security Policy (KEPPA). The above mentioned transmission in the MDCITN will cause difficulty in the Ministry of Foreign Affairs regarding its role as the basic player, coordinator and promoter of the country's interests in the EU simply because the coordination on the matters of foreign economic policy of the EU should be firstly been agreed with the MDCITN, if the Foreign Minister does remain the single policy maker. Even in the Netherlands, economic diplomacy was importantly advanced with the appointment of a Minister for the External Commerce and the Developmental Cooperation and, simultaneously, with the relocation of a whole General Directorate for the external economic policy and the developmental cooperation from the Ministry of Finance to that of Foreign Affairs. Besides, it is doubtful if the MDCITN, turning into a super Ministry "mammoth" will be capable enough of handling successfully its competences.

Therefore, it is wisely recommended that:

- The Ministry of Foreign Affairs should keep under its authority the *Offices of Economic and Trade Affairs* and their relocation should not be realized.

- All the B' Directorates of the Ministry of Foreign Affairs should be reinforced, as it is, in any case, suggested in the Dutch Experts' Recommendations.
- The competencies that are now under the authority of MDCITN concerning the formulation of the EU's Common Commercial Policy in the context of World Trade Organization (WTO- 133 Committee) but also the competencies referring to a part of the multilateral economic diplomacy (WTO, OECD, BSEC) that in a rather curious way are under the authority of the Ministry of Finance for reasons than cannot be easily explained, should be also transferred in the Ministry of Foreign Affairs.
- MDCITN can supervise the actions concerning the Greek policy of extraversion **inside** the country, such as the boosting of the external trade as well as adopting rules and measures facilitating the external trade. The new body that is suggested by the merger of the *Invest in Greece Agency* - and the *Export Promotion Agency* can constitute the basic supportive body that will help the foreign investors who wish to invest in Greece but also the Greek businessmen who are planning to export or to invest abroad. The *One Stop Shop* can either be under the surveillance of this body, and not under the MDCITN, or it can constitute a separate Agency. The Dutch NL Agency or the UK Trade and Invest Agency could really be used on that issue as a role model.
- In terms of strategy, the coordination and harmonization of policies referring either on the internal either on the external dimension of extraversion should be decided by the Inter-Ministerial Committee. In terms of defining general policy directions, it should be decided by the Special Secretariat of the Prime Minister's Office. In terms of managing on a monthly or even weekly basis, the monitoring should be appointed in a mixed inter-ministerial body that could be comprised of officials of both ministries (Ministry of Foreign Affairs and MDCITN), while there will be contact and cooperation on an everyday basis, from the one hand, between the Offices of the Economic and Trade Affairs and from the other hand, between the new Body that will arise from the merger of the *Invest in Greece Agency* and the *Export Promotion Agency*.

### **Philosophy**

- ✓ The examined phenomena – the aim of extraversion and the country's current necessities - tend towards the specialization of Greek Diplomats. In other words, they should not be polyvalent, being able to act as "little prime-ministers", as they have been characterized, as general managers that comprehend all the matters and aspects of diplomacy and, therefore, are able to take part in any kind of negotiation. On the contrary, they should be specialized and familiarized with all the clever and the worse "secrets" of each product's market, in order to be able to



support any Greek businessman that wishes to export its product. They also should know the problems and opportunities which offer the Greek economy in order to be able to attract FDI. For this purpose, two alternative policies can be suggested;

- ✓ The re-functioning of the Offices of Economic Affairs (Grafeia OEY) that had been suspended according to the law of 2007 and the re-functioning of the two year program of EKDDA, that was responsible for the enrichment of these Offices with new personnel.
- ✓ There should also be created two divisions for Diplomats after their admission at the Diplomatic Academy. The one should be exclusively specialized in economic diplomacy. The other should have as an objective the “political/traditional” diplomacy that, on completion of the training, the personnel could reach the grade of A’ Counselor. Up to this grade, there will be no separation. In this way, not only the specialization of economic diplomats could be achieved, but also the complete and general idea that a diplomat of higher grade should have.
- ✓ In addition, the possibility of recruiting staff from the private sector for a certain time for counties of strategic interest should be carefully examined, in order to achieve the necessary input of ideas and conceptions that originate from people with rich experience of the business community.

#### **Relations with the internal actors**

- It is recommended that the technique of interconnecting public and private factors by an advisory body, be consisted of a few members, that can be able to take inputs and make suggestions, that is turning the latter into outputs towards the Special Secretariat, but also towards the Ministry of Foreign Affairs and the MDCITN. This body could be a “Wise People Body” consisting either from productivity agencies, from businessmen or even from the businesses’ managers. The will take part as autonomous personalities and not as representatives of their agencies
- Last but not least, the coordination with non-governmental actors, such as NGOs, Universities, Research Centres and Institutes is of high importance. There are businesses and banks that develop corporate social responsibility abroad. There are also many programs developing by NGOs with main emphasis on external financial aid, whose strategic actions should be coordinated with the state’s actions especially these of Hellenic Aid, in order to have a more fertile production of extraversion. The latter will also ensure economy of scale and will assist towards an “unofficial” division of labor.

**THEODOROS THEODOROU<sup>1</sup>**

***PIPELINES, CORRIDORS AND THE EUROPEAN ENERGY STRATEGY.***

***ANALYSIS AND SUGGESTIONS.***

### **Current situation**

The Balkans and the wider region we live in have experienced tremendous changes the last 20 years. The changes we have observed and their impact on the energy sector in South Eastern Europe, Russia, the Middle East, Eastern Mediterranean and the Arab World after the «Arab Spring» are only some among the many that can inform us about the trends of their political future.

In South Eastern Europe, some countries are already EU members while the rest of the Balkan States are queuing in front of Europe's threshold. The vision in Europe, members and candidates of the European Union, is more democracy, free markets, developed economy, prosperity and a better future. At the same time other international players are looking forward to expanding their influence in many sectors among which energy could be considered as the most important one. At the dawn of its EU Presidency, Greece has to deal with energy issues, a significant chapter that covers at the same time the European Energy Strategy as well as Greece's emerging role in the energy market.

European Energy supply depends heavily on Russia. Although Kremlin has faced, even lately, political, economic and structural difficulties, Moscow has successfully affronted them. Russia, possessing enormous natural resources, is one of the richest countries in the World. Kremlin acting not only as developer but even as energy investor controls a huge number of wells in former Soviet Union. By reestablishing its new Empire, Kremlin has signed a significant number of Energy agreements with France, Germany, Italy, Turkey, Kazakhstan and many other countries. Russia dominates the European Energy Market and most probably the majority of energy corridors, whilst only one corridor, the so-called Southern Corridor, remains available for further negotiations.

But why such a narrow Corridor could become so important? The answer is not easy since the issue touches upon international political and economic interests, the complexity of market interactions, pricing, and investments as well as their financial dimension. Could the Southern Corridor become the field of East-West energy antagonism? Yes, if the corridor became part of the Russian pipeline network because in this case Russian pipelines would cover a huge geographic area from North Europe down to the South. However, if the Southern Corridor would supply Europe only with Azeri natural gas and oil, then Russia would lose an important

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<sup>1</sup>Ambassador of Greece in Kuwait.

European Corridor while Europe would create new opportunities for more stabilized and independent model of energy supply for the European Union.

Europe knows very well the importance of Energy and Energy is one among other significant issues to be dealt during the following three EU Presidencies (2013 Ireland-Lithuania, 2014 Greece).

**Tackle the challenges: Create a win-win situation, avoid political chaos and bumper to bumper antagonism.**

Greece has an advantageous geopolitical position. The longest part of the Southern Corridor traverses the Northern part of Greece. Adjacent to the Southern Corridor area is the Turkish energy network as well as parallel European and Russian energy axes (Nabucco West and South Stream). The antagonism is obvious. The old combat for hegemony reappears between East and West threatening Europe's stability because of energy issues.

The Greek Presidency, in an effort to support development and prosperity among Europeans, should work on the following

- Organize one EU-Russia energy ministerial meeting
- Revitalize negotiations concerning new sea motorways for transport of LNG/CNG. Greece is a potential hub for energy. Europe has to consider it seriously.
- Greece-Turkey cooperating on energy questions concerning European energy strategy should be complementary. TANAP-TAP-ITGI-IBG is substantial part of a wider energy project safeguarding European Energy Strategy.
- Israel-Cyprus-Greece shapes a new Corridor for Energy, a Southern-Southern-Corridor for Europe's additional energy needs.
- Coordination with North African States for energy supply establishes a dynamic new energy market in the Mediterranean region.
- Europe is obliged to examine new energy possibilities connecting European needs with GCC suppliers via East Mediterranean harbors. Projects of new pipelines connecting the Arab Peninsula (GCC and the Middle East) with Europe should be included in future Mediterranean plans.

### **Policy Proposals**

Greece is obliged to consider the following:

- Adopt fast-track procedures in an effort to get all necessary information about its energy assets, on shore and off shore.
- Follow international procedures for immediate exploitation of energy resources

- Develop maritime network for energy transportation
- Develop projects for energy storage. Create local pipelines for internal natural gas consumption and international supply.
- Conclude cooperation agreements on energy issues with neighboring countries.
- Participate in international projects contributing to the European Energy Strategy supporting the expansion of the European Energy Network.
- Negotiate with all key players of the energy sector without exclusions.
- Combine private and public sector interests.
- Promote privatization of energy production and supply in an effort to maximize national benefit.
- Reassure all partners and interested interlocutors that Greece is part of the solution and not of the problem

Tensions in Europe do not help to overcome the crisis and undermine the future of Europe. Prosperity and development are delayed because of the financial and economic crises in Europe. Unemployment and social uncertainty threaten stability and progress in this region of the World. Even rich EU members are facing enormous difficulties in essential social and economic fields. European principles and values lose their importance in a destabilized society. In front of this very dangerous reality European solidarity is the only means to overcome the difficulties. New energy policies and a combination of traditional and renewal energy possibilities could reshuffle production in Europe. Solar energy, natural gas, shale gas, oil, as well as coal and wind energy opens new perspectives for the European economy.

Europe's next door neighbors are Turkey, Iraq, the Middle East, which are also dependent to the new reality in Northern Iraq and Iran. All these are main players obliged to work closely in an effort to bring prosperity to their people and safeguard peace. Multidimensional interests for all the players force them to compromise in certain policies in order to protect other vested interests they might have in other equally important fields.

### **Conclusions**

Traditionally production and supply of energy is controlled by some countries. However, new perspectives arise for the sake of the world development. Greece's European presidency could contribute to paving the way to improved solutions for European Energy strategy and elaborated cooperation around the Mediterranean Sea. Energy supply is important for Europe while energy purchase and price stability is equally important for energy suppliers and developers. Pipelines connect energy suppliers and consumers around the Mediterranean Sea.

Energy is considered as an essential factor for development and global prosperity. Negotiations on Energy issues should not polarize or divide interested parties. Interlocutors should seek for common interests and should avoid positional bargain which could separate people. We are not allowed to reenter a new Cold or Star War era of antagonisms. Such an option leads societies to a zero-sum game instead of promoting a win-win situation for Europe, its adjacent region and the World.

**MICHALIS TSINISIZELIS<sup>1</sup>**

***AN INTERNAL SECURITY STRATEGY FOR THE EU***

‘Europe has never been so prosperous, so secure nor so free...’, the 2003 document of the European Council on a European Security Strategy (ESS) pronounced<sup>2</sup>. Since then many of the parameters of the European thinking have changed to the worst mainly due to the Euro-zone crisis but also due to changes in the workings of the institutions brought about by the entry into force of a new Treaty. Nevertheless, this first general security document has tendered a list of the main security threats facing the Union which leaned more towards Defense – in fact this document is the birth certificate of a CFDP-and global challenges rather than internal security issues. This can be explained with reference to the circumstances at the time e.g. 9/11, War in Afghanistan, War in Iraq, War in the Balkans since 1998 etc. It was no accident therefore that Terrorism was identified as the chief threat facing Europe especially bearing in mind and to an extent anticipating later attacks such as those which occurred in Madrid (March 11/2004) and London (7/7/2005). Proliferation of weapons of mass destruction by states and terrorists, regional conflicts, state failure and organized crime were also identified as main threats in accordance with the observations stated above.

On December 2008 a report was published by the European Commission on the implementation of the European Security Strategy<sup>3</sup>. This document reviews the main threats identified by the European Council in 2003 and adds new ones such as the link between terrorism and organized crime, cyber security issues, energy security, climate change and its political ramifications as well as piracy. The document proposed to address these threats mainly through policies of ‘effective multilateralism’. As the document put it ‘...The world around us is changing fast, with evolving threats and shifting powers. To build a secure Europe in a better world, we must do more to shape events. And we must do it now’<sup>4</sup>.

The Stockholm Program was published on May 2010 under the title ‘ The Stockholm Program- An Open and Secure Europe serving and protecting its citizens’<sup>5</sup> and its corresponding Action Plan<sup>6</sup>. It was in these documents that the political mandate to

<sup>1</sup> Michael J. Tsinisizelis is Professor in International and European Studies, National and Kapodistrian University of Athens.

<sup>2</sup> A Secure Europe in a Better World. European Security Strategy Brussels 12 December 2003 p.1

<sup>3</sup> Report on the Implementation of a European Security Strategy- Providing Security in a Changing World Brussels 11/12/2008 S407/08

<sup>4</sup> *ibid* p.12

<sup>5</sup> Official Journal of the European UNION C115,4/5/2010

<sup>6</sup> \*\*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 20 April 2010 – Delivering an area of freedom, security and justice for Europe’s citizens – Action Plan Implementing the Stockholm Program [COM(2010) 171 final

develop an Internal Security Strategy (ISS) can be found and it was this document that was subsequently approved by the European Council. It is also the EU's multiannual program on Justice and Home affairs for the period 2010-2014. This document provides for the main priorities of the EU as follows:

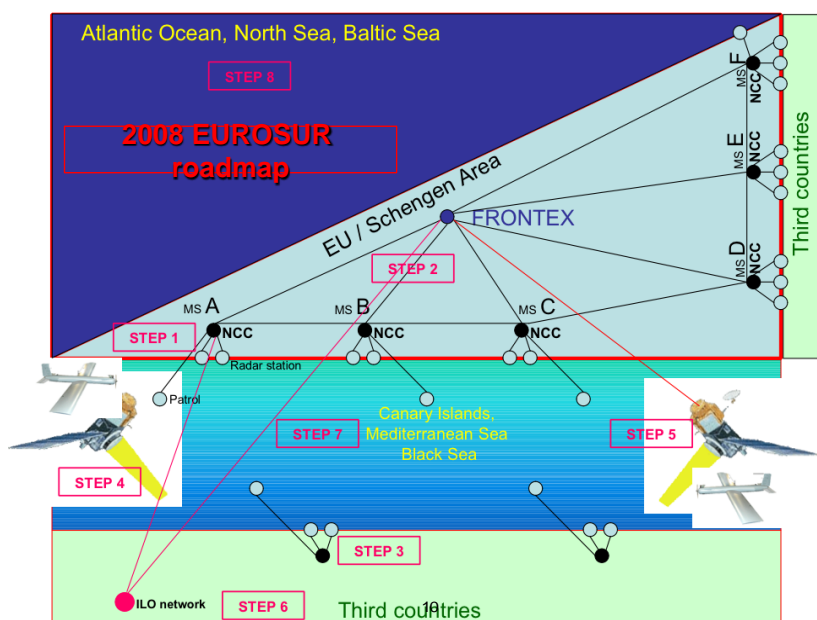
Promoting:

- Citizenship and Fundamental Rights
- Europe of Law and Justice
- Europe of Protection
- Access to Europe in a Globalized World
- Europe of Responsibility, Solidarity and partnership in Migration and Asylum matters

### THE DEVELOPMENT OF EUROSUR

On February 2008 the Commission communicated its proposal to the Council, the European Parliament, the Committee on Regions and the Economic and Social Committee on the establishment of A European Border Surveillance System (EUROSUR). This is to be achieved in three Phases encompassing the national infrastructures, the development of common tools and finally the development of ad hoc networks of cooperation. This European initiative is under implementation and is expected to become functional by 2014 with obvious positive consequences for our country's needs in border protection.

#### SETTING UP OF EUROSUR



Source : European Commission D.G.ENTR

## FP8 or HORIZON 2020

This is a different name for the next Framework Program or the FP8 scheduled to commence by 2014. This is the third such document in the space of a decade starting with the 'Agenda 2000' and the following Lisbon Agreement of 2005 whose identified objectives are no different than the notable ones of the Lisbon Agreement planned to create in the space of a decade the 'more competitive economy of knowledge' in the globalized economic state of affairs. This time though Horizon 2020 built upon the successes of the FP7 (Framework Program 7) and is much more complete and much more enterprising. As the document confesses at the heart of this Program lies the need for innovative solutions in products, services, businesses and –crucially- social processes and models

The European Commission in Horizon 2020 has put forward three priority objectives to tackle Europe's inefficiencies:

- **Smart growth, Sustainable growth, Inclusive growth** resting on seven pillars seems to have rather unassertive or less aspiring and much more realistic objectives in the form of national headline targets. Thus by 2020, 75% of the population within the 25-64 age bracket should be employed, 3% of the EU's GDP should be invested in R&D, the 20/20/20 climate energy targets (Kyoto targets) should be met along with a decrease of 30% in emissions, early school leavers should be reduced to under 10% and 40% of the younger generation should have a tertiary degree. Finally the EU should have 20 million people less under the poverty line by 2020

## A CYBER SECURITY STRATEGY AND THE PROTECTION OF CRITICAL INFRASTRUCTURE

Cyber attacks are considered as the number one dangers on the smooth and undisturbed functioning of markets, companies, and Government institutions. It is possibly the motif of our everyday lives in this first part of the 21st century. The historian of the future will not fail to realize the significance of the internet for our lives of the smart phones for the industry and our economies of social networking or even the cloud technologies and the rest of the technological marvels that shape our lives. Cyber security therefore, touches directly also upon the security of the citizens way of life.

### MAIN EU ACTIONS ON CYBERSECURITY 2007-2010

- *2007: Council Resolution on a Strategy for a Secure Information Society in Europe [2007/C 68/01]*
- *2008: Extension of ENISA's mandate and launch of a debate on increased NIS*
- *Mar 2009: European Commission's proposal for an Action Plan on Critical Information Infrastructure Protection - CIIP -*



- *Nov 2009: Adoption of the revised telecoms regulatory package integrating provisions on security*
- *Dec 2009: Council Resolution on a collaborative European approach to NIS [2009/C 321/01]*
- *Dec 2009: EESC Opinion on the Communication on CIIP*
- *May 2010: Adoption of the Digital Agenda for Europe [COM/2010/0245]*
- *Sep 2010: Proposal to reform ENISA*

On December 2008 the Council of the European Union issued directive 114 EEC on the Protection of the European Critical Infrastructures (ECI)<sup>1</sup>. This was made possible after the publication by the European Commission of its Green Paper on a program for European Critical Infrastructure Protection<sup>2</sup>. The Directive adopts an all hazards approach giving priority though to the prevention of terrorist attacks. The Directive defines as critical infrastructure “critical infrastructure’ means an asset, system or part thereof located in Member States which is essential for the maintenance of vital societal functions, health, safety, security, economic or social well-being of people, and the disruption or destruction of which would have a significant impact in a Member State as a result of the failure to maintain those functions. ‘European critical infrastructure’ or ‘ECI’ means critical infra-structure located in Member States the disruption or destruction of which would have a significant impact on at least two Member States. The significance of the impact shall be assessed in terms of crosscutting criteria. This includes effects resulting from cross-sector dependencies on other types of infrastructure’<sup>3</sup>. ECI’s are usually designated on a bilateral or multilateral basis given the number of member states that may feel threatened by the destruction or disruption of the working of ECI’s. Each designated ECI should posses on Operation Security Plan or ‘equivalent measures comprising an identification of important assets, a risk assessment and the identification, selection and prioritization of counter measures and procedures’<sup>4</sup> as well as a Liaison officer<sup>5</sup> to communicate with the relevant designated national authorities created ad hoc in all member states. It is explicitly stated in the Directive that the protection of the ECI’s rests exclusively with the national authorities or the owners of the ECI. For the moment (pending a reform of the Directive) this Directive has a limited scope and applies only to the energy (excluding nuclear power) and transport sector.

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<sup>1</sup> COUNCIL DIRECTIVE 2008/114/EC of 8 December 2008 on the identification and designation of European critical infrastructures and the assessment of the need to improve their protection L345/75

<sup>2</sup> COM(2005)576 Final 17.11.2005

<sup>3</sup> Dir 114 op.cit.art.2

<sup>4</sup> ibid

<sup>5</sup> ibid.art.3

### **WHAT NEEDS TO BE DONE PRIORITIES FOR ACTION DURING THE GREEK PRESIDENCY**

1. Completion of the national NCC within the Ministry of Shipping. Commencing of the functioning of the system by 2014. The EU considers the setting up of the Greek National Coordination Centre (NCC) as a pilot project on the basis of which the rest of the NCC's will be built. Full Implementation of the European Border Surveillance System (EUROSUR) in which illegal migration is included along with border control, trafficking and more generally organized crime, terrorism and manmade or natural disasters and crises.
2. Implementation of the ECI directive (Dir 114/2008) on the protection of the European Critical Infrastructures through bilateral negotiations with bordering countries including Cyprus.
3. The implementation of the Dublin III Regulation and the new policy on Asylum of the EU,
4. Implementation of the EU's Cyber security Strategy,
5. Full participation of the country in the calls of the Horizon 2020 Program and especially around the notion of 'secure societies'. Considering the circumstances this may prove a good source of financing to the benefit of the Ministry and the country.

### **CONCLUDING REMARKS**

The ISS of the EU is a structured comprehensive approach designed for an ongoing implementation of an area of Justice, Security and Freedom in the EU. It intends to address the main security challenges facing the citizens of Europe without prejudice to their fundamental rights and freedoms and the European traditions of the *Rechtsstaat*. Of course it remains to be seen how the delicate balance between security and rights will evolve in the future. The breakdown of the pillar system by the Treaty of Lisbon and the transfer of the material of the original Justice and Home Affairs pillar to the normal legislative procedure and the active involvement thereof of the European Institutions have made such an innovative development possible. This expanded scope of the integration process has important political ramifications. For, the supranational system is making essential inroads to an area long considered as the core of national sovereignty. The EU has made a significant institutional leap forward with the ISS and more generally with security cooperation, which, if extended, may contribute in the years to come to the clarification of the EU physiognomy towards some form of a comprehensible political organization.

**GEORGIOS KOUKOUDAKIS<sup>1</sup>**

***GREEK NATIONAL SECURITY STRATEGY: SETTING ECONOMIC RECOVERY AS A TOP PRIORITY***

**Introduction**

Over the last three years Greek National Security Strategy (GNSS) is facing a troubled environment domestically and internationally. Uncertainties regarding the country's future and its external policies have increased significantly as a result of Greece's unforeseen acute economic crisis, political and social turmoil, troubling and worrying developments in its near abroad regions and challenges of the years ahead. Consequently, the task of comprehending, evaluating and even more of planning and implementing GNSS today has become more complex and far more difficult. The historic challenge of GNSS today is how to face traditional and new issues with low cost and high efficiency. The question is what kind of priorities should the GNSS set in order to serve properly its national interests in the long and short term. The present article argues that a strategy able to increase Greece's wealth production is the answer and as a result Greece should do its best to maintain the "Civilian Power" foreign policy model. In other words, this article argues that the economic security of Greece should become part of its National Security Strategy (NSS). Within this context the current situation and the challenges that the GNSS is facing are analyzed before some specific policy proposals and recommendations are presented.

**Wealth and its Importance in International Relations**

The possession of wealth/power has always been considered as a determinant factor of the international influence of states and many other non-state international actors. Power is a core notion of Political Realism's theory of international relations. It is worth to be noted however that even among main realists scholars power is not only defined in military terms. Hedley Bull perceived overall power as the sum of military, economic and politico-ideological ingredients in national power that makes itself apparent in bargaining among states<sup>2</sup>. Kenneth Waltz also perceives the size of population and territory, resource endowment, economic capability, military strength, political stability and competence as crucial for deciding the international status and influence of a state<sup>3</sup>. It is true that as a result of the severe economic crisis, Greece has been left behind in all these power measurements. Consequently the priorities of GNSS have to be re-examined and reset.

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<sup>1</sup> Phd, Department of Political Science and Public Administration, University of Athens.

<sup>2</sup> Hedley Bull, *The Anarchical Society*, Macmillan, Second Edition, 1995, pp. 108- 109

<sup>3</sup> Waltz, K. "The Emerging Structure of International Politics", *International Security*, Vol. 18, No. 2, Autumn, 1993, p. 50

## Traditional GFP

Over the years GNSS has been counted on a hybrid strategy of internal and external balancing mechanisms in order to safeguard its interests and fulfill its international role<sup>1</sup>. This strategy was based on a series of policies on an economic, social and military level as far as its internal dimension is concerned. In particular, a healthy economy combined with a prosperous society and strong armed forces was the principal goal. In addition, the “two-party” political system, that dominated Greek politics since 1978, was until recently the rule not the exception of Greek national politics and in a way was considered to be a “guarantee” for political stability. Furthermore, since the mid of 1990s a consensus was reached between the two main parties on foreign policy issues. The participation in international organizations and alliances combined with bilateral co-operations and agreements on various sectors was the main characteristic of the external dimension of GNSS. The European Union (EU) has been the core aspect of this strategy<sup>2</sup>. The relative advantage that EU membership ascribed to Greece as far as its relations with Turkey and the Former Yugoslav Republic of Macedonia (FYROM) are concerned, enabled its political leadership to tackle traditional bilateral issues with both countries<sup>3</sup>. Furthermore, Greece has taken advantage of its membership in NATO in order to resolve in a mutually acceptable way the constitutional name issue of FYROM. On top of that Cyprus membership in the EU has provided Athens with greater diplomatic leverage over the Cyprus issue bearing in mind “Turkey’s obsession” with EU membership<sup>4</sup>. In other words, the EU was perceived as a multiplier of influence for the international role of Greece and thus the “Europeanization of GNSS” was the rule and not the exception<sup>5</sup>.

## Current Situation

### *The Internal Dimension of GNSS*

The current severe economic crisis in Greece has multilevel negative consequences on both aspects (internal/external deterrence) of the strategic model of GNSS. In its internal dimension the austerity measures that have been adopted have caused a

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<sup>1</sup> See for example Ntokos, T. Tsakonas, P. National Security Strategy: Building the Greek Model in the 21<sup>st</sup> Century, (in Greek), Papazisis, Athens, 2005, p. 101

<sup>2</sup> See Tsakonas, P. (Ed), Contemporary Greek Foreign Policy, Sideris, Athens, 2003

<sup>3</sup> See for example Koukoudakis, G. “The Impact of the European Union over the Unresolved Difference over the Name between the Former Yugoslav Republic of Macedonia (FYROM) and Greece”, paper for the 57th Political Studies Association Conference, April 2007, University of Bath

<sup>4</sup> Koukoudakis, G. “European Integration, Small States and the Limits of the Neorealist Paradigm: The Case of Cyprus, EKEM, EU Research Monographs, 1/2011

<sup>5</sup> For the concept of Europeanization see, Featherstone, K. and Radaelli, C, The Politics of Europeanization, Oxford, Oxford University Press, 2003. For the Greek case see, Tsardanidis, C and Stavridis, S. “The Europeanization of Greek Foreign Policy: A Critical Appraisal,” European Integration, Vol. 27, No. 2, June, 2005

remarkable decline in the living standards and the quality of life of Greek society. Economic depression, a constantly rising unemployment and a remarkable increase of the number of those living under the poverty line have been at least the short term effects of this economic crisis. As a result, there is a constantly negative public opinion that does not constitute just lack of consent towards those unpopular policies but a direct challenge towards the Greek political system as a whole. This public discontent has enabled small populist and extreme political parties from both edges of the political spectrum to increase their power and appeal. Simultaneously, as it is always the case in similar situations and conditions, let alone in Greece where illegal immigration was until recently almost uncontrolled, xenophobia has increased drastically and racist based violence has been reported in various criminal incidents. The marginalization of the two party political system that became apparent with the national elections results of May and June of 2012 added another crucial variable as far as the direction of GNSS is concerned.

Simultaneously, the Greece's defense expenditure has been reduced drastically and the prospect of modernization or replacement of existing defense systems looks rather uncertain. The continuation of this policy in the long-term will probably prevent Greece from keeping in pace with the requirements of the maintenance of modern arm forces capable of co-operating and co-acting with their western European and American allies. Most important of all these are the absence of the deterrence effect that modern and strong armed forces imply. Furthermore, the presence of a strong, modern and effective army was always considered to be a valuable National Security Strategy (NSS) tool especially for countries neighboring conflict prone regions. At the same time the main competitor of Greece in the region, Turkey, is experiencing an unprecedented economic boom which is reflected not only in its foreign policy doctrine<sup>1</sup> and its constantly increasing defense budgets and investments in military technology and production, but also in its active foreign policy in neighboring regions mostly the Middle East, the Western Balkans and in Central and Eastern Asia<sup>2</sup>.

#### *The External Dimension of GNSS*

On the other hand, as far as the external dimension of GNSS is concerned, some important developments have taken place. What has become apparent over the last years is the weakening of the EU as a global actor. The crisis in the Eurozone in combination with the financial crisis in the United States of America (USA), and the rising of new financial and trade competitors like China, India and Russia have

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<sup>1</sup> See, Davutoglu. A. "Principles of Turkish Foreign Policy," SETA Foundation, Washington D.C., 8<sup>th</sup> December, 2009 and "Turkey's Zero-Problems Foreign Policy, May, 20, 2010

<sup>2</sup> Koukoudakis, G. "Davutoglu's Doctrine: The Achievement of a Longstanding Aim of Turkish Foreign Policy?" (in Greek) EKEM, South-East Europe Project, Research Monographs, 2011

exercised great pressure on the EU status as a global economic actor. Furthermore, the economic crisis in Greece has been tackled mainly within the EU. As a result, the EU member states have been overload with Greek demands. In other words, a dependency relation has been created between Greece and its European lenders that will probably make difficult for Athens to maintain “Europeanized” its traditional foreign policy issues at least in the degree it used to do so.

All these developments render the government of Athens incapable of playing any significant role in its near abroad and especially in the Middle East where currently tectonic changes are taking place under the banner of the “Arab Spring”. Greece, for example, must reach an agreement with Egypt and Libya over the delimitation of its Exclusive Economic Zone. A more active involvement of Athens in the post authoritarian period or even the democratic transition of these countries would have probably made the situation easier.

In sum, what is becoming apparent is that both the internal and the external dimension of GNSS have been weakened as a result of the economic crisis. Consequently, there is an urgent need for the reformulation of the GNSS in such a way as to feel the capabilities gap in relation to its main regional competitors but also in a way that will enable it to serve its interests in a regional and European level. What is missing in other words from GNSS today is to set the production of wealth as a top priority in its agenda. GNSS however, should not be defined in Lawrence Freedman’s or strategic studies terms “as the art of creating power to obtain the maximum political objectives using available military means”<sup>1</sup>. But as a strategy of producing wealth using a civilian power model in the conduct of foreign policy under the protection of a defense policy that is going to be based on a deterrence doctrine. To put it in a different way, this paper argues that currently economics has been elevated to a national security issue for Greece and the best way to address it is through economic and cultural diplomacy. As a result, the following policy proposals are presented which constitute the concluding remarks of this paper.

### **Policy Proposals**

#### *Rebuilding Competence and Credibility*

Kenneth Waltz argued that “the effect of national economic capability varies over the centuries”<sup>2</sup>. This is very true. Today one can easily argue that the enhancement of the economic capability of Greece has been elevated to an issue of high politics that can be included to its national security agenda. The Greek state has to restore its credibility and competence both on an international and national level. The conduct of its foreign policy therefore should be based on a specific and well defined

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<sup>1</sup> Freedman, L. “Strategic Studies and the Problems of Power,” στο T. Mahnken και J. Maiolo, (ed) *Strategic Studies: A Reader*, Routledge, London, 2008, p. 25

<sup>2</sup> Ibid. p. 63

strategy which should be designed and implemented by specific institutions and very experienced personnel.

The present three-party coalition government has so far managed to maintain Greece in the Eurozone and to fund its debt obligations. This was undoubtedly a decisive first step towards recovery. The decisiveness moreover, that the current government demonstrates towards the implementation of structural reforms also adds to its international credibility. As a result, it is urgent that these reforms should be implemented without delays. Furthermore a demonstrative consensus must be reached in all foreign policy issues between the three parties that support Samaras' Government.

#### *Economic and Cultural Diplomacy*

It is also very crucial for Greece to attract Foreign Direct Investments (FDI). The benefits of these investments are considered under the present situation of paramount importance given not only their contribution to development but also the jobs they create, the new technologies they introduce and the purchase of endogenous goods and services. For the achievement of this goal however and investment friendly taxation system is required. Furthermore, Greek products must be promoted further in international markets. Exports can also create development pulses for domestic economy. Within this context GNSS should develop further and more efficiently its economic diplomacy. The creation of a Joint Special Task Committee between the Ministry of Foreign Affairs, the Ministry of Development, the World Council of Hellenes Abroad and representatives of all the main sectors of the Greek business world (Industrialists, Ship-owners, Factories owners, Bank owners, Constructors, etc) could be an effective co-ordination mechanism. The recent visit of Prime Minister Samaras in Qatar is a good example. This practice however could be expanded to all member states of the Gulf Cooperation Council namely the United Arab Emirates, Kuwait and Saudi Arabia. Cultural diplomacy could also contribute to this goal given that this particular region is linked with strong historic, cultural and mainly trade links with Hellenism. A well-defined strategy is required for such a policy. Turkey has extensive trade and cultural exchanges with this particular area and will try to deter Greece from threatening its gains. The public appeal to Greece by the Turkish Prime Minister Erdogan in Qatar during his simultaneous trip with his Greek counterpart Samaras, to build a Mosque in Athens, even with Turkish funds was probably mostly referring to the religious feeling of Qatar's public opinion and decision makers. Athens should find ways of financial penetration in that rich region that do not conflict directly with Turkish interests. In such cases, Greece should not hesitate to propose joint ventures to Turkey which at the moment has a greater appeal in the area.

The rapprochement of these states moreover should also aim from one hand to balance the recent opening of Greece and Cyprus to Israel and thus prevent any

negative reactions and outcomes in their future relations. In a similar way Greek economic diplomacy should take further action in big countries like Russia and China. Towards this direction, the Greeks of diaspora should be mobilized in order to contribute to the economic recovery of their motherland. Greek businessmen living in countries like USA, Canada, Australia and Germany should be encouraged not only to support exported Greek products in their countries of residence but also to invest in Greece let alone of choosing Greece for their holidays. The World Council of Hellenes Abroad must play a great role towards this goal.

#### *The Resource Endowment of Greece*

At the same time the high possibility of discovering energy resources within the Exclusive Economic Zone of Greece, creates the ground for investments of paramount importance for its economic recovery. Additionally however it creates the need for a wise energy strategy. The successful example of discovering significant natural gas fields offshore Israel and Cyprus and their joint exploitation, constitutes a model not only of economic co-operation but also of alliance formation in order to maintain the regional balance of power. Furthermore, such a development will contribute greatly to the energy security of the EU<sup>1</sup> and thus will not only maintain Greece in the core of EU politics but will specify the important role of Greece in the energy map. In other words, it is imperative for Greece to Europeanize its NSS as far as its research endowment is concerned. Within this context from one hand Greek-Israel cooperation should be widened and deepened in a mutually beneficial way from the other hand this cooperation should involve strong EU-Member states like France and Germany.

Towards this direction, efforts should be made so that the declaration of the Exclusive Economic Zone of Greece take place at the same time with the declaration of the Exclusive Economic Zone of the rest EU-Mediterranean member states. The EU has embraced the new UN convention for the Law of the Sea as part of its *acquis*. This policy will strengthen the external deterrence mechanism of Athens in case Ankara will try to react but will also facilitate the delimitation of the Exclusive Economic Zone of Greece with Albania, Libya and Egypt who have invest a great deal of their post authoritarian future in relations with the EU.

#### *Defense Policy*

In order to fulfill all these goals GNSS has to form also an effective defense policy which is going to face traditional and new threats. In other words, Greece needs a military doctrine which will be supported by an equivalent and wisely distributed and

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<sup>1</sup> See, Cawdat, B. "Europe's Energy Security: Challenges and Opportunities," International Affairs, Vol. 85, No. 5, 2006



spend defense budget. It is very important for Greece to maintain, also in military terms, a regional balance of power in order to avoid the emergence of regional hegemonic states that will prevent it from properly safeguarding its interests and NSS goals. In all cases, however, deterrence should be the guiding principle of Greece's defense doctrine. At the same time, given the trans-boundary nature of the soft security threats (international illegal immigration, international organized crime, etc) Greece should further adopt its NSS to this particular security environment.

#### *Relations with Turkey and Western Balkans*

Relations with Turkey have been the focus of GFP for many years. Given the acute economic crisis in Greece and the geographic proximity between them, Athens should not hesitate to expand further the co-operation in low politics areas like trade, tourism, culture education and scientific research. Furthermore, bearing in mind Turkey's economic boom, Turkish investments in Greece - in a similar way as Greece did during the economic crisis in Turkey (1999-2002) - should be encouraged. Greek exports in Turkey, given not only the large Turkish market, but also the constantly rising living standards and per capita income of Turkish society have a great potential. The rapprochement procedure that has been initiated between the two countries has benefited both of them. Furthermore, the investment of Turkish funds in Greece can contribute to the maintenance of peace and stability in the area. It is taken for granted of course that none of Greece's sovereignty rights will be committed as a result of this co-operation. Erdogan's time in office has been characterized in general terms as a period of Greek-Turkish rapprochement. Long-term GNSS planning however is required to think in post-Erdogan terms.

At the same time the creation of a stable order in Western Balkans should continue to be the main goal of GNSS. This is very important precondition for the economic recovery of Greece given that the area constitutes a large gate for Greece's international trade, tourism and FDI. The European membership prospect for all the countries of the region should be maintained and Greece should further support it. As far as the constitutional name of FYROM is concerned Greece should maintain its low profile approach and do its best to keep it europenized. Simultaneously, it should be supportive of all UN initiatives for its resolution.

#### *The Role of Greece in the Post-Eurozone Crisis Era*

Everybody today has realized the great benefits that the participation of Greece in the European integration process implies for its NSS. It is imperative for Greece to make every effort not only to remain in the core of the Eurozone but also to play a leading role in the deepening of the integration process after years of stagnation. The Greek presidency of the EU in 2014 will be a unique opportunity for Greece to contribute towards this direction. The EU has to demonstrate that the 62 years old

integration process has strong roots and cannot look backward. This paper is content that the EU's presidency of 2014 will have a psychological mission also. This mission will be nothing more than the restoration of EU's credibility and reaffirmation of its historic and global role not only abroad but also among its Members and its citizens.

**STELIOS STAVRIDIS<sup>1</sup>**

***PARLIAMENTARY DIPLOMACY AND GREEK FOREIGN POLICY***

A few years ago, the concept of “parliamentary diplomacy” itself was highly contested among practitioners and theorists alike. Nowadays, hardly any Parliamentary website does not mention it, and most parliamentarians throughout the world consider it to be part of their “daily life”. As for the academic literature, there is a growing attention and interest in the international activities of parliamentarians and parliamentary institutions of all types and sorts, best reflected in the “empowerment” of regional and/or international parliamentary assemblies.

However, some antipathy still remains among (usually older) traditional diplomats be they in embassies or in foreign ministries. But it seems to be part of a wider reluctance to accept to deal with new forms of diplomacy (such as economic, cultural, paradiplomatic and other) that have emerged alongside that of parliamentary diplomacy in recent years.

In Greece, one should start by mentioning that although there is a misguided belief among its population that it knows a lot about foreign and defence policy, or regional and international politics for that matter, there seems to be real interest in them only in times of elections, crises, or ... EU Presidencies. Such a lack of real knowledge and interest, let alone influence, means that the wider traditional Greek problems of populism and victimization feelings continue unabated - facilitated it is true by the country’s objective difficult history and wider conflictual neighbourhoods: between the Balkans and the Middle East and next to regional power Turkey.

Thus, parliamentary diplomacy should be seen not only as a “tool” of and for Greek foreign policy, but also as an “educational” device to help change this sorry state of domestic political affairs.

It is not surprising that in spite of the oft-made claim of an Europeanization of Greek foreign policy, the overall agenda is still dominated by “issues of national interest” (ETHNIKA THEMATA), where there is a clear discrepancy between public opinion and elite views (e.g. Turkey, Cyprus, FYROM, Israel/Palestine). Such a situation may appear as a contradiction with the above lack of real knowledge among the Greeks but the real issue is different: by playing the “old conspiracy of big powers” approach (fueled by traditional Anti-Americanism on the Left and more recently on the Right), the Greeks have become used (indeed have welcomed) to thinking that they are not the real masters of their own political destiny, be it local, national, regional or international. Such a combination of well-entrenched feelings of irresponsibility and

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<sup>1</sup> Senior Researcher ARAID, Grupo de Investigación "Gobernanza Mundial y Union Europea", Universidad de Zaragoza, Facultad de Derecho (Internacional Público).

impunity, have led to some of the most ridiculous debates on foreign affairs. One should simply listen in discussions at cafés or talk to their taxi driver to find out a plethora of such inane examples. As for higher level debates, they tend to focus on how misunderstood the Greeks are in the world.

This background is important in order to show that the Hellenic Parliament faces a huge task in trying to remedy that situation. After all, parliaments should, and must play a significant role in indirect democratic systems. Even if they often only reflect the sorry state of affairs of the international polity they represent.

There should be no fatality discouragement all the same: the current world crisis (and in particular the euro crisis and the anti-EU sentiments) should be used to react in a positive, constructive manner and to show that a time of crisis can also be a time of opportunities. The forthcoming 2014 Greek presidency of the EU should be used in that respect and the Hellenic Parliament and all Greek parliamentarians should make the most of it.

It will not be easy because Greece's international image and reputation have been greatly damaged in the past five years. It will not be easy either because most of the time Greek diplomacy and Greek parliamentary diplomacy for that matter have not been able to explain the "issues of national interest" (ETHNIKA THEMATA) beyond a mere blocking position (until recently over Turkey's EU membership prospects, but more importantly recently over FYROM, Kosovo and Cyprus). This does not mean that the Greek position is incorrect. Quite the contrary, a principled EU foreign policy would most probably follow the Greek stance on most of them (the need for a truly democratic Turkey as a requirement for membership; that the division of Cyprus is unacceptable; or, that history should not be manipulated for internal reasons as is the case in FYROM). But in International Politics it does not matter if one is right as much as it counts to get the adequate understanding and necessary support.

Parliamentary diplomacy could come a long way in helping the current sorry situation in the following practical ways:

- Debates on foreign affairs should focus on the real issues and drop all unnecessary party political scoring points. This is going to be particularly difficult at a time with the traditional big parties that gathered over 80% of the popular vote for most of the post-junta era only muster about 30% nowadays. The problem with the current alternative parties is that most are anti-system and therefore, in spite of their claims to the contrary, opposed for dogmatic reasons to Greece's belonging to the West, the EU and NATO (feeding back into easy populism).
- The visibility of parliamentary diplomacy should increase in the media, in civil society, and in academic circles (with university students being a really important "target" audience in spite of the totally useless politicization of

university life by political parties or trade unions, as seen in the general opposition to modify the education system in Greece in the past thirty five years).

- The Hellenic Parliament should, together with Greek MEPs (members of the European Parliament), take the lead in organizing preparatory meetings with their counterparts throughout the world and including fellow EU states to explain (i) why Greece's bad image is not a fatality; (ii) what are the real issues at stake in its foreign policy; (iii) what practical solutions it is seeking to find, not only by engaging with supranational or international, let alone national parliaments, but also with sub-state ones. To take one example, Greece suffers from a very negative image in Spain in spite of the official contrary rhetoric in both Athens and Madrid. Such a situation includes all political parties and ideologies (there is now an interesting sympathy between the extreme Left but even *Izquierda Plural/Unida* does not like to be compared to *Syriza*), but also regional actors (from the capital of Spain to Catalonia). It might be useful for Greece to use this multi-level and multi-actor system of foreign policy that exists in practice in Spain to try a more systematic and comprehensive foreign policy effort, covering all forms of diplomacy, including the parliamentary one.
- Greek think tanks (like EKEM, IDOS etc.) should organize events on parliamentary diplomacy with a view to explain what it means, what it does, and what its challenges and opportunities are for Greece. In those events, Greek participants should refrain from their traditional one-sided more-just-than-the-others approach that only "confirms" negative stereotypical views of Greece abroad. Debate is part of democracy and listening to different views does not mean that one will necessarily change them. But it means that the parliamentary practice of debating becomes the norm and not the exception.
- The Greek media should also get involved although again it will not be an easy task if one is to judge from the appalling use of the "simultaneous multiple screens" (*parathira*) in most current affairs, including news broadcast, TV shows on all Greek TV channels. Once more, who shouts most seems to be the only objective in a populist-based country.

But what does the parliamentary diplomacy literature have to offer? Parliamentarians and parliamentary institutions engage in international affairs in three major ways: 1) by influencing foreign policy through national parliaments; 2) by conducting parallel diplomatic relations, known as noted as parliamentary diplomacy; and 3) by establishing and empowering parliaments as representative bodies of international, often regional, organizations. These roles differ in form and substance. The first is a classical function of parliaments and implies no policy-making innovation, although the degree to which

parliaments do so varies from one democracy to another. The second function is more recent and has focused mainly on peace-building and conflict-prevention activities. The third is the most atypical function, and is ideally oriented towards supranational institution building.

The following functions, particularly linked to conflict prevention and resolution, but also to democratization, have been identified to date in addition to that of parliamentary diplomacy:

- parliamentary bodies as “moral tribunes”;
- parliamentary “input” in election monitoring;
- their role in the so-called “socialization effect”.

The Hellenic Parliament is formally engaged in all those types of activities. It should reinforce all of them:

- In foreign policy control, it should demand a bigger role, not only on financial and economic issues but also on regional and international matters that directly affect Greece (from the civil war in Syria to the killing of Kurds in Paris). There should be a truly “bipartisan” (better said nowadays “multi-partisan” or “pan-partisan”) attempt at formulating a Greek foreign policy that musters the support of most its political parties and population.
- In parliamentary diplomacy per se, it should take initiatives to help solve international problems, especially where there is no obvious or blatant national interest at stake (for instance, the Western Sahara). But it should also welcome parliamentary initiatives to try and find a solution to the Cyprus conflict, Kosovo, or even the FYROM name dispute. The Hellenic Parliament should make the most of its friendship groups but also of its institutionalized committees and other fora.
- In regional and international parliamentary assemblies, it should behave more “professionally”, thus, constructing the necessary coalitions where needed, agreeing to equally difficult compromises (“give and take”), and, not thinking that “right” (truth) necessarily means “might” (power). The Hellenic Parliament is already a member of the UfM-PA, the PAM, the PABSEC, the “Adriatic-Ionian Initiative”, the South-East European Cooperation Process, and the Assemblée Parlementaire de la Francophonie. No doubt, not many Greeks would be familiar with some of those acronyms.

Particular emphasis should of course continue to be given to EU-wide fora such as COSAC but most importantly the newly set up Inter-Parliamentary Conference for the Common Foreign and Security Policy (CFSP) and the Common Security and Defence Policy (CSDP). According to the latter’s own rules of procedures, one of its

scheduled bi-annual meetings in 2014 should be held in Greece. There should be careful attention paid to its preparation and of course celebration.

The role of friendship groups should be assessed immediately with the necessary “rationalization” that a small country demands as it should not focus on too many “priorities”, nor try to spread its influence “too thinly”. Those groups should also try to use the opportunity of the Greek Presidency to get greater visibility and consolidate any cooperation they may have with other similar EU parliaments friendship groups, let alone those of the EP. Currently, the Hellenic Parliament website boasts of 75 of them. No doubt for a Parliament of 300 MPs, this number seems to be quite excessive.

Parliamentary diplomacy should also take the opportunity of the rotating Presidency to launch a real debate among the Greek civil society; in fact, to try and help develop one which remains the pending task of the post-1974 democratic Greece. In that respect, the media should also be targeted as mentioned above.

In brief, an ambitious project, but a necessary – indeed a vital - one. As noted above, the literature on the international role of parliamentarians and parliamentary bodies is still emerging

The Hellenic Parliament but also Greek MEPs should make sure they make the most of the forthcoming 2014 EU rotating Presidency. Why not aim at making the concept of parliamentary diplomacy as popular as that of parliamentary democracy? The practice may follow suit in the future.

**IOANNIS STRIBIS\***

***ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE AND EUROPEAN UNION:  
A MATTER OF STATUS***

The Organization for Security and Co-operation in Europe (OSCE) and the European Union (EU) are two organizations whose aims are complementary as far as they both aim to peace, stability, cooperation and prosperity in Europe. The interaction between these two European institutions dates back to the inception of the Conference for Security and Co-operation in Europe (CSCE) (the then European Communities participated in the CSCE and are a signatory of the Helsinki Final Act of 1975, founding document of the CSCE). Their longstanding relations faces currently new challenges, due to developments regarding their respective legal status and the impact on the traditional patterns of their cooperation.

I. In December 2009 the Treaty amending the Treaty on European Union and the Treaty establishing the European Community, signed in Lisbon on 13 December 2007 ("Lisbon Treaty") entered into force, bringing significant changes in the institutional set-up of the European Union. The three-pillar structure (European Communities, Common Foreign and Security Policy and Freedom, Justice, Security), in place since the Maastricht Treaty, was abolished. The European Community was replaced by the European Union, which succeeded it, acquired legal personality and took over all rights and obligations of the former.

One of the important features of the negotiation that eventually lead to the conclusion of the Lisbon Treaty was the special focus on giving the European Union a unified, clearer and stronger voice in the world. The Lisbon Treaty introduced a new integrated foreign policy structure, the High Representative of the Union for Foreign Affairs and Security Policy, who combines three different functions of the previous regime: EU Council's Representative for the Common Foreign and Security Policy, President of the Foreign Affairs Council and *ex officio* Vice-President of the European Commission. The High Representative of the Union for Foreign Affairs and Security Policy is assisted in her functions by the European External Action Service (EEAS), called to work in cooperation with the diplomatic services of the Member States and composed of officials from the relevant departments of the General Secretariat of the Council and of the Commission as well as of staff seconded from national diplomatic services.

Traditionally the role and participation of the EU institutions in the OSCE affairs lacks autonomy and is envisaged in close connection with the Member State exercising

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\* Legal Officer, OSCE Secretariat. The views expressed in this paper are strictly personal and do not necessarily reflect those of the Secretary General of the OSCE, the OSCE Secretariat, or the OSCE participating States.



the Presidency of the Council of the EU. This scheme, reflected in the OSCE Rules of Procedure, is not in line with the change introduced by the Lisbon Treaty with regard to the governance of the external affairs of the EU. The establishment of the High Commissioner and the EEAS puts pressure to the EU member states and institutions to effectively address the gap between the respect of the internal division of competencies, roles and duties and the required recognition at the OSCE, in accordance with the latter's rules.

II. Unlike the EU, the OSCE has not yet settled the issues relating to its legal status. The OSCE has grown out of the CSCE, incrementally in the years after the end of the cold war. The periodical diplomatic forum between East and West, consisting in the aftermath of the 1975 Helsinki Summit in no more than some follow-up meetings, evolved since the beginning of the 1990s into a permanent institution, bestowed with decision-making organs and executive structures, with operational activities and capabilities and expected to accomplish tasks set out by its participating States both at an institutional and country level.

This practical transformation of the CSCE from a diplomatic conference towards an organization, which was reflected also in the new name of OSCE in 1994, was not coupled with the corresponding adjustments in the institutional field; this discrepancy constitutes the flipside of the much-touted flexibility of the OSCE. The OSCE community did not fail to see the risks of the chasm between the "reality on the ground" and the "description in the book". They tried to address one of the most pressing aspects of this mismatch already in 1993, by the adoption of a (politically binding) decision calling upon CSCE participating states to grant to the CSCE structures privileges and immunities necessary for the effective and efficient fulfilment of the tasks assigned to them. This effort did not yield the expected results, as it has been poorly implemented. At several junctures the OSCE community attempted, unsuccessfully so far, to find a satisfactory solution to the issue of the legal framework of the Organization.

It would be jejune, for the purposes of this paper, to dwell on the content of the deliberations in the OSCE. Suffice here to say that three main positions on addressing the issue have crystallized:

- Some participating States believe that because the OSCE has not been established by a formal international treaty, it cannot have legal personality; in their point of view, OSCE needs a legally binding constituent document (international treaty) to become a full-fledged international organization;
- Another group of participating States consider the OSCE as an international organization which possesses, at least, *de facto* legal personality, due to the evolution of the OSCE, since the end of the cold war and the establishment of operational activities;

- A probably larger category of participating States avoid answering whether the OSCE is an international organization possessing the attributes of such an organization, including international legal personality, and seem to concentrate on achieving consensus between the two previous positions. EU member states by and large belong to this third category.

Since the above positions reflect national interests and are also linked with wider geo-political inclinations, they are eminently political and should be addressed in the broader context of evolving dynamics in regional and international affairs. As a result the issue has been simmering unresolved since the institutionalization of the CSCE. Proposed options for a comprehensive solution (constituent document, agreement on privileges and immunities and their interrelation) are mired in complexity and the prospect of a swift resolution appears reasonably dim. Time has to be given in order to reach an agreed result.

Meanwhile, as discussions continue in search of a still elusive consensus, fragmented approaches are used in order to find pragmatic solutions to the myriad of practical problems that arise out of the uncertainty of the OSCE legal status. These solutions remain oftentimes precarious, as the OSCE, that concerns itself with security, appears deficient in securing its own activities or staff.

III. Taking into account that the current backdrop in the OSCE discussions is unlikely to be changed in the near future, while the difficulties for the OSCE activities persist, it is worth examining, at a speculative, academic level, yet with concrete practical aims, the potential role of the EU in the issue of the OSCE legal status, in conjunction with the search of a proper EU status within the OSCE.

This reflection does not underestimate the fact that the elaboration of a common approach among the EU member states on these issues is, as much that happens in the Union, a time- and effort-intensive task, requiring the engagement of every involved actor, member states as well as the High Representative and EEAS.

In this connection the role of the Presidency of the Council of the EU enters in line, in accordance with the Rules of Procedure of the OSCE: in the OSCE fora it is the Presidency who formally speaks on behalf of the Union or gives the floor to the EEAS to present an agreed common position.

While in the above setting, the Presidency assumes a mostly formal function, instrumental for the participation of the EEAS in line with the OSCE rules and practice, there can be an aspect that has a more national dimension, where the Presidency of the Council of the EU may have a distinct role to play, in coordination with the EEAS: the implementation of the *1993 Rome CSCE Council Decision on legal capacity and privileges and immunities*. While the expression of a common EU position in the OSCE falls squarely within the ambit of the Union's competencies, it cannot be gainsaid that the implementation of a commitment undertaken by the EU

member states has to be pursued at the national level of each and every member state. The Presidency of the EU Council may take the initiative to raise the issue of such an implementation with the other member states, and if coordination is requested or deemed necessary, to invite the High Representative to take up this issue.

For most EU member states the implementation of the Rome Ministerial Decision is 20 years overdue! Inaction by those EU member states has hardly received a satisfactory explanation so far. It could be attributed to the inhibition resulting from the idiosyncrasy of the consensus principle in the OSCE. In this case however there are no attempts made to curtail the principle of consensus. The commitment has been adopted by consensus; the implementation at the domestic legal order is an obligation of the OSCE participating states. The character of a decision as 'politically binding' does not authorize states which have consented to it, to disregard it. The distinction between legally and politically binding force concerns exclusively the consequences attached to its violation, not the binding character of the commitment; the disrespect of legally binding commitments entails international responsibility; the nonobservance of politically binding commitments does not give rise to a claim under international law. Therefore, no risk for the consensus decision-making exists from the implementation by a group of like-minded states, like the EU member states, of the decision to grant privileges and immunities to the OSCE institutions.

**IV.** In the twenty years that have lapsed since the adoption of the 1993 Rome Ministerial Decision, the institutional condition of the OSCE has evolved to such an extent that the implementation of that decision cannot be considered but as a first step in addressing the issue of the legal framework of the OSCE and providing satisfactory solutions to the related difficulties. The impressive scope of change affecting the OSCE in the real world has been reflected in the Commentary of the International Law Commission (ILC) of the UN General Assembly to the Draft Articles on the responsibility of international organizations (first reading, 2009). The ILC exemplified the possibility of the existence of an international organization with international legal personality despite the absence of a constituent treaty, by the OSCE.<sup>1</sup>

In fact there are several elements, recognized under international law disproving the allegation that the OSCE is not an international organization. To name a few: the institutionalization of the OSCE, the permanence and autonomous decision-making of its structures, its widespread operational activities, its participation in international relations in general and, in particular in international agreements and

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<sup>1</sup> *Report of the ILC, Sixty-first session, UN Doc. A/64/10, GA Off. Records, 64<sup>th</sup> Session, Suppl. No. 10, 2009, pp. 44-45.*

related instruments, its institutionalized cooperation with other international actors, the fact that it bears rights and obligations under international law and even its name and self-qualification as an organization and regional arrangement under Chapter VIII of the UN Charter. While it is possible to find a handful of international organizations established without a formal treaty, it is not possible to find any entity that possesses the above attributes of the OSCE, and yet remains outside the scope of international law.

Nevertheless, in this respect also the positions of the EU member states do not coincide. To illustrate the gap, EU has in its membership the state that has by act of parliament fully recognized the OSCE as an international organization,<sup>1</sup> as well as the only state that contested the above determination by the ILC that the OSCE possesses legal personality.<sup>2</sup> Consequently, any step in this direction should be cautious.

Then again, the recognition of an entity as a subject of international law is, under this same law, a discretionary power of each international actor. In principle each state, participating or not in the OSCE, is entitled to adopt a unilateral stance on the nature of the OSCE as an international organization already vested with international legal personality to the extent it is required in order to fulfill the tasks that the community of its members have assigned to it. Such a decision would recognize the necessity to bring the OSCE in tune with the realities of the early 21<sup>st</sup> century; it offers moreover the advantage of a pragmatic solution to a real problem.

Such a decision by the EU member states (or most of them) will undoubtedly strengthen the OSCE: those states would create a critical mass for an international practice depriving the coherence of the alleged denial of legal personality of the OSCE. And international practice is necessary for the development of international custom. Realistically, we could expect in a short-term perspective, incremental adjustments rather than bold innovative approaches. There could be there an important kernel, and states interested in the effectiveness of the OSCE should not neglect the opportunity to grow that seed. The run-up to the 40<sup>th</sup> anniversary of the seminal CSCE summit may offer an auspicious occasion for this move. In the words of a former Secretary General of the OSCE, Helsinki +40 is wake-up call for the OSCE and its participants.<sup>3</sup>

In order for both approaches that have been presented in this paper to hold a valid promise for both the EU and the OSCE, they will require transparency, constructive

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<sup>1</sup> UK, *International Organisations Act 2005* (ch. 20).

<sup>2</sup> ILC, *responsibility of international organizations. Observations by Governments*, UN Doc. A/CN.4/636, 14 February 2011, p. 10.

<sup>3</sup> Wilhelm Höynck, OSCE Medal Award Ceremony, 936<sup>th</sup> Meeting of the Permanent Council, 20 December 2012 CIO.GAL/182/12, 28 December 2012.

dialogue and open debate every step of the way. The Presidency of the Council of the EU can foster and promote these conditions. There would be however hardly any chance of success, if the EEAS is not equally involved, in order to co-ordinate the actions.

**V.** The undertaking of the here discussed initiatives relating to the legal status of the OSCE could reasonably strengthen the OSCE as well as the role of the EU and its member states in the Organization.

First and foremost, enhancing the capacity of the OSCE to fulfill its mandates in the various areas of its competences, contributing thus to the peace, security, stability and cooperation in the EU area and its neighborhood, and assisting OSCE participating states in institution-building and implementation of the commitments.

Such a status would also facilitate the recognition of privileges and immunities to the OSCE and to its executive structures, including tax exemptions and other financial benefits. These financial benefits would in turn contributing in cutting costs that the current situation entails, and therefore allow for more efficient spending of funds, including funds contributed by the EU member states and the EU institutions for the programmatic activities of the OSCE (both assessed contributions, as well as extra-budgetary funding). In this way, more programmatic activities could be implemented, while strengthening the complementarity between the two organizations.

A further advantage could be the strengthening of the position of the EU in seeking an enhanced status within the OSCE. For it is not only that a subject adopts a position towards the norms that regulate an activity – these norms in turn determine who and what is or not recognized as subject.<sup>1</sup> The ultimate success of such a claim to recognition, will, however, depend on the consensus among the OSCE participating states.

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<sup>1</sup> Cf. Slavoj Žižek, “Neighbors and Other Monsters: A Plea for Ethical Violence”, in *The Neighbors: Three Inquiries in Political Theology*, 2005, p. 139.



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