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The Unripe Fruits of Rapprochement: Greek-Turkish relations in the post-Helsinki Era

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Introduction-The Helsinki Milestone

3 April 2006 was not an ordinary day in the history of the National Bank of Greece (NBG). Greece's biggest and oldest bank announced the acquisition of Turkey's eighth largest bank, Finansbank. This was by far the biggest foreign investment ever realized by a Greek company. It was also the biggest foreign direct investment deal for that year in Turkey. Nonetheless, not everyone was happy on either coast of the Aegean. On the Turkish side, many opinion makers were weary about the prospects of foreign –let alone Greek– domination in the country's financial sector. Greek columnists, in contrast, raised concerns about the enormous risk that investing billions of Euros in a country as volatile and as inimical to Greece as Turkey entailed. What made this previously unthinkable deal possible –and ultimately successful– was what had transpired in Greek-Turkish relations since 1999.

The December 1999 decision of the European Council in Helsinki is normally considered to be the milestone of a new era in Greek-Turkish relations. Yet it did not come out of the blue. A slow change in bilateral relations could be observed since the mid 1990s, despite adversities and setbacks. The first signals of a new approach became evident in 1994. Yannis Kranidiotis, who served as Deputy and Alternate Foreign Minister, became a key figure, who succeeded in changing the agenda of Greek-Turkish relations. In March 1995, Greece lifted its veto against the EU-Turkey Customs Union and the disbursement of the Fourth Additional Protocol funds under the condition that accession negotiations between Cyprus and the European Union would begin within six months after the end of the EU Intergovernmental Conference –that is within 1998. The customs union between Turkey and the European Union came into force on 1 January 1996. The decision of the Greek government to lift its veto marked a first shift as regards Greek views of EU-Turkey relations. Nonetheless, in the views of most experts and the public opinion, it was still seen as a sacrifice in order to promote a major national goal, namely promote Cyprus' EU membership perspective. Relations remained frosty and in fact deteriorated when the Turkish National Assembly issued a declaration that an extension of Greek territorial waters in

the Aegean to twelve miles would be a *casus belli* for Turkey. The succession of Prime Minister Andreas Papandreou by the moderate Konstantinos Simitis coincided with the Imia/Kardak crisis which brought Greece and Turkey to the brink of armed conflict over the sovereignty of an islet in the Aegean.¹ Greece's development of a "joint defense doctrine" with Cyprus and its support for Cyprus' decision to install a unit of S-300 anti-aircraft ballistic missiles in 1998 only made relations worse. An all-time low was reached in February. It was then revealed that Abdullah Öcalan, the leader of the Kurdistan Workers' Party (PKK), and Turkey's most wanted person had found refuge in the Greek Embassy in Nairobi before being captured by Turkish security forces.

The Öcalan crisis proved an opportunity for the Simitis administration to reorient its foreign policy towards Turkey and take a more moderate stance. Accepting to host the controversial S-300 missiles in Crete instead of Cyprus was a first signal of this change. Appointing George Papandreou –a known moderate– to the Foreign Minister office in the aftermath of the Öcalan crisis would lead to a set of developments which would catalyze Greek-Turkish relations. Interestingly the Greek academic community remained aloof from this shift which remained limited to the political elite.² Shortly after the Öcalan affair, Foreign Ministers George Papandreou and Ismail Cem started taking careful steps towards the normalization of Greek-Turkish relations. A first opportunity for dialogue emerged with the outbreak of the Kosovo war, a major regional crisis involving both countries.³ In May 1999 Papandreou and Cem launched a dialogue initiative. Avoiding the "explosive" high-politics disputes, both ministers prioritized collaborating in low-profile bilateral issues, such as trade, tourism and environment. This timid *détente* attempt was unexpectedly facilitated by two earthquake disasters which hit Turkey and Greece in August and September 1999, respectively. The two earthquakes, which took place within a few weeks, allowed for a stunning wave of mutual sympathy and

¹ For more details on the state of Greek-Turkish relations of that era and the role of the Imia/Kardak crisis, see Ekavi Athanassopoulou, "Blessing in Disguise? The Imia Crisis and Turkish-Greek Relations", *Mediterranean Politics* 2, no. 3 (1997).

² Panayotis Tsakonas, "Theory and Practice in Greek Foreign Policy", *Southeast European and Black Sea Studies* 5, no. 3 (2005): 431-34.

³ Alexis Heraclides, "Greek-Turkish Relations from Discord to *Détente*: A Preliminary Evaluation", *The Review of International Affairs* 1, no. 3 (2002): 21-22.

compassion. While there was no causal relationship between the post-earthquake sentiment and the rapprochement process, it clearly showed that the two peoples were more willing to accept a breakthrough in bilateral relations than previously thought.⁴ It also meant that a change of Greek policy on EU-Turkey relations would not meet the feared vehement objection of media and public opinion.⁵

The December 1999 Helsinki European Council summit set a milestone for that change. On the one hand, Greece agreed to the Council decision naming Turkey an EU candidate. On the other hand, conditions were set regarding Greek-Turkish relations and the Cyprus question. Before the advent of EU accession negotiations, Turkey was expected to resolve its bilateral disputes with Greece –or alternatively, agree to refer them to the International Court of Justice. Meanwhile, it was declared that the settlement of the Cyprus question –while desirable- did not constitute a precondition for Cyprus' EU membership. In effect, Greece was attempting to move the Cyprus issue and its bilateral disputes with Turkey to the European level, hoping that this would catalyze their resolution.⁶

The Helsinki decision hence attempted to consolidate a détente and navigate a reconciliation process through fostering the resolution of the two disputes that shadowed bilateral relations for decades, the Cyprus and the Aegean questions. Both countries had declared their commitment to a rapprochement process which aimed to reframe bilateral relations, open new avenues of cooperation and contribute to innovative thinking and compromise solutions for the long-standing bilateral disputes. This was by no means an easy process, yet it was possible to discern a paradigmatic shift at the elite level in both countries from a zero-sum-game and relative-gains-driven approach of bilateral relations to a positive-sum-game and absolute-gains-driven approach. Both sides came to the conclusion that they would be better off if

⁴ Ahmet O. Evin, "Changing Greek Perspectives on Turkey: An Assessment of the Post-Earthquake Rapprochement", *Turkish Studies* 5, no. 1 (2004): 8.

⁵ Ioannis N. Grigoriadis, "Greek and Greek Cypriot Views of Turkey's Accession to the European Union: On the Endurance of a Spectacular Paradigmatic Shift" in Meltem Müftüler-Bac and Yannis A. Stivachtis, eds., *Turkey and the European Union: Dilemmas, Constraints and Opportunities* (Lanham, MD: Lexington Books, 2008a), 155.

⁶ On the EU role in Greek-Turkish relations and the Cyprus issue, see Ziya Öniş and Şuhnaz Yılmaz, "Greek-Turkish Rapprochement: Rhetoric or Reality?", *Political Science Quarterly* 123, no. 1 (2008): 135-40.

their neighbor flourished and not if it got embroiled into a financial or political crisis. Greece began viewing Turkey not just as a military threat but also as a potential economic partner of paramount importance. Turkey started seeing Greece not as the biggest stumbling block to the country's EU membership ambitions but as a reliable supporter with a sincere interest in the successful completion of Turkey's EU accession process. This strategic shift on the Greek side had as prerequisite Greece's emancipation from an "underdog culture"⁷ which dominated its foreign policy, its own socialization to European norms and effective Europeanization. Under these conditions,

a "socialized" and "Europeanized" Greek foreign policy should now embark upon the more ambitious project to "*socialize*" – by using the vehicle of the EU and its weight in the international arena – *the state*, which remained Greece's main security concern and the driving force behind most of its security and foreign policy initiatives.⁸

Twelve years after the Helsinki milestone and the launch of the rapprochement process, the picture remains mixed. On the one hand, major improvements have been noted in the field of economy, energy and minority rights. On the other hand, the process failed to remove the two biggest obstacles to the normalisation of relations, the Cyprus and the Aegean issues.

⁷ On the Greek "underdog culture," see Nikiforos Diamandouros, *Cultural Dualism and Political Change in Post-Authoritarian Greece [Working Paper 1994/50]* (Madrid: Instituto Juan March de Estudios e Investigaciones, 1994), 33-35.

⁸ Panayotis Tsakonas, *The Incomplete Breakthrough in Greek-Turkish Relations: Grasping Greece's Socialization Strategy* (Basingstoke: Palgrave Macmillan, 2010), 87-88.

The Helsinki Dividend

a. Confidence-Building Measures (CBMs)

Early attempts to introduce confidence-building measures (CBMs) dated back to 1988 and Foreign Ministers Papoulias and Yılmaz but were allowed to fall into lapse. A second attempt was made at the NATO level in 1997 with meager results. These CBMs dealt with military issues and aimed to prevent a “hot incident” in the Aegean. Following the Helsinki decision, however, a comprehensive set of CBMs was introduced for the first time. The first set of measures was named “tension reduction measures” and aimed to improve transparency between the two governments and military leaderships. The second set of measures was “environmental” and focused on low-level cooperation in order to prevent the pollution of the river Evros (Meriç) which forms the largest part of the two countries’ land border. While the scope of cooperation was rather limited, these CBMs were of paramount significance. They contributed to the establishment of a tacit security regime between Greece and Turkey and undermined the dominant zero-sum-game mentality in bilateral relations. Bringing both the government and the military leaderships closer also meant that the chances of armed conflict became considerably reduced.⁹

b. Economic Relations

While no breakthrough was achieved with regard to the Aegean and Cyprus issues, the détente bore undeniable fruit at the economic level.¹⁰ While in 1993 bilateral trade volume was \$223 million, this figure became \$1.014 billion in 2002, \$1.250 billion in 2003, \$1.547 billion in 2004, \$1.666 billion in 2005 and \$2.174 billion in 2006. During a meeting of the Greek-Turkish Business Forum in January 2008 Prime Ministers Karamanlis and Erdoğan announced that the bilateral trade volume nearly reached \$3.000 billion in 2007. This represented about \$ 1.000 billion of Greek exports towards Turkey and \$2.000 billion of Turkish exports towards Greece. While bilateral trade reached a peak of \$3.58 billion in 2008, the global economic crisis exacted a heavy toll. In 2009 it fell to \$2.76 billion and reached \$2.997 billion in 2010, according to Turkish statistical authorities. Foreign direct investment (FDI), on the other hand, moved towards the opposite direction. Alongside the acquisition of

⁹ Ibid., pp. 115-17.

¹⁰ Constantine A. Papadopoulos, *Greek-Turkish Economic Cooperation: Guarantor of Détente or Hostage to Politics [Occasional Paper]* (Oxford: SEESOX, 2008).

Finansbank by NBG, hundreds of Greek companies invested in Turkey in a wide array of economic sectors. About \$6.6 billion of Greek FDI has flown into the Turkish economy. The bulk of this amount, about \$5.800 billion, has been invested in Turkey's financial sector. Greece's service-oriented economy, boosted by the country's entry into the Economic and Monetary Union (EMU), particularly in the financial sector, has facilitated Greek FDI in Southeastern Europe at large, and now in Turkey as well. Altogether, 44 Greek enterprises had invested in Turkey in 2002, a figure that rose to 80 in 2005, 130 in September 2006 and 450 in 2011. Less interest was manifested on the Turkish side. In 2006, about 10 Turkish enterprises had invested in Greece, mainly in a small scale in the retail sector (food, clothing etc). In 2011 only \$0.23 billion of Turkish FDI was invested in Greece.

Compensating, however, for modest FDI in Greece from Turkish companies, Turkish exports have enjoyed a notably consistent surplus in value ranging from 30 to 40 percent over Greek exports during the 2000s. There are structural reasons for Turkey exporting more to Greece, as the contribution of manufacturing to GDP is significantly higher in the former and Turkey's GDP is larger than Greece's. Generally speaking, Greek exports are composed of commodities with a low value added component. By contrast, Turkish exports are more diversified manufactured goods with a higher value added component. It is hard to overstate the significance of this trend for bilateral relations. At the economic level, it created lucrative business opportunities, as business elites on both sides realised what decades of bilateral diplomatic confrontation had occluded.¹¹ Greek and Turkish economies were complementary in many sectors, and there existed an enormous potential for further lucrative economic cooperation.

c. Energy relations

The construction of a pipeline connecting the Greek and Turkish national gas grid opened new prospects for cooperation in the field of energy which could have implications on the European level.¹² The Interconnector Turkey-Greece-Italy (TGI)

¹¹ Dimitris Tsarouhas, "The Political Economy of Greek-Turkish Relations", *Journal of Southeast European & Black Sea Studies* 9, no. 1 (2009): 40.

¹² Ioannis N. Grigoriadis, *Natural Gas Corridors in Southeastern Europe and European Energy Security [ELIAMEP Thesis No. 2]* (Athens: Hellenic Foundation for European and Foreign Policy (ELIAMEP), 2008b).

was the first pipeline project to highlight increased interest in Southeastern Europe as a transport hub of non-Russian natural gas. A joint venture of the Greek natural gas company DEPA, the Turkish BOTAS and the Italian Edison, ITGI consisted of two phases. In the first, a 285 km-long pipeline would be built between Komotini and Karacabey, 200 km on Turkish and 85 km on Greek territory and connect the natural gas grids. In the second phase, the construction of an undersea pipeline between Stavrolimenas and Otranto would connect the networks of Greece and Italy. The pipeline capacity was planned to begin with 0.75 billion cubic meters (bcm) in 2007 and reach 12 bcm by 2012. In 2008, 0.443 bcm were exported to Greece, 0.721 bcm in 2009 and 0.66 bcm in 2010. Up to 3 bcm would be directed towards the Greek energy market, while the remaining volume would reach the Italian natural gas network. The possible extension of the ITGI from Greece towards the Western Balkans was also discussed. The construction of the Greek-Turkish leg of the pipeline began in summer 2005, and the first gas flowed in November 2007. In June 2008, DEPA and Edison announced their joint venture IGI Poseidon SA, whose task was the construction of the Greek-Italian undersea leg of the pipeline. The construction of the 212 km-long pipeline was expected to cost approximately 500 million Euros, with its completion scheduled in 2015. Through the construction of the Greek-Turkish leg of the ITGI pipeline Greece gained access for the first time to natural gas originating from the Caspian basin. This project was of paramount importance for European energy security, since it transported non-Russian –initially Azerbaijani– natural gas to the European market. European concerns arising from EU dependence on the import of Russian natural gas have led to the search for alternative energy supply routes. This was a clear example of the new positive sum game mentality. The two countries would no more seek to collect relative gains or capitalise on their strategic position against each other.¹³ On the contrary, they would join efforts to boost their strategic weight and contribute to European energy security.

d. Minority Issues

¹³ Earlier Greek and Turkish attempts to construct competing oil pipelines bypassing the Bosphorus and the Dardanelles are indicative of the previous mindset.

Minorities in Greece and Turkey have often been subjected to negative reciprocity and treated as hostage to bilateral relations.¹⁴ Often becoming victims of retaliatory measures, minorities faced negative reciprocity which meant that respect for their rights was conditional upon full respect for the same rights on the other side of the border. This very often led to extremely unfair situations which attracted the attention of international courts. In Western Thrace, Article 19 of the Greek Citizenship Code was used for decades to strip minority members of their Greek citizenship. While minority rights improved significantly in the 1990s and Article 19 was abolished, several thorns remained. The recognition of the right of individual self-determination remained a desideratum. Associations which used the term “Turkish” in their titles were banned by Greek courts, as they were considered a “threat against public order.” Several decisions of the European Court of Human Rights (ECHR) recognised the right of individual self-identification and found Greece guilty for violating the European Convention of Human Rights when banning associations for the inclusion of the term “Turkish” in their names.¹⁵ Yet this failed to have a clear impact on the jurisprudence of Greek courts. Moreover, a dispute emerged regarding the election of the religious leadership of the Western Thrace minority. While the Greek government insisted that the muftis would be appointed by the state, local minority leaders claimed the right to freely elect their religious leaders. The existence of a state-appointed official and a popular elected mufti became a constant source of tension between state authorities and the minority. While avoiding taking a clear position on the key question, the ECHR stated in its decision that by punishing the elected mufti for performing his religious functions Greece violated Article 9 of the Convention which protects freedom of religion.¹⁶

¹⁴ Ioannis N. Grigoriadis, "Europe Overshadowed: Reciprocity as a Race to the Bottom in Religious Freedom" in Othon Anastasakis, Kalypso Nicolaidis and Kerem Oktem, eds., *Under the Long Shadows of Europe: Greeks and Turks in the Era of Post-Nationalism* (Leiden: Brill, 2009), 169-70.

¹⁵ European Court of Human Rights (ECHR), *Tourkiki Enosi Xanthis et al. vs. Greece* [No. 26698/05] (Strasbourg, 2008)..

¹⁶ European Court of Human Rights (ECHR), *Şerif vs. Greece* [No. 38178/97] (Strasbourg: Second Section, 2000).

Meanwhile, Turkey's Greek minority fell victim to the vicissitudes of Greek-Turkish relations and reached the limits of demographic extinction.¹⁷ A series of discriminatory measures, like the 1943 Wealth Tax (*Varlık Vergisi*), the 6-7 September 1955 pogrom against Istanbul Greeks, the 1964 expulsion of Istanbul Greeks who held Greek citizenship, confiscation of private and foundation immovable property all led the bulk of the Greek minority to emigration. From 125,000 it fell below 5,000 by the late 1990s. Even worse was the toll in the two Aegean islands of Gökçeada (Imvros) and Bozcaada (Tenedos), whose Greek population fell to a couple of hundreds.¹⁸

Moreover, discriminatory measures affected minority institutions. The Ecumenical Patriarchate was severely hit. Its ecumenical character was refused by the Turkish state which argued that it was solely a religious institution catering for the religious needs of Turkey's Greek minority. In one of the most publicised cases, the religious seminary which operated in the island of Heybeliada (Halki) since 1841 was closed in 1971 and remained as such since then. Turkish courts even denied a legal personality to the Patriarchate and minority pious foundations. This meant that their immovable property was subject to confiscation by the state. Over the years foundations were shut by court decisions and their immovable assets were confiscated. The right of the surviving foundations to obtain and own property was also challenged, and this led to additional confiscations. Following years of hesitation, Greek minority foundations appealed to the European Court of Human Rights (ECHR). In a path-breaking case, the ECHR declared that Turkey clearly violated the Convention by confiscating minority foundation property.¹⁹

Turkish authorities started to implement court decisions, and in August 2011, Prime Minister Erdoğan promised the return of a significant part of the minority foundation property. An administrative decree was issued shortly thereafter, which gave the right to minority foundations to apply for restitution to their state-confiscated property. This was welcomed by Greek minority representatives although it was far

¹⁷ On this, see Alexis Alexandris, *The Greek Minority in Istanbul and Greek-Turkish Relations 1918-1974* (Athens: Center for Asia Minor Studies, 1983)..

¹⁸ For more on this, see Alexis Alexandris, "Imbros and Tenedos: A Study of Turkish Attitudes toward Two Ethnic Greek Island Communities since 1923", *Journal of the Hellenic Diaspora* 7, no. 1 (1980)..

¹⁹ European Court of Human Rights (ECHR), *Fener Rum Erkek Lisesi Vakfı vs. Turkey* [No. 34478/97] (Strasbourg: Former Second Section, 2007).

from complete restitution of the Greek minority to its property rights. Following decades of discrimination, minority Greeks thought that the AKP administration could deliver solution to some of their problems. Supporting Turkey's democratisation and Europeanization process was also essential. The Ecumenical Patriarch Bartholomew I, despite widespread suspicion by Turkish nationalists, has been one of the most consistent and ardent supporters of Turkey's EU membership vocation, arguing that this is the best guarantee for religious freedom and the survival of the decimated Greek minority.

The Missed Opportunity of 2004

The Cyprus Question

Following the Helsinki decision and while Turkey's EU reform process was proceeding, significant progress was achieved in both the Cyprus and Aegean disputes. The UN-mediated Cyprus negotiation process led to a comprehensive resolution plan submitted by the UN Secretary General Kofi Annan in November 2002. In December 2002, the Copenhagen European Council approved the membership of the Republic of Cyprus, which had declared its support for the Plan and postponed a decision on the start of Turkey's EU accession negotiations until December 2004. Following consecutive amendments, the Annan Plan was submitted to a referendum on both sides of the island on 24 April 2004. While former Cypriot President Glafkos Klerides, who had achieved Cyprus membership of the European Union, had been a strong supporter of a compromise solution, the newly elected President Tassos Papadopoulos in a dramatic shift advised the people to reject the plan. His advice was followed. While 65 percent of Turkish Cypriots accepted the Plan, also supported by Turkey, 76 percent of Greek Cypriots rejected the Plan. As a result, the Republic of Cyprus joined the European Union on 1 May 2004 without a resolution of the Cyprus question. In December 2004, the Brussels European Council set 3 October 2005 to be the start date of Turkey's accession negotiations. Nonetheless, the Cyprus issue remained an obstacle to the smooth progress of Turkey's EU accession negotiations and continued to poison bilateral Greek-Turkish relations. The launch of accession negotiations became possible only after a diplomatic marathon. Turkey's refusal to sign the Additional Protocol expanding its customs union to the new EU member states, which could, according to one

interpretation, implicitly amount to the *de facto* recognition of the Republic of Cyprus, led to Cypriot vetoes on several negotiation chapters.

The failure to reach an agreement on the Cyprus issue in 2004 also had a deleterious effect on Greek-Turkish relations. While the Cyprus question is not a bilateral but an international issue, it undeniably has a bearing upon bilateral relations. The rise of the Cyprus question in 1955 has had a catastrophic spillover effect to bilateral disputes. Minority questions and the Aegean dispute arose or took bigger proportions in the context of yet another episode of the Cyprus conflict. Following the rejection of the Annan plan in the 2004 referenda, the prospects for a resolution became dimmer as the President of the Republic of Cyprus Tassos Papadopoulos took a more intransigent stance. Meanwhile, hopes for swift progress in Turkey's EU accession negotiations were fast fading, and this removed a crucial incentive for Turkey's to remain interested in a solution. The surprise election of Demetris Christofias to the Presidency of the Republic of Cyprus in February 2008 was hoped to bring a new impetus to the negotiation process, yet soon thereafter in April 2008 the moderate Turkish Cypriot leader Mehmet Ali Talat lost its seat to the hardliner Derviş Eroğlu.²⁰ UN-assisted, bi-communal negotiations failed to produce a breakthrough, and there was wide speculation about the need for a stronger engagement of the international community in the conflict resolution process. The climate deteriorated in July 2011 when Prime Minister Erdoğan during his visit to the northern part of Cyprus on the anniversary of the 1974 Turkish invasion stated that "there is no such thing as the Republic of Cyprus" and precluded the return of Morphou (Güzelyurt) and Varosha (Maraş) in case of a solution. Both towns would be turned over to Greek Cypriots according to the provisions of the 2004 Annan Plan. A bicomunal summit meeting with the United Nations Secretary General Ban Ki-Moon failed in November 2011 in Long Island, New York failed to produce any tangible results.

The Aegean Dispute

Having their roots in the 1970s, the disputes between Greece and Turkey over the delineation of their maritime borders have become a source of perennial conflict. The

²⁰ International Crisis Group (ICG), *Cyprus: Six Steps toward a Settlement* [Europe Briefing No. 61] (Brussels, 2011), 3-4.

width of territorial waters, airspace, the delineation of continental shelf, jurisdiction over the Flight Information Region (FIR) and the demilitarisation of Eastern Aegean islands have comprised the main body of disputes.²¹ The 1982 United Nations Convention on the Law of the Sea added a new dimension to the dispute, as it gave littoral states the right to extend their territorial waters up to twelve miles. While Turkey refused to sign the Convention, declaring itself as a “persistent objector,” the Convention entered into force in November 1994. The declaration of the Andreas Papandreou government that it would exercise the right of extending its territorial waters to twelve miles led to a fierce Turkish reaction. In June 1995 the Turkish parliament adopted a resolution which declared Greece’s extension of territorial waters to twelve miles to be a “casus belli.” In January 1996, the Aegean dispute took new dimensions when Greece and Turkey came to the brink of war over the sovereignty of the Imia/Kardak islets. Thereafter Turkey challenged the sovereignty of Greece over hundreds of islands, islets and rocks throughout the Aegean Sea and the Mediterranean, thus dramatically expanding the scope of the conflict. Moreover, disputes over airspace and the FIR led to almost daily dogfights between Greek and Turkish military aircraft. These became a constant financial haemorrhage, led to occasional accidents claiming pilot lives and raised the risk of a “hot incident.” These contributed to a steady flow of negative news which consolidated the view that improvements in Greek-Turkish relations were cosmetic at best and a resolution of the conflict was in fact impossible.

Against this rather negative backdrop, the Helsinki spirit did make some difference. Moreover, regular meetings of diplomatic delegations from the two countries were launched with the aim to negotiate the pending disputes. This was in line with the Helsinki decision which stated that both countries would have to bring their disputes in front of the Court by the end of 2004, if bilateral negotiations failed by then. While the content of negotiations was never publicized, it was thought that a package compromise solution over the whole range of the Aegean dispute, including the width of territorial waters, and the delineation of continental shelf, was intensively discussed, with the aim to refer any pending issues to the International Court of Justice. The process reached a peak in 2004, when the Helsinki decision deadline

²¹ For a wholesome account, see Alexis Heraclides, *The Greek-Turkish Conflict in the Aegean: Imagined Enemies* (Houndmills, Basingstoke, Hampshire ; New York: Palgrave Macmillan, 2010).

about the bilateral resolution of the dispute expired. Nevertheless, the advent of the Karamanlis administration resulted in a new approach to the Helsinki process.

While it did not undo the rapprochement process, the Karamanlis government did not take the conflict resolution process to its logical consequences, namely that the peaceful judicial resolution of Greek-Turkish disputes in the Aegean would probably entail a compromise which would not be identical with the official Greek position.²² Unwilling to take the rise of a judicial verdict which would displease Greek public opinion and despite the longstanding Greek official position, the Karamanlis administration opted not to impose the referral of the Aegean dispute to the International Court of Justice in December 2004, when the start of Turkey's EU accession negotiations was decided. In line with the policy of the Papadopoulos administration in Cyprus, the Greek government opted for postponing the resolution of the bilateral disputes through a compromise, hoping that as EU-Turkey accession negotiations were moving forward, Greece and Cyprus's bargaining position would be substantially improved. Following 2004, economic relations continued to flourish, and cooperation expanded into hitherto unexplored fields. Fifty-two negotiation rounds took place until June 2011. Nonetheless, the amenable political conditions existing in 2004 on all sides to promote a resolution of the Aegean dispute have not emerged since then. EU-Turkey accession negotiations have faced stiff obstacles due to a variety of reasons attributed to both sides. In 2009 Greece was immersed into the biggest economic and political crisis in decades. Turkey, buoyed by its economic success, has embarked on a new, ambitious foreign policy. Aiming to consolidate its new role as a major regional and emerging global power, it has appeared less interested in its EU membership or in a comprehensive settlement of the bilateral disputes with Greece, in particular since a compromise solution would displease its nationalist public opinion.

Recent Developments

Bilateral Relations

The establishment of a High Level Strategic Cooperation Council (HLSCC) between Greece and Turkey in April 2010 appeared to pave the way for a breakthrough in bilateral relations. Nonetheless, the outbreak of the global financial crisis or "great

²² Ibid., 154-57.

recession” in 2008 had ushered in developments which reconfigured international politics and redefined the position of states in the international arena. Greece and Turkey were substantially affected, albeit in opposite directions. On the one hand, Greece’s long-concealed economic, social and political problems came to the fore at once, and the country entered a multifaceted economic, political and social crisis of historic proportions. On the other hand, Turkey appeared to be better prepared than most developed economies to navigate through the turbulent waters of the global crisis. Turkish GDP grew at rates comparable to these of China, and this lent to the Turkish government a rising sense of self-confidence and gave way to a new strategic vision. Turkey would no more aspire to be an active member the Western security community, but would aim to become a transregional and global power, a “central power” in the expression of Foreign Minister Ahmet Davutoğlu. In addition, Turkey’s declared ambitions about a new, “zero-problems with neighbours’ policy” seemed to put Greek-Turkish disputes and the Cyprus question on a new footing.

These parallel but antithetical developments inevitably bore their imprint on bilateral relations. Due to the Greek recession, bilateral trade fell, Turkish enterprises withdrew from or postponed their Greek investments. Some Greek investors in Turkey declared their intention to liquidate their investments in search for cash, while even NBG was seeking to sell 20 percent of Finansbank. As the Greek government was focused on the economic emergency, Greece’s international relations attracted relatively little attention. Moreover, the enormous political cost of the economic austerity program made it highly unlikely that the Greek government would undertake any costly political decision in the direction of putting forward a resolution of the bilateral disputes, fearing that this could be perceived as a surrender of Greek national rights under the worst possible circumstances. The argument that the Greek-Turkish conflict was one of the reasons that led Greece to financial distress due to the defence expenses that it necessitated did not appeal to wide swaths of public opinion.

Cyprus- The Exclusive Economic Zone (EEZ) Controversy

While little changed in the UN-facilitated bi-communal negotiations in Cyprus, tension rose following oil and gas exploration offshore the southeastern coast of the island. Growing indications that significant oil and natural gas reserves may be located under the seabed of the eastern Mediterranean Sea led the Republic of Cyprus to the decision to declare its Exclusive Economic Zone (EEZ) around the island.

While this could have been a foolhardy move in the past, deteriorating relations between Israel and Turkey had opened a window of opportunity. A series of bilateral agreements with Lebanon, Israel and Egypt paved the way for the launch of exploratory drillings in the sea between Cyprus and Israel. This irritated Turkey which argued that Cyprus did not have the right to explore off-shore oil and gas without consulting with the Turkish Cypriots. Interestingly Turkey based its argument on the 1959-1960 Treaties of Zurich and London which established the Republic of Cyprus, while it has otherwise refused to recognise as an independent state since 1963 and has recognized the “Turkish Republic of Northern Cyprus (TRNC)” since 1983. The crisis had the potential of reigniting the Greek-Turkish maritime border disputes and even expand them from the Aegean to the Eastern Mediterranean. Political pressure mounted on the Greek government to declare its own Exclusive Economic Zone in the Aegean and the Eastern Mediterranean. Such a move could be considered as undermining the basis of bilateral negotiations on the continental shelf and raise the question of delineating the maritime borders of Megisti (Kastellorizo), the easternmost Greek island located between Rhodes and Cyprus.

Conclusions

Foreign Minister Davutoğlu’s “zero-problems with neighbours’ policy” was aimed to relieve Turkey of its bilateral disputes in order to advance it to a leading position in global politics. While at first it was argued that resolving bilateral problems with neighbours was a prerequisite for Turkey to play its global role, it soon appeared, however, that Turkey lacked the diplomatic capacity to further all these objectives simultaneously. Turkey’s regional and global ambitions meant, in the end, that the resolution of bilateral Greek-Turkish disputes and the Cyprus problem would not be high on the agenda of Turkish foreign policy. This was valid in particular since the prospect of Turkey’s full EU membership appeared to be rather dim in the end of 2011.

There is still strong debate on both sides of the Aegean whether the fundamentals of the countries’ political relationship have improved, subsequent to the 1999 Helsinki milestone and the initiation of Turkey’s EU accession process.²³ What

²³ Papadopoulos, *Greek-Turkish Economic Cooperation: Guarantor of Détente or Hostage to Politics*, 34-37.

no one could gainsay, however, is the impetus that this process has given to their growing economic interdependence. In retrospect, the lifting of the Greek veto against Turkey's EU accession process catalysed the economic interaction of the two countries. Whereas Greek-Turkish relations had faced *détente* periods in the past, the present one has been a qualitatively different phase. While bilateral Greek-Turkish relations have significantly improved despite high-politics disputes, there are certain limits set by the lack of a solution in Cyprus and the Aegean. It would be impossible to discuss a reconsideration of Greece's security doctrine and a substantial decrease of defence expenditures without a resolution of the Cyprus question. It is also hard to promote the concepts of cooperation through the European integration, if these fail utterly on the island of Cyprus to unite Greek and Turkish Cypriots. Functional cooperation may have delivered great dividends over the last twelve years, yet its potential to transform Greek-Turkish relations is not unlimited. While a reversal to the old animosity may look unlikely, a breakthrough is also hard to imagine without strong leadership. External conditions such as Europeanization process and domestic political and social stability can greatly help in that direction. The fruits of rapprochement can, however, only ripen through visionary leadership. To win a common future within the European family, Greeks, Turks and Cypriots need to be led by inspired leadership to compromise- and rule-of-law-based solutions geared towards a common future within the European family.