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## The economic crisis of 2010 and Greek foreign policy dilemmas

### Abstract

Greek foreign policy following the economic crisis of 2010 is attempting to explore new opportunities for improving its relations with traditional allies and its regional partners. Despite the country's economic crisis, which imposed several constraints and limitations in the handling of foreign policy issues, regional considerations from both sides of the Atlantic did not discredit Greece's status as a stable and reliable partner for the EU, the US, and NATO. Thus, the Greek political elite sought to present Greece as a pole of stability in a region exposed to major challenges for European and Transatlantic interests.

Most of Greece's foreign policy goals have been focused in its immediate neighbourhood of South-eastern Europe and Eastern Mediterranean. Primary among Greek interest in the region are the "Europeanization" of the Western Balkans, providing a link between Europe and the Arab world, and being the gateway for powerful Eurasian players like China and Russia, while constantly maintaining a balance with an aggressive NATO ally, i.e.,

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Turkey. Beyond the external challenges, the Greek political elite had to maintain domestic social and economic stability after seven years of austerity and growing discontent. These are the main components for achieving a multidimensional foreign policy, facing potential adversaries and dealing with significant players in the international arena.

## **Introduction**

Greece's geopolitical location at the crossroads of three continents – Asia, Africa and Europe – was one of the main determinants of Greek foreign policy on a bilateral and a multilateral level after World War II. Since its independence, Greece had to deal, on the one hand, with the challenges deriving from its geostrategic position and, on the other, the necessity to become an equal member of the international community.

Greece is a member of European and Atlantic institutions while simultaneously a country in Southeastern Europe and Eastern Mediterranean. This geographical location has had a significant impact in past Greek foreign policy choices. The reasons are obvious. The historical background such as the Balkan wars, the First and Second World Wars, the Cold War divide, the Greco-Turkish

tensions over the Aegean Sea and Cyprus, are components of Greece's geostrategic significance.

From the very beginning of the creation of 20th century international institutional network, Greece has leveraged trying to take the advantages deriving from the "multilateral diplomacy" and becoming a founding member of the League of Nations and, later, the Breton Woods system.

On the economic side, Greece sustained a 6.5% growth rate for approximately 25 years between 1955 and 1980. Moderate growth around 2% followed thereafter, accompanied by a 15.5% yearly inflation rate from 1980 until 1995. After the collapse of the 1967 - 1974 dictatorship, Greece's foreign policy became increasingly Eurocentric, and fulfilled the requirements of the Economic and Monetary Union to become a Eurozone member in 2001. The country joined the EU as a full member in 1981 and the EMU in 2001 after taming inflation and participating in the Exchange rate mechanism of the EMU. During the 90s, Greece's main priorities were also the fulfillment of Cyprus's accession into the EU, which was completed in 2004. In addition to establishing its role in the Balkan region, after the collapse of the Yugoslav federation, Greek leaders focused on the promotion of economic and trade relationships with

Balkan neighbors and their respective paths to European institutions.

As the EU and NATO grew in membership after the breakdown of communism, Greece supported both enlargement procedures. When the Berlin process was initiated in 2014, to be followed by the Berlin plus plan,<sup>2</sup> Greece sustained these efforts to create a more secure Western Balkans. This happened as political differences between Greece and FYROM remained unresolved and were part of third party negotiations. As far as Turkey is concerned and despite the political differences with Turkey over Cyprus and the Aegean, Greek foreign policy supported Turkey's European perspective, streamlining itself with the international institutional coordination which was a major concern at this time.<sup>3</sup>

Since 2010, Greece is in recession and in seven years lost 25% of its GDP. With financial assistance from the EU and the IMF, Greece has committed to accomplish institutional and structural reforms combined with austerity measures

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<sup>2</sup> Matteo Bonomi, "The Western Balkans in the European Union: Perspectives of a Region in Europe", *Istituto Affari Internazionali*, July 2017, available at [www.iai.it/sites/default/files/iai1713](http://www.iai.it/sites/default/files/iai1713).

<sup>3</sup> Emiliano Alessandri, "A Question of Interest and Vision. Southern European Perspectives on Turkey's Relations with the European Union", *Policy Paper*, No.21, June 2010, available at [www.brookings.edu](http://www.brookings.edu)

and wage cuts. The current Greece/EU/IMF supported program is due to expire in August 2018. <sup>4</sup>

### **Greece's challenges after the economic crisis.**

Since the beginning of the crisis, the Greek political elite has tried to readjust its efforts and deal with the new challenges on the domestic and external level. Greece had to build a multidimensional foreign policy balancing domestic constraints with external challenges. This policy was determined by a difficult economic reality and an unstable regional and global environment. The repercussions of the refugee crisis and mass migration, the ongoing security issues between Greece and Turkey, the Syrian crisis and the Arab Spring, as well as the rise of transnational threats such as ISIS have entered the picture. Greece as a small state in a fragile context sought to build constructive relations with key states in the region such as Israel, Egypt, Jordan, and further stabilize its relations with traditional allies such as the United States.

Regarding the Greek-American relations, Greece was from the early 50s committed to its obligations deriving from the bilateral agreements signed by the two countries. The last years, given the instability in the eastern

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<sup>4</sup> Therefore, a number of foreign policy activities has been suspended/ placed on hold including salary cuts in diplomatic missions abroad, closure of some general Consulates in Europe such as in Paris, Brussels, Milan, London, cuts on embassies expenses etc.

Mediterranean, Greece further enhanced its relations with countries like Cyprus, Egypt, and Israel in the economic, cultural and, especially, energy sector. Improving relations with Israel was a big turn because, until then, the Palestinian issue influenced bilateral relations in a negative way. The energy development policy is considered to have a positive impact in terms of both long term economic planning and security implications in the region. This policy of synergies could have a positive impact giving opportunities of cooperation both for the involved countries and the USA.

As far as the American approach to the Greek crisis and especially the debt issue is concerned, the Obama administration and the former president personally, supported debt relief as a way of dealing with the economic crisis and pressed Greece's European partners to make Greek debt sustainable. Although President Trump during his campaign was viewing the Greek crisis as Germany's problem and indicated that Greece should not have entered the Eurozone <sup>5</sup>, he seems to have changed his mind. During the recent (October 2017) official visit of Greek Prime Minister Alexis Tsipras to the USA, President

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<sup>5</sup> Akis Georgakellos and Harris Mylonas, "Between Trump and the Troika. Greece After the U.S. Election", *Foreign Affairs*, November 2016, available at <http://www.foreignaffairs.com/authors/harris-mylonas>

Trump, in their joint statement, argued in favor of debt relief and Greece's economic recovery.<sup>6</sup>

This positive picture includes several strategic concerns deriving from the existing relations between Greece and the United States. The US installations at Souda Bay and the access and indispensable logistical support they provide for the projection of air and naval power over the Eastern Mediterranean and the Middle East and beyond is obvious. In this respect, the significance of the naval base at Souda Bay remains a central component of the US and NATO's defense structure.

Greek relations with NATO remain a pivotal strategic factor of great importance. Since its integration into the Atlantic structures, Greece has been a reliable NATO member acknowledging the positive impact on the development of the country's defense capabilities. Indeed, NATO has enhanced opportunities for Greece to develop and establish the necessary stability and security to various aspects of defense. This is currently more important for NATO and, in a broader context, the Western security interests, given Turkey's current poor relations with the USA and its key regional ally, Israel.

Finally, despite the economic crisis, Greece continues to spend over 2% of GDP for defense purposes, making it one

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<sup>6</sup> <http://www.whitehouse.gov/the-press-office/2017/10/17/remarks-president-trump-and-prime>

of the few NATO members to do so.<sup>7</sup> One reason for that is Greece's commitment to its Western orientation<sup>8</sup> including the Atlantic institutions as a security provider in existing tensions with Turkey. Although this sounds controversial, keeping in mind that the country seeks currently to manage debt issues, austerity measures and cuts to social services, the point is that Greece needs the improvement of its military infrastructure in supporting stability in the region. This was also the reason mentioned by the Greek Prime Minister<sup>9</sup> at the announcement of a possible purchase at an estimated cost of \$2,4 billion for the upgrade of its existing F-16 aircraft (October 17<sup>th</sup> 2017).<sup>10</sup> To the question in what way an indebted country could be a stability provider for the western and American security interests, the response is associated with the identification of risks in each respect. Currently, as already mentioned, it appears that US's foreign policy makers are not as certain as they were in the past about the possibility of Turkey's support to US and NATO operations' access to eastern Mediterranean and Middle East.<sup>11</sup>

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<sup>7</sup> <http://bruegel.org/2016/11/trump-nato-and-european-defence-spending>

<sup>8</sup> According to Constantinos Caramanlis' statement in 1976 "Greece....belongs to the West" Greece's western orientation has not been put in doubt since then.

<sup>9</sup> Greek PM Alexis Tsipras talks economics and geopolitics at Brookings, November 2, 2017, available at [www.brookings.edu](http://www.brookings.edu)

<sup>10</sup> <http://www.dsca.mil>

<sup>11</sup> Although both sides seemed to be willing to ease tensions, there are still many open issues that need to be addressed. "U.S. and Turkey Try to Prevent a Diplomatic Dispute from Growing", *New York Times*, Oct.9, 2017. see also: <http://www.csis.org/analysis/after-trump-erdogan-meeting-new-start-relations>.



## **Regional considerations**

Since the beginning of the Balkan crisis and the dissolution of the Yugoslav federation in the early 90s, Greece's concern was the maintenance of stability in its northern borders. Therefore, Greek foreign policy in the Balkans has been shaped on three levels: the first one had to do with the initiation of a promising policy during the 90s on the economic reconstruction by the private and the public sector,<sup>12</sup> the second with a focus on the resolution of pending political issues (the name issue of FYROM)<sup>13</sup> and the third on the "Europeanization" of these countries.

Greek foreign policy in the Balkans remained focused on the European perspective of these countries and their integration into the Euro-Atlantic institutions, as its stance in all relevant international agreements testifies. For this goal to be realized, Greece sought to play before the economic crisis the role of soft power in the Balkans via two tools: the promotion of economic development programs along with the stimulation of public and private investments and the support of the western Balkan

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<sup>12</sup> Greece's exports to the Balkan countries increased from \$ 0.3 billion (1989-1990) to \$ 0.8 billion (1994) and continued to rise thereafter. Greece represented an important market in the Balkan area, thus contributing to the efforts of the transition economies for the restructuring and stabilization of their economies. [www.hri.org/MFA/economy/balkanecon.htm](http://www.hri.org/MFA/economy/balkanecon.htm)

<sup>13</sup> Greece has accepted the set of ideas of Matthew Nimitz, special envoy appointed by the UNSG in 2005. On this basis, Greece still supports a solution on the basis of the name with a geographical qualifier.

countries in their road to Europe. European integration appeared to Greek leaders as a tool of solving former rivalries in a mutually agreed solution. It is a sort of “containment» policy for overcoming nationalistic claims through the sharing of common European values. In this context, Greece’s political elites, despite political differences in some issues, supported, among others, the case of Albanian accession to Europe and NATO.<sup>14</sup>

For that reason, despite the economic crisis and Greece’s reduced ability to act as a soft power in the region, it continues to play an active role in the economic development of these countries.<sup>15</sup> Its role as a bridge between the Balkans and Europe remains on the agenda of Greek foreign policy. To that end, Greek leaders focused on capitalizing on the positive effects of their Balkan policy since the 1990s and fulfilling their initial goal in Balkans Europeanization.

In that respect, it is worth mentioning a series of initiatives taken by the Greek government during the last two years. The first one concerns the two ministerial meetings (the last one took place in Thessaloniki in October 2017) between Greece, Albania, Bulgaria and

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<sup>14</sup> Albania became a full member of the Atlantic Alliance on April 2009.

<sup>15</sup> During the financial crisis, Greek trade imports and exports to and from the Balkan countries marked a decrease with 2009 reaching their lowest point. See Magoulios G., Chouliaras V., “The Repercussions of the Financial Crisis (2008) on the Foreign Trade between Greece and the Balkan countries (BCs)” in : Karasavoglou A., Polychrinidou P. (eds), *Economic Crisis in Europe and the Balkans. Contributions to Economics*, Heidelberg, Springer 2014. pp 51-64.

FYROM that focused on topics of common ground such as energy issues, security, trafficking, terrorism and migration issues. The second initiative was at a higher level between the Prime Ministers of Greece, Bulgaria, Romania, and Serbia focusing on, among others, the European perspective of Western Balkans. As the Greek PM mentioned on that occasion, “we build our common future on the great potential of our peoples and on our common European vision for the region”.<sup>16</sup> These initiatives focus on the empowerment of bilateral and multilateral ties between neighboring countries. At the same time, there is the need for all the countries of the region to realize that the challenges and risks are best dealt with through cooperation mechanisms and development strategies so that the whole region could pursue a new, more stable and prosperous future. The European perspective of these countries enhances the democratic institutions domestically even more, which is a criterion of joining the EU. The extension of EU and NATO membership to the western Balkans undoubtedly had a positive impact on the stability of the whole region, including Greece.

As far as FYROM’s future accession to Euro-Atlantic institutions is concerned, this constitutes an open issue for

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<sup>16</sup> <http://primeminister.gr/en/2017/10/03/18347>

negotiations in order for Greece and FYROM to reach a mutually accepted solution in relation to the name issue. It is true that valuable time was lost in the past. FYROM has been recognized as the “Republic of Macedonia” by many countries, even if its official UN name still is FYROM. Thus, FYROM didn’t have an incentive to come to an understanding with Greece. On the other hand, Greece can not accept issues that involve irredentism and possible border changes. If FYROM is interested in joining the Euro Atlantic institutions, it has to respect the principles, norms and rules around which international institutions converge in a given area or issue.<sup>17</sup> As Greece’s Minister for Foreign Affairs, Nikos Kotzias, stated in the 72nd Session of the General Assembly of the United Nations, “Greece will continue to work systematically to reach a mutually accepted name (with FYROM), erga omnes”.<sup>18</sup>

### **Eastern Mediterranean**

The formation of today’s Greek policy in Eastern Mediterranean is based on a very long process inaugurated by successive Greek administrations. After the Arab Spring, Greek leaders have become more concerned about the risks emanating from the region. That is why they

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<sup>17</sup> In January 2018 discussions between the two governments started. Current developments indicate the possibility for a mutual agreeable solution which can be found now that FYROM seems to be keenly interested in its European and Atlantic perspective.

<sup>18</sup> Address by Minister of Foreign Affairs, Nikos Kotzias, at the 72<sup>nd</sup> UNGA (New York, 09/22.2017) available at [www.mfa.gr/en/current-affairs/top-story/address-by-minister-of-foreign-nikos-kotzias](http://www.mfa.gr/en/current-affairs/top-story/address-by-minister-of-foreign-nikos-kotzias)

attempted to reinforce the regional cooperation on topics of common interest and play an intermediary role between Europe and the Arab world.

Several initiatives taken by Greek policy makers during the last three years strengthen ties within this area: These are “The Three Parties Agreement” between Greece, Cyprus and Israel (January 30<sup>th</sup> 2016) on the energy sector (common efforts for research on possible sources of hydrocarbons and ways to transport natural gas into Europe),<sup>19</sup> which is an expression of “pipeline diplomacy”. Along the same line is the Common Declaration among Greece, Cyprus, Israel and Italy (April 2017) on the initiation of a pipeline named EastMed for gas transport via the Eastern Mediterranean to Europe. This project, partially funded by the European Commission, will allow the E.U and the U.S to improve their access to energy by diversifying the sources and allowing Greece, Cyprus and Israel to enhance their role as regional stabilizers.<sup>20</sup>

This initiative is considered to be of major economic and geopolitical importance. On the one hand, Greece could achieve a diversification of its energy supply sources for covering its needs and, on the other, it could also upgrade its role as a hub for the transit of gas from the eastern

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<sup>19</sup> [www.greeknewsonline.com](http://www.greeknewsonline.com)

<sup>20</sup> George N. Tzogopoulos, “ The EastMed Pipeline Could Be a Giant Step Towards Enhancing Regional Security”, BESA Center Perspectives Paper, No 505, June 22,2017, available at [www.besacenter.org/perspectives-papers/eastmed-pipeline-security/](http://www.besacenter.org/perspectives-papers/eastmed-pipeline-security/)

Mediterranean to the European continent. This quite ambitious project involves a 2,000km pipeline aimed to link gas fields off the coasts of Israel and Cyprus with Greece and Italy, at a cost of up to 6 billion euro (\$6.7billion).<sup>21</sup>

A second initiative in the region was the holding of the “Rhodes Conference for Security and Stability” that was inaugurated in September 2016 and followed up in May 2017. This is an informal ministerial gathering of foreign ministers and high ranking officials from countries of the Arab World, the Balkans and southeastern Europe.<sup>22</sup> It provided an opportunity of discussing and tackling together a wide range of issues pertaining to security and stability in the region. In that way, Greek diplomacy attempts to establish on a permanent basis a “Conference on the Security and Stability in the Eastern Mediterranean” due to take place every year in Rhodes.<sup>23</sup>

### **Greek-Turkish relations**

The Greek-Turkish relations are on the top of the agenda of Greek foreign policy. It is a question of the so called “high politics,” given the security issues which are involved

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<sup>21</sup> [www.reuters.com/article/us-greece-israel-natgas/greece-israel-cyprus-to-speed-up-mediterranean-pipeline-efforts](http://www.reuters.com/article/us-greece-israel-natgas/greece-israel-cyprus-to-speed-up-mediterranean-pipeline-efforts)

<sup>22</sup> [www.mfa.gr/en/current-affairs/news-announcements/second-coference-for-security-and-stability](http://www.mfa.gr/en/current-affairs/news-announcements/second-coference-for-security-and-stability).

<sup>23</sup> Joint Communique-Rhodes Security and Stability Conference, Rhodes, 08.09-09.2016, available at [www.mfa.gr](http://www.mfa.gr)

(Turkish claims in the Aegean and the illegal occupation of Northern Cyprus).

Greek political elites, since the late 1990s, remained focused on Turkey's Europeanization.<sup>24</sup> Turkey's accession process and fulfillment of the EU's criteria could provide a vehicle for Turkey to meet basic international and European requirements regarding the respect for minority rights, basic freedoms and the principle of good neighborly relations.<sup>25</sup> This is an important point of continuity of Greek foreign policy, regardless of internal political changes since the 1990s. As Greek PM Alexis Tsipras mentioned, "we remain focused on keeping Turkey on the European path, in close cooperation with the western world".<sup>26</sup> This is considered as the best approach to "mobilize the necessary reforms to democratize the country and spur reforms that will support human rights and democratic values".<sup>27</sup>

Turkey is facing serious internal challenges following the recent failed coup d'état of July 2016 which are not the subject of this analysis. The question for Greek, but also the European policy is for Turkey not to derail from the decades-long EU accession process. Greece has a great

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<sup>24</sup> This stated in 1999 at the European Union Helsinki Summit which granted Turkey EU candidate status.

<sup>25</sup> Issues of Greek-Turkish Relations, November 23, 2017 available at [www.mfa.gr](http://www.mfa.gr)

<sup>26</sup> Greek PM Alexis Tsipras talks economics and geopolitics at Brookings, November 2, 2017, available at [www.brookings.edu](http://www.brookings.edu).

<sup>27</sup> *ibid*

interest in Turkey staying in the European picture and remaining domestically stable.

Another issue of priority for Greek policy is the Cyprus issue. Greece was one, along with Turkey and Great Britain as guarantor powers, participating in the International Conference on Cyprus held in Switzerland in 2017 under the auspices of the U.N Secretary General, including the leaders of Greek-Cypriot and Turkish-Cypriot communities. One major issue for Cypriot and Greek leaders is the modification of the guaranties regime that has been set under the Zurich-London Treaties' of 1959.<sup>28</sup> The significance of this concern for Cypriot leaders is very important for an independent country member of the EU. Other issues are the demilitarisation of the island and the return of displaced Cypriots, giving them the possibility to handle their property. As the Greek Minister for Foreign Affairs stated, what is needed is an agreement on “a sovereign and independent state, free of foreign occupation troops, external guaranties and intervention “rights”.<sup>29</sup> Indeed, Greek leaders believe that any settlement to the Cyprus question has to take into consideration the principles of international law and the

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<sup>28</sup> Cyprus became an independent state in 1959 under Zurich London Treaties which established a system of guaranties and security including a constitution. This gave each of the three countries designed as guarantors the right to intervene in order to protect the integrity of their ethnic community.

<sup>29</sup> Address by Minister of Foreign Affairs, Nikos Kotzias, at the 72<sup>nd</sup> UNGA (New York, 09/22.2017) available at [www.mfa.gr/en/current-affairs/top-story/address-by-minister-of-foreign-nikos-kotzias](http://www.mfa.gr/en/current-affairs/top-story/address-by-minister-of-foreign-nikos-kotzias)



resolutions of the U.N. Overall, Cyprus' integration into the EU in 2004 created a different set of circumstances for the Greek-Cyprus-Turkey-EU relationship. The EU, as a collective "soft power" mechanism, could provide a barrier to claims raised by Turkey on Greece's and Cyprus' sovereignty rights, playing a role of "containment" through the respect for common values, norms, and principles.

According to Amitai Etzioni, "the prevailing paradigm that defines what is expected of a nation when it comes to its relations with other nations, lays out to the respect of normative principles such as national sovereignty and the Westphalia principle that forbids armed interference by one nation in the internal affairs of another".<sup>30</sup> On that respect, Turkey must understand that the continuing occupation of a part of an independent state and the violation of its territorial integrity are not in agreement with European democratic rules.

### **Russia and China: Greece's Eurasian partners**

Russia has been a longstanding partner of Greece. In addition to the historical ties and the religious affiliation, the relationships between the two countries in the last years have strengthened in the cultural, educational, and

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<sup>30</sup> Etzioni A., *Foreign Policy: Thinking Outside the Box*, London and New York: Routledge, 2016, p.105.

energy sector. The visit of Russian leader Vladimir Putin to Greece in May 2016, the first after nine years, had a double goal. For Russia, being isolated because of the sanction policy imposed by Europe following Crimea's annexation, was a way of showing that it remains a player in Europe. For Greece, given the economic crisis, strengthening its relationships with a powerful country in Eurasia and a big market, was a significant challenge. While Greek trade is impeded by the EU sanctions policy, Greece remains committed to the European decisions. Another reason, behind its commitment to the European institutions, is that Greek leaders could not accept actions of aggression violating key principles of the European security order, including that states should not use military force to seize territory of an independent state such as Ukraine. This was the case of Cyprus following the Turkish invasion in 1973.

It is true that Greece was among the European countries – along with France, Italy and others – seeking to adopt softer policies toward Russia. Nonetheless, without neglecting the constraints deriving from the sanctions, Greek leaders attempted to develop cooperation with Russia in sectors such as energy, telecommunications, real estate, education, and tourism (Greece is one of the most popular destinations among Russians).

Greek exports to Russia are principally clothing, food products<sup>31</sup>, tobacco, and argyle film; Greek investments in Russia are in the food sector, textile, and constructions. It is worth to point out that a total of 70 Greek-owned companies have established activities in Russia. This is important for the endorsement of the Greek economy, given that Russia is a big market. Russian direct investment in Greece was estimated at 683 million dollars in 2016.

On the energy sector, Greece's natural gas needs depend on Russia for 47% of total imports. On this issue, there are ongoing discussions regarding the construction of a gas pipeline (Greek stream) transporting gas via the Greek borders and the Balkans to the central European market.<sup>32</sup> In February 2016, Russia's Gazprom, Italy's Edison, and Greece's DEPA signed a Memorandum of Understanding on gas deliveries across the Black Sea from Russia via third countries to Greece and from Greece to Italy. The aim was to establish a southern route to deliver Russian natural gas to Europe.<sup>33</sup> There was also an interest in the transport sector, which probably includes the harbour of Thessaloniki. This would allow Russia a wider opening to

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<sup>31</sup> Greece is an exporter of oil products (over 10 million tones in 2016). Greece has four main oil refineries which refine Russian crude oil. Source: [https://www.researchgate.net/profile/Kari-Liuto/publication/323382736\\_The\\_economic\\_relations\\_between\\_Greece\\_and\\_Russia/links/5a915afeaca2721405630a4a/The-economic-relations-between-Greece-and-Russia.pdf](https://www.researchgate.net/profile/Kari-Liuto/publication/323382736_The_economic_relations_between_Greece_and_Russia/links/5a915afeaca2721405630a4a/The-economic-relations-between-Greece-and-Russia.pdf)

<sup>32</sup> <http://www.ponarseurasia.org/memo/are-china-and-russia-teaming-southern-europe>

<sup>33</sup> [www.gazprom.com/press/newa/2016/february/article267671](http://www.gazprom.com/press/newa/2016/february/article267671).

the Black sea. There are also discussions about the signing of a deal between the Russian oil company Rosneft and Greek Petroleum.

One challenging issue is the continuation of sanctions. Greece's position is a delicate one because, on the one hand, it cannot ignore policies adopted in common with its influential Atlantic and European partners and, on the other, it cannot neglect its interests in cooperating with Russia. Russia is a significant player in Eurasia and Greek foreign policy has to keep open the channels of communication with it. The religious affiliation between the two countries is an important component and a tool of further strengthening their ties. Going back in history, the shared religious heritage based on the Eastern Orthodox Church, Russia's assistance in the Greek War of Independence from the Ottoman Empire, and recently, in 2008, Greece's and Russia's concerns over Kosovo's declaration of independence from orthodox Serbia in 2008<sup>34</sup> constitute a significant tradition. This is reflected on the domestic level, where Russia enjoys a positive public image in Greece. A survey by the Pew Research Center in July 2014 showed that 61 percent of Greek

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<sup>34</sup> Kosovo's independence was recognised by the U.S, France, the U.K, Germany, Italy and other European states. Christofer J. Borgen, "Kosovo's Declaration of Independence: Self-Determination, Secession and Recognition", *American Society of International Law*, Vol.12, Issue 2, February 29, 2008, available at <http://www.asil.org/insights/volume/12/issue/2/kosovos-declaration-independence-self-de...>

people have a favorable view of Russia, putting Greece on top among European countries.<sup>35</sup> Nonetheless, it is crucial for Greece not to undermine the sanction policy and thus its relations with EU and NATO. For Greece, NATO remains the main security provider and its European identity an asset in dealing with the economic and political challenges all over the world. On the other hand, Russia needs a “trustworthy interlocutor” if it is interested in being part of the European architecture.

## **China**

Sino-Greek relations have improved during the last years, given China’s policy to play a more active role on the European continent. Initially China invested heavily in the modernization of the Port of Piraeus. Then, China’s policy known as “One belt, one Road” (BRI) was officially launched in 2013. This is a Eurasian grand strategy seeking to expand and secure maritime routes and road infrastructure networks from China to Europe. Southeast Europe represents a significant region where China can accomplish its “New Silk Road” policy. In May 2017, the Belt and Road Forum for International Cooperation held in Beijing represented a sort of “institutionalization” of the “Balkan Silk Road” idea launched in 2011. The goal of the

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<sup>35</sup> [www.pewglobal.org/2014/07/09/russias-global-image-negative-amid-crisis-in-ukraine](http://www.pewglobal.org/2014/07/09/russias-global-image-negative-amid-crisis-in-ukraine). See also George N. Tzonopoulos, “Greece: Perspectives on Eurasian integration”, *European Council on Foreign Relations*, June 8, 2016 available at [www.ecfr.eu](http://www.ecfr.eu)

Forum with high level participants from Greece, Italy, Serbia, Spain, Turkey, Albania, and Bosnia-Herzegovina, was the broadening of economic and trade cooperation and a means for China to use the region as a “bridge” on its way to Central and Eastern Europe. <sup>36</sup>

China’s initial investment in Greece started in 2009 when the then Greek government signed numerous bilateral agreements. Among these, the most important was, as already mentioned, the leasing of half of the container port from Piraeus Port Authority (PPA) to the China Ocean Shipping Company (COSCO) for a 35-year concession period. The investment on 4.3 billion \$ is of great importance for the Greek economy. For China, it’s a geostrategic plan of major importance as it seeks to combine maritime and land-based infrastructure development.

This means that the port of Piraeus, which is the closest European port for China, will be connected to railroads in Central and Eastern Europe, which China plans to contribute to building by 2018. China’s benefits are obvious: reducing shipping times to Europe and improving its relationships with the European continent. Similarly, in shipping, it’s worth to point out that 60% of Chinese exports are transported by vessels of Greek

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<sup>36</sup> Home/Agora/China’s footprint in Southeast Europe: constructing the “Balkan Silk Road”, available at [www.macropolis.gr](http://www.macropolis.gr)

ownership. In tourism, in 2016, the number of Chinese tourists in Greece went up by 20 % (120.000 Chinese tourists visited Greece).

In China's "Belt and Road Policy", Greece could serve as a bridge between China and Europe. This is important, given the fact that the two major poles, Europe and the US, need more cooperation with China in a context of a win-win approach, especially under the new conditions in the Korean peninsula and the role China could play deterring the North Korea's regime.

For Greece, the point is to benefit from the dynamics of its relationship with China and the perspective for strengthening Europe's ties with China. One of the main weaknesses of Greek foreign policy in past times was the lack of a follow-up policy due to governmental changes or domestic constraints. Greece has to adapt to new realities and improved relations with China, which are important in a globalized world. There is no secret about China being one of the major players in the international arena. The strengthening of relations with China is a challenge for Greek foreign policy not only as a way of dealing with the current crisis, but also for facing the new dilemmas of the world political and economic system.

On the other hand, it is in China's interest to avoid geopolitical tensions with the other big powers, in order to

keep and to improve the benefits of globalization. For this aim to be realized, China has to enhance its partnership with the EU and build its relations with other countries, smaller ones, on the basis of cooperation and mutual agreed choices. Greece could be one of these countries under the condition of creating practices or improving the existing ones on the investment sector and development policies.<sup>37</sup>

## **Conclusions**

As we have tried to make clear, in any foreign policy we have many factors at play: domestic factors, systemic variables, and the country's power position in the international system

Starting with the domestic environment, Greece is an established democracy in an unstable regional context. Due to its economic conditions, Greek foreign policy issues may be secondary for the average citizen. Nevertheless, the Greek people have been traditionally one of the most pro-European. Because of an extended period of austerity, part of the Greek population was disappointed by

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<sup>37</sup> The "Enterprise Greece. Invest and Trade" initiative by the Greek Ministry of Economy and development, offers the service of the Ombudsman to both domestic and international investors facilitating the implementation of investment projects. The goal is to improve the institutional business framework of Greece and to provide services to investors.  
[www.enterprisegreece.gov.gr/en/ombudsman](http://www.enterprisegreece.gov.gr/en/ombudsman).



European policies, without putting in doubt the country's European orientation.

Talking about the regional and international system, its Euro-Atlantic identity gives Greece the opportunity to play a role of stability provider in terms of soft power in Southeastern Europe and Eastern Mediterranean. Here we must admit that a necessary condition is the improvement of the Greek economy. Economic recovery will give a further boost to its efforts to follow its policy options.

On the systemic level, considering rapid changes and unstable dynamics, challenges confronting world leaders appear faster and more novel than ever before. The shift of power within the interstate system to Asia and the emerging powers, the power diffusion from the state limits to non state transnational actors create new dynamics drawing increased global attention.

Greece as a small state with limited power of influencing the global affairs has to rely on policies promoting a kind of "regime convergence" in areas where Greece, on the one hand, has strategic and economic interests and, on the other, has a positive image throughout its historical affiliations, shared values, and common aspirations. The trend of Greek foreign policy of the last years is going in that direction. This needs to be strengthened further going forward.

In effect, forming foreign policy is the result of a long and complicated process. Different actors within government with different viewpoints about what ought to be done, various actors on the systemic level with different interests in making policy, different belief systems on behalf of policy leaders are among the issues prevailing on the external policy agenda.

To what degree has the Greek financial crisis affected Greek foreign policy? One may argue that foreign policy formation is “the art of feasible,” which means that we could not respond with a yes or a no. It is a continuing process between the domestic needs and priorities and their articulation in an external context. It is also commonly assumed that foreign policy formation is based on the work of diplomacy, which seeks to build bridges between state interests and their external environment. According to foreign policy analysis, in the making of FP we have to look at the perspective of the other actors, i.e., we have to think the way they think. It doesn’t mean that we agree with or we approve of their views. But this approach permits us to structure our response and move toward a more effective foreign policy.

Given the current state of affairs, our thesis is that Greek foreign policy, despite the economic crisis, attempted to deal with the crucial regional and international

developments and make a realistic assessment of its policy orientation. This led to the reassessment of a multidimensional foreign agenda, a redefinition of priorities, and a reallocation of scarce resources. This kind of multidimensional foreign policy focuses on the building, strengthening and upgrading of Greek relations with key countries in South Eastern Europe, Eurasia, and Eastern Mediterranean, without affecting traditional relations with European and NATO allies.

Greece tried to play the role of “a safe harbour” by taking advantage of its geostrategic position and current developments in the region. One way of launching this image is through the cultivation of trade, cultural and energy diplomacy with key players in the regional arena. Indeed, the long-lasting presence of Greece in institutional diplomacy helps to build up its multidimensional policy.

Finally, despite the limitations posed by the economic crisis, one could argue that Greek foreign policy continues to be active and engaged in a challenging region. The economic crisis has affected it in some points because Greece needed to deal with issues to overcome it, but the good story is that Greek foreign policy has redefined itself and is active on all fronts.

