

Who Lost Greece? The Geopolitical Consequences of the Greek Crisis

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Executive Summary

In the maelstrom of the European economic crisis, the geopolitical consequences of Greece’s weakening and [at least theoretically] possible collapse have been largely ignored by analysts and decision-makers. This paper is making no effort to absolve Greece of its substantial responsibility. It will argue that Greece’s (and Europe’s) crisis is mainly -but not exclusively- economic in nature, but the geopolitical dimensions should not be underestimated. If Greece fails to recover, it may well be forced to leave the Eurozone and, according to most experts, there will be a huge economic and political impact for the Euro and the EU. In addition, there will be severe repercussions for regional stability in Southeastern Europe and the Eastern Mediterranean, as well as the EU’s and NATO’s ability to play a substantial role in those regions.

Allowing Greece to become a weak or even a semi-failed state will have an impact well beyond the country’s immediate borders. Greece is -or has the potential to become once more- a quite useful player in a number of foreign and security policy areas, including EU relations with Turkey, the Cyprus problem, EU enlargement in the Western Balkans, EU and NATO policies in the Eastern Mediterranean, energy security, and migration management. On all of those issues, the ability of Greece to make a positive contribution should no longer be taken for granted.

Three archetypal, rather simplified scenarios are outlined in an effort to predict the potential evolution of Greece’s foreign policy.

Without underestimating Greece’s own substantial responsibility, at the global level it was the EU’s inability to successfully manage the crisis that has been perceived by competitors and friends alike as a signal of weakness and has hurt the image of the Union as an important strategic actor. Completely ignoring the geopolitical consequences of the Greek crisis is yet another symptom of the European foreign policy malaise. Europe is sliding into strategic insignificance, losing its global role and influence as it is becoming more and more introvert as a result of its own economic and political crisis.

If one agrees that geo-economics are increasingly important but nevertheless geopolitics still matter, then one cannot afford anymore to manage the Greek crisis without due consideration of its geopolitical consequences. No one is seriously arguing for giving Greece another free lunch (and obviously no one would be willing to). Instead, the EU should be looking for a highly pragmatic policy which would be reasonably effective in achieving Europe’s geopolitical and geo-economic objectives and promoting its interests. A policy seeking to support and engage a country in deep trouble is much more likely to succeed than policies intended to “punish” such a country, as students of German history may remember from the periods after the two World Wars. What is needed is a policy that goes beyond “bean-counting” and tackles the Greek problem in the context of the EU’s regional and global role, not merely its economic policies.

Admittedly, the “stormy” scenario outlined in the paper is the least probable among the three presented (although several of its “predictions” may materialize in one form or another). But considering the potential costs of Greece becoming a weak state in terms of foreign and domestic policy and being a consumer rather than a producer of security, is it a risk worth taking for the EU (and also the US)?

Furthermore, given the extremely unstable and fluid situation in Europe’s periphery, including the Arab uprisings, the tension with Iran, the uncertainties regarding EU-Turkish relations and the direction of

Russian foreign policy in the new Putin era, can Europe afford the creation of a security vacuum and a “black hole” in this critical region? Even if the EU could live with Greece’s economic collapse (although even that hypothesis is challenged by experts, not because of the size of the Greek economy but due to the highly symbolic, but very tangible damage to the Eurozone’s credibility), one should ask whether a country with Greece’s geopolitical location and its “special relationship” with countries such as Russia, Israel, much of the Arab world, and even Iran, would constitute an acceptable loss for an EU with any ambitions to play a meaningful global and regional role? And even if Berlin has slow reflexes and limited experience, and probably interest, in issues related to EU’s foreign and security policy, what about Paris and other European capitals and EU institutions?

In addition to an objective analysis (although admittedly this author is probably not a completely objective observer), this study is a desperate plea for rational thinking by all actors involved, both inside and outside Greece. A “new Greece” could certainly be a useful instrument for European foreign and security policy in regions of critical importance for European security and interests. Just as Greeks should be asking the question “who among us is endangering Greece’s European perspective and, indeed the country’s future”, are Europeans prepared to contemplate the answer to the question [placed in a wider geopolitical contest, not just a narrow economic one] “who lost Greece”?

Introduction

In the maelstrom of the European economic crisis, the geopolitical consequences of Greece’s weakening and -at least theoretically- possible collapse have been largely ignored by analysts and decision-makers. The Greek economic, political and social crisis was caused by incompetent and/or corrupt political leadership, lack of fiscal frugality, low productivity and competitiveness of its economy, in combination with insufficient reforms and limited success of modernization efforts, as well as a consumerist mentality of significant segments of its population. Of course, the situation deteriorated significantly also because of extremely poor management of the crisis at the European Union level, which failed to convince the international markets that it is capable of solving the problem. Furthermore, the imposed austerity programme, designed by “apprentice sorcerers” that proved to be either ideologically inflexible or simply too stubborn to recognize their initial miscalculations, led to a deeper recession that pushed Greece closer to the edge of the abyss, with potentially extremely negative consequences for the rest of the Eurozone. Limited experience in “saving a member-state of the Eurozone” may be part of the explanation; on the other hand, the inability to bail out a country with Greece’s economic size is not very flattering for the world’s largest economic area. Indeed, it “takes two to tango”, but a minimal knowledge of the steps and a degree of synchronization between the partners is essential. In the case of the management of the Eurozone’s crisis, neither were the rules of the game very clear, nor was the synchronization of the players anywhere near the desired level. The Greek crisis will probably be taught at academic institutions as a case study of extremely amateurish crisis management by both Greek and European authorities.

This paper will make no effort to absolve Greece of its substantial responsibility. The question, however, is increasingly being asked at various circles on whether the policy of “punishment” and of “making Greece an example” is a wise choice for the EU. Indeed, it can be argued quite convincingly that this approach is proving to be counter-productive for the Union as a whole, and for its individual members, including Germany, as it has contributed to the weakening of other Eurozone members, such as Portugal, Spain and Italy, and has fueled scenarios about the collapse of the Eurozone itself. Furthermore, such one-dimensional austerity programmes and “country demonization” approaches ignore the wider issue of the Eurozone’s structural and institutional weaknesses that lie at the core of this crisis.

Greece’s (and Europe’s) crisis is mainly -but certainly not exclusively- economic in nature, but the geopolitical dimensions should not be underestimated. If Greece fails to recover and, is forced to leave the Eurozone and, there will be, according to most experts, a huge economic and political impact for the Euro and the EU. In addition, this paper will argue that there will be severe repercussions for regional stability in Southeastern Europe and the Eastern Mediterranean, as well as the EU’s and NATO’s ability to play a substantial role in those regions.

Allowing Greece to become a weak or even a semi-failed state will have an impact well beyond its immediate borders. Under the current circumstances, Greece could be defined as a pivotal state.¹ On the other hand, Greece is -or has the potential to become once more- a quite useful player in a number of foreign and security policy areas, including EU relations with Turkey, the Cyprus problem, EU enlargement in the Western Balkans, EU and NATO policies in the Eastern Mediterranean, energy security, and immigration management. On all of those issues, the ability of Greece to make a positive contribution should no longer be taken for granted. It might be useful at this point to look briefly at the basic premises and priorities as well as the impact of the crisis on Greek foreign policy.

¹ A pivotal state is defined as a state whose fate is critical for regional and international stability; which is geostrategically important for the US and its allies; that has uncertain future; and that has the potential to make a significant beneficial or harmful effect on its region (Robert Chase, Emily Hill, Paul Kennedy[eds.], *The Pivotal States*, W.W. Norton & Company, New York, 1999, pp. 6-7)

An overview of Greek foreign policy

Greece has a rather mixed record on several foreign policy issues. In the 1980s, the perception of many western governments and foreign analysts was that “reactionary” policies, unreliability and unpredictability were the dominant characteristics of Greek foreign policy. Since the mid-1990s and early 21st century the pattern has been of a substantially more pragmatic, reliable, rational, multidimensional foreign policy, placing emphasis on multilateral diplomacy (although at different degrees by various Greek governments). One may discern a number of causes for this change but there should be little doubt that is mainly due to the influence and the impact of the deep “Europeanization” process that has shaped various facets of Greek political, economic and social life and led to an enhancement of Greece’s credibility as an international actor.

Moving to the present, although economic and political interests in South-eastern Europe and relations with Turkey will continue to be Greece’s top foreign policy priorities, the Mediterranean/Middle East is becoming a region of growing importance, either at the economic level (as, for example, Greek companies will be looking for new markets to increase their exports to compensate for the reduction of domestic purchasing capacity as a result of the economic crisis) or in the strategic [transatlantic] context. Greece has the relative luxury of staying in the “sidelines” of transatlantic and Mediterranean chessboards (paying, of course, a price in terms of its regional role, influence and exploitation of political and economic opportunities at a time when its ‘diplomatic capital’ and strategic value are extremely limited); or it may choose to play a more active role in a region where instability, fluidity and unpredictability are likely to remain standard features for the foreseeable future.

In the Eastern Mediterranean context, Greece’s recent geostrategic re-positioning closer to the US-Israeli partnership might be of potential interest in a region where there is in fact no other country that is both a reliable partner for Washington and Tel-Aviv and an acceptable interlocutor to Muslim countries. Such an active role would be a difficult task, indeed, for a country with limited resources but the alternative is strategic irrelevance in the wider region. A more realistic option would probably be Greece’s more active participation to the shaping of the new EU and transatlantic regional policies, without, however, ignoring the need for national initiatives or the further multilateralization of Greece’s foreign policy within the general Euro-Atlantic framework. The key concept will be the smart use of its -rather limited- national capabilities. In this context, a number of thematic areas like energy and maritime security may provide opportunities for Greece. A quick tour d’ horizon might be helpful in understanding Greek foreign policy objectives and how these may be achieved through the exploitation of opportunities, especially in the field of energy.

Greek-Turkish relations remain, of course, at the top of Greek foreign policy agenda. Greece has moved away from zero-sum game perceptions vis-à-vis Turkey and overall, the two countries are much better off today in terms of bilateral relations (including trade and people-to-people contacts) than they were a few years ago [before 1999 to be more precise]. Having said that, neither country has moved from their firm positions regarding ‘high politics’ issues and Greece and Turkey continue to perceive each other through a Hobbesian prism as scepticism and distrust continue to linger. Among ‘success stories’ in Greek-Turkish relations, reference should be made to the very dynamic ‘citizen’s diplomacy’, increased bilateral trade and energy cooperation (through the construction of the Interconnector Turkey-Greece (ITG) transporting Azeri natural gas to Greece through Turkey, with Italy being the final destination. On the other had, the recent confessions of former Prime Minister Mesut Yilmaz about Turkish agents being behind forest fires in Greek islands in the 1990s, the plans of the Turkish Armed Forces, according to official statements by the Turkish government, to stage an incident with Greece leading even to the occupation of Greek territory in order to overthrow the AKP government (Balyoz/Sledgehammer Plan), and Turkish gunboat diplomacy in the Eastern Mediterranean did not have a very positive impact either on bilateral relations or in Turkey’s international image.

The majority of Greek policy-makers continue to believe that it is in the best interests of all sides if Turkey remains anchored to Western institutions, but this may not be an option as far as EU membership is

concerned as there is increasing opposition not only in Europe but also in Turkey itself. Greece remains supportive of EU-membership for Turkey (provided, of course, that it meets the required criteria and that there is resolution of the Cyprus problem and full normalization of Greek-Turkish relations), but its influence both inside the EU and vis-à-vis Cyprus (where apparently there is no willingness on the Turkish side -and consequently little Greek-Cypriot enthusiasm- for any meaningful mutual compromise) is quite limited. Despite rumours about progress in the exploratory talks for the full normalization of Greek-Turkish relations, it appears increasingly unlikely that there will be an agreement in the near future. It would, perhaps, be wiser if both sides explored ideas for confidence-building measures and functional interim solutions regarding overflights, air-space violations and dogfights.

Southeastern Europe and the Black Sea remain regions of very high importance for Greece which needs to return to its economic backyard (or front yard, according to another definition). There are limited expectations, however, for any spectacular developments on the dispute with FYROM. The recent decision of the International Court of Justice has initially raised expectations in Skopje, but the messages from NATO and the EU have been much less encouraging. Greece has been quietly improving its relations with Kosovo, but recognition should not be expected in the near future. Finally, there has been a slight deterioration in relations with Albania -due to a significant extent to the domestic situation in that country. This should be a priority issue for Athens to address in the future.

Regarding its relations with extra-regional powers, Greece is not in principle uncomfortable with a greater role for Russia and China in the region, provided their presence and activities fulfill the dual criteria of mutual economic benefits and of no destabilizing political consequences. China appears to consider Greece as a regional hub for increasing its economic (and perhaps in the future political) footprint in southeastern and central Europe and the current economic crisis cannot but increase the attractiveness of such a prospect for Athens. Chinese companies have invested in the Port of Piraeus, with a promise for additional investment and Greece is hardly in a position to discourage FDI of almost any legitimate origin. As long as China's Mediterranean presence remains basically economic and is not causing any friction with Greece's western partners, Athens will not be faced with difficult dilemmas.

In the case of Russia, there are historical ties as well as current common interests and the two countries have been exploring various schemes for energy cooperation (it should be noted that Greece is heavily dependent [approximately 47% of total imports] on Russia for its natural gas needs). Furthermore, Russia has always maintained excellent economic and political relations with Cyprus. Thanks to the recent improvement of relations between the West and Russia (after the Lisbon NATO summit), the related dilemmas for Greek foreign policy appear much more manageable.

Two functional issues are also of great importance for Greece. The first is migratory movements from Asia and Africa that constitute a cause for strong concern for Greece -in this context, the “first line of defence” for Europe-, as the Dublin II Agreement creates an obligation for the country of first arrival to the EU to not allow illegal immigrants to travel to other EU countries. Greece is trying to deal with the problem through a package of measures including a more efficient asylum mechanism, employment of FRONTEX assets in the Aegean and its land border with Turkey, as well as the construction of a security fence in a 12.5 km-long section of that border. Recent developments in North Africa and the increasing number of refugees and illegal immigrants -mainly to Italy- have led to a renewed debate about the revision of the EU's immigration policy.

The second issue of rapidly increasing importance is that of energy. Despite the recent decision of the Bulgarian government to cancel its participation to the Burgas-Alexandroupolis oil pipeline project, Greece is continuing its efforts to enlarge its foothold in the energy map. Although it is willing to participate to the South Stream if this project goes ahead, the immediate priority is the Southern Gas Corridor, where three (as BP's South East Europe Pipeline project is a rather nebulous latecomer in the Shah Deniz 2 race) consortia are competing (and two of the proposed pipelines ITGI and TAP will be crossing Greek territory). Additionally, exploration for national deposits of hydrocarbons in various parts of the country, notably in Western Greece and the maritime areas to the south of Crete will accelerate and foreign companies have already expressed their interest in this context. While Greece should continue and intensify its diplomatic efforts for the delimitation of its exclusive economic zone (EEZ) and other maritime zones with neighboring countries, this should not delay

efforts to exploit natural resources in the aforementioned areas. Finally, Greece's rich potential in renewable sources of energy has also been attracting the interest of potential investors.

Another quite promising field of energy cooperation, where Greece may be a potential player, is the maritime region between Cyprus and Israel. Substantial deposits of natural gas have been discovered inside the exclusive economic zones of Israel and Cyprus and the two countries have been considering various forms of cooperation. If technological and financial conditions allow, Greece could also benefit through the construction of a pipeline to transport natural gas from the Israeli and Cypriot deposits in the Eastern Mediterranean through Greece to Western European markets. Such a pipeline project, as well as an LNG variation, would also make a contribution to European Energy security -as would the Southern Gas Corridor- through the further diversification of Europe's energy suppliers.

What has been so-far the impact of the crisis on Greek foreign policy? A preliminary, sober assessment would conclude that the country's image, prestige and credibility have been dealt a very serious blow and its influence both inside the EU but also in its neighborhood has been severely affected. The economic means available for conducting foreign policy [both in terms of conventional and economic diplomacy] have been substantially curtailed. A decision has been made to significantly reduce Greek defence expenditures and, in this context, Greek participation in international peacekeeping and other operations (ISAF/Afghanistan, KFOR/Kosovo, Active Endeavour and Operation Ocean Shield the naval operation to combat piracy in the Red Sea) will be accordingly trimmed down. Greece's ability to promote the integration of the Western Balkans to the EU has been also reduced (despite its Agenda 2014 Initiative). To the extent that Greece has been a significant economic actor in Southeastern Europe, the region has suffered economically from the Greek crisis. Discussions with Turkey for the full normalization of bilateral relations are not making any progress and Greece's potential moderating influence in efforts to resolve the Cyprus problem is virtually absent. Finally, during a period of wide-range and evolving changes in the Middle East, Greece's role has been minimal, despite its historically close relations with the Arab world, the gradual development of strategic ties with Israel and the mutual respect between Greece and Iran, which could allow Athens to play, under specific circumstances, the role of a complementary bridge between Tehran and the EU.

Moving to geographical to functional issues, managing immigration flows, an issue with important external and internal dimensions for several EU countries, has been a continuing struggle for Greece (it is estimated that more than 100,000 illegal immigrants from Asia and Africa have been crossing annually into Greece, a trend that has continued for several years), the EU's main external border in the context of immigration. Finally, there was a mix of bad and (potentially) good news in the energy sector. After the decision of the Bulgarian government, the proposed Burgas-Alexandroupolis oil pipeline should be considered officially "dead", whereas the fate of the 'southern leg' of the South Stream natural gas pipeline is still uncertain; on the other hand, there were some good news regarding hydrocarbons deposits in the Eastern Mediterranean, inside the exclusive economic zones of Cyprus and Israel, potential deposits in Western Greece, as well as south of Crete, whereas there is a good chance that the Shah-Deniz consortium will choose a pipeline for the Southern Gas Corridor that will be crossing Greek territory.

It should be mentioned that, even before the current economic and, by extension, political and social crisis, Greece has been underperforming in the foreign policy field, allowing itself to lose some of its regional role and influence in Southeastern Europe and letting its active role inside the European Union somewhat atrophy. An inward looking and rather passive foreign policy mentality resulted to relatively few foreign policy initiatives and poor exploitation of opportunities for multilateral initiatives or the establishment of tactical or strategic alliances. Now the Greek foreign policy mechanism needs to re-adjust to a changing regional and global security and economic environment and, hopefully, make a contribution to the national effort to re-build the economy; and it must achieve that goal with limited resources and under significant time pressure.

Although the focus has been on the domestic front and the economic crisis has clearly overshadowed foreign policy concerns, there is an emerging awareness among Greek policy makers that the 'world keeps turning', that Greece's wider neighborhood continues to change and evolve and that the country should strive to maintain as much of its regional influence and even seek a new role, both through national means, but also in the context of its membership to the EU (and secondarily NATO). There is also a gradual realization that

Greece has regional interests that go well beyond its immediate northern neighbourhood and its regional policies vis-à-vis the South and the East should evolve according to global and regional developments.

Possible scenarios

Being at this extremely critical juncture, faced with negative short- and medium-term prospects and considerable uncertainty, what are the likely scenarios for Greece’s foreign and security policy? With full awareness of the difficulties, three archetypical, rather simplified scenarios will be outlined to understand the potential evolution of Greece’s foreign policy. Reality is, of course, much more complex, as challenges and issues interact with each other, and there are innumerable variations and combinations of those three “ideal” scenarios and combinations of the global, regional and domestic trends and drivers. We will also try to present Greece’s potential as a regional security producer vs. the consequences of Greece becoming a weak and fragile state, incapable of making a contribution to European foreign and security policy.



1st scenario: “Stormy” (all or most drivers develop in a “negative” direction)

It may be difficult to imagine a developed country, a full member of the EU and NATO, becoming a weak or dysfunctional state. It most likely won’t happen in the case of Greece. However, the resilience of a developed country, the margin of safety and the distance between order and disorder in a period of prolonged and deep recession, without an exit from the crisis in sight, can be narrower than expected. Greece turning ultra-nationalist in its foreign policy and ultra-rightist in its domestic politics is not the most likely scenario but can no longer be ruled out as a possibility. If the crisis continues without any visible signs of improvement, then the ability of Greek governments to fulfill the country’s basic obligations vis-à-vis its European and NATO partners or to be a security producer in Southeastern Europe may be at serious risk.

In this scenario, Greece would be forced to leave the Eurozone and soon after the EU, having the dubious distinction of being the first and only country forced to leave those institutions. The strong feelings of bitterness and humiliation would contribute to the considerable strengthening of ultra-nationalist forces, a development which will then be reflected in foreign policy choices. With little appetite and capacity left for self-criticism, and fed-up with extremely negative references, continuous criticism and stereotyping by Greece’s European partners, Greek public opinion may attribute most of the blame for Greece’s economic collapse to the “German drive for European hegemony”, the “dollar-euro currency war”, the “profiteering of Anglo-Saxon financial circles” and the “predatory nature” of the Western financial system. As a result, anti-Americanism will be on the rise again. Many Greeks will feel betrayed by the West and would be ready to turn to the East (Russia and China). Indeed bitterness about the EU’s perceived lack of solidarity and strong anti-American and anti-western sentiments might lead Greece to drift closer to an authoritarian, anti-western Russia (according to a worst-case scenario for Russia, too). Furthermore, with very few of its traditional friends and allies left, Greece would welcome an increased Chinese economic and political presence, as China tries to increase its influence in the Mediterranean and Southeastern Europe. This would result in Greece being perceived in Washington as almost a non-friendly country, despite the thaw in Greek-Israeli relations. Greece would remain on paper a member of the Atlantic Alliance but would not participate in any NATO operations.

Access to Greek military installations (including Souda Bay) would be extremely limited despite NATO's and the EU's increased needs as a result of Middle Eastern instability.²

Greek-Turkish relations would return to the 1990s, as rising nationalism in Greece and neo-Ottoman tendencies in Turkey would lead to a considerable deterioration in bilateral relations. Serious incidents in the Aegean would be rather common, many of them energy resources-related and the probability of a serious crisis or even a hot-incident would no longer be considered as remote. NATO's Southeastern Flank would be paralyzed. Tensions may rise in Cyprus as both Turkey and Greece harden their respective positions and bi-communal negotiations are being discontinued. The island's newly discovered energy wealth would become a source of serious friction and the growing discontent of Turkish Cypriots vis-à-vis Ankara's policies, firstly manifested in 2011, would complicate the situation further.

Faced with domestic problems (as FYROM's Albanian community continues to move closer to its Kosovo brethren), the country's leadership might harden even more its position towards Greece. Greece might revert to its previous position of not accepting the term Macedonia in its neighbour's name and would announce that any agreement for the resolution of the bilateral dispute will have to be approved by a referendum. The two countries' peoples grow increasingly alienated and frustrated by the other side's behaviour. As a result of the worsening economic situation, Greece expels large numbers of Albanian workers. Albania continues to discriminate against ethnic Greeks and the Cam Party calls for re-drawing the map, claiming that part of Greece's northwest province of Epirus belongs to Albania.

Formerly a key regional actor, and in most cases a producer of security, Greece becomes marginalized and, more often than not, a source of instability in Southeastern Europe. Greek economic presence and investment in the region shrink considerably. In the Middle East, Greece remains virtually absent from a region of traditionally good cultural and political ties with major local players.

In the energy sector, hopes remain unfulfilled. The Burgas-Alexandroupolis oil pipeline is dead and buried. The South Stream gas pipeline does not cross Greece, neither is the selected pipeline for the Southern Energy Corridor. Problems with Turkey lead to the closure of the TGI pipeline and efforts to exploit hydrocarbon deposits in Greek maritime zones fail because of Turkey's strong reaction, which may bring the two countries to the brink of war.

Greece becomes an unstable and "unsafe" country as a result of a combination of several factors: increased rates of "hard" criminality, almost unhindered operation of transnational organized criminal groups, inability to control immigration, social tension and frequent acts of political violence. Illegal migration is out of control. There is a noticeable increase in racism and xenophobia, with multiplying incidents of violence against immigrants. There is growing concern about the radicalization of immigrant communities.

It should be noted that there have been some reports, mainly in U.S. media, about the likelihood of a military coup d'état in Greece if the situation continues to deteriorate. For everyone with an elementary understanding of the mentality of the Greek Armed Forces and the various constraints for any political activity by the military, such rumours and predictions simply lack any credibility. The mere discussion of such scenarios, however, is another indication of the seriousness of the situation. Overall, the scenario outlined above is indeed a disastrous one. Thankfully, we are not at this stage yet and much can be done to prevent such a development.

² A clear majority of professionals (diplomats and military officers), as well as decision- and opinion-makers (politicians, businessmen, journalists) would not support such a shift, but their credibility and influence would have been much diminished under this scenario. They might succeed in moderating the impact or extent of the policy shift, but not preventing the shift itself.



2nd scenario: “Cloudy” (some drivers and issues develop “negatively” and others “positively”)

Greece is forced to leave the Eurozone but remains in the EU (although its status is rather unclear as the country is for all intents and purposes on probation and isolated). Its participation in EU functions is limited to the absolutely essential. Both Euro-skepticism and ultra-nationalism are well on the rise.

Greek-American relations are Janus-like, as there is cooperation in some areas, facilitated by the close Greek-Israeli relations, and lack of trust or even competition in other fields. Overall, Greece remains a country with limited or undefined strategic value for Washington. Greece’s contribution to NATO operations is being considerably scaled down because of financial constraints. The country still offers its facilities for use in NATO operations in the Eastern Mediterranean, but the benefits of Greek membership are sub-optimal both for the country and the Alliance.

Regarding its relationship with BRICS, Greece occasionally plays the “Russian card”, without, however, a clear shift in its foreign policy. As a result, many Europeans view Greece as too “pro-Russia”, whilst Moscow views Greece as “not-enough pro-Russia”. Greece is unable -and probably unwilling- to decline offers for Chinese FDI. Chinese presence and influence in Greece grow steadily, without any clear direction and planning on the Greek side.

Greek-Turkish relations are erratic and unstable. There is no progress in high-politics, although economic relations remain at a decent level and people-to-people contacts continue to increase. Overall, the relationship remains fragile and crisis-prone, especially as the importance of the exploitation of energy resources rises in the Greek agenda. The status quo continues in Cyprus. Turkey is content to let time change the demographic structure of the occupied North, the Turkish Cypriots are quite unhappy with the situation, but have little room for maneuver and an increasing majority of Greek-Cypriots prefer the continuation of the island’s division rather than co-existence with the Turkish-Cypriots. Despite being one of the three guarantor powers, Greece is no longer an active player in Cyprus.

The diplomatic stalemate between Greece and FYROM continues, at considerable cost for both sides. Greece feels compelled to withdraw from the 1995 Interim Agreement. The Prime Minister of FYROM appears willing to sacrifice its country’s long-term interests for short-term political profit. Despite pressure by European countries and the US, neither side is willing to make the necessary extra steps in order to reach an agreement. Bilateral relations with Albania continue to fluctuate. Despite the significant human ties and obvious common interests between the two countries on several issues, the overall atmosphere remains a rather negative one, because of rising nationalism in both sides. Greece maintains part of its economic presence and political influence in the Balkans. Its ability to influence regional developments in a stabilizing manner is significantly curtailed, however, because of its political and economic weakness, its isolation inside the EU and bilateral problems with FYROM and Albania.

Greek involvement and general presence in the Middle East is very limited, mainly through bilateral relations with Israel and a vague remembrance of cordial relations with the Arab world. There is also very limited participation and contribution in EU policies vis-à-vis the Mediterranean and the Middle East.

Greece enlarges slightly its footprint on the energy map, through the construction of the Southern Corridor pipeline that crosses Greek territory. There is also limited production of oil and natural gas through the exploitation of deposits in Greek territory and maritime zones. On the other hand, TGI’s future is uncertain because of limited availability of gas from

Azerbaijan and there is no progress regarding South Stream and the Burgas-Alexandroupolis pipeline. Greece never evolves into a key component of a new energy network linking Israel and Cyprus with Europe.

Greece's social fabric is under considerable strain and the security mechanism is being heavily tested. The country is forced to leave the Schengen Agreement and faces serious challenges in its efforts to maintain law and order. Domestic terrorism evolves from a mere nuisance to a serious problem, making a sizeable contribution to the country's further destabilization and increasing its fragility. This results to practically zero FDI in Greece and the country plunges deeper into economic, social and political turmoil. There is limited progress in controlling the flow of immigration and in establishing effective reception and asylum granting systems. But the situation remains quite problematic.



3rd scenario: “Sunny” (all or most drivers and issues develop in a “positive” direction)

EU “smart” solidarity allows Greece to manage the crisis at an acceptable cost and to become once more a member in good standing of both the Eurozone and the Union itself. Indeed, Greece becomes quite active in the context of the EU's foreign and security policy.

Greece's basic foreign policy orientation remains European, but there is an impressive diversification of its relations with key global and regional powers. There is a marked improvement of Greek-U.S. relations as a result of continuously improving Greek-Israeli relations, the uncertainty in many circles in Washington about Turkey's regional role, the fluidity caused by Arab revolts and the concern about the rise of radical Islam into power in some Arab countries. Also, despite financial constraints, Greece upgrades its contribution to NATO stabilization efforts in the Eastern Mediterranean (and also in efforts to combat piracy in the Red Sea).

Greek-Russian cooperation in energy and other issues is blossoming and Greece becomes a complementary “bridge” between the EU and Russia, working quietly to assist in the full normalization of relations and the development of a strategic partnership between two status quo powers in the emerging international system. Greece also becomes an economic gateway for China in Southeastern and Central Europe. Political relations flourish, in a balanced way, without substantial divergence from European policies towards the emerging superpower.

Athens and Ankara reach an agreement along the general lines of the ideas discussed during the exploratory talks and decide to bury the ‘hatchet of war’. The full normalization of relations is followed by substantially improved economic relations and reduced defence expenditures in Greece. However, such a development in Greek-Turkish relations may have limited relevance in the context of EU-Turkish relations because of the positions adopted by other European capitals. After all sides adopt a win-win approach to the negotiations the Cyprus problem is being resolved, with the whole island becoming part of the EU. Cyprus evolves into a complementary energy supplier for the EU, as well as regional headquarters for EU activities vis-à-vis the Middle East.

Greece and Albania agree on the delimitation of maritime zones, resolve problems related to ethnic Greeks in Albania and Albanian workers in Greece and put the Cham issue to

rest, with the courts ruling on specific cases. Greece strongly supports Albania’s membership to the EU and Greek companies re-invest heavily in Albanian once the Greek economy starts developing again.

As a result of European and US pressure, moderates in FYROM gain the upper hand and a compromise solution is reached. FYROM joins NATO and begins EU accession negotiations with the strong support of Greece. Political and economic relations between the two countries soar. Greek investment and political leadership, after the full normalization of relations with FYROM and Albania, become once more important stabilizing factors for the region of Southeastern Europe. Athens makes a strong contribution to EU efforts and policies for enlargement in the Western Balkans. Once those countries join the Union, an active Southeast European bloc is being formed to promote common interests.

In the Eastern Mediterranean/Middle East, Greece becomes an active player in the context of EU regional policies. It energetically offers its good offices as an acceptable interlocutor to both Israel and the Palestinians/Arabs. Also, exploiting its traditionally good relations with Iran, Athens becomes a complementary bridge between the West and Tehran. Greece substantially improves its asylum granting and immigrant reception systems. Border control improves with support from FRONTEX and in cooperation with Turkey. The Dublin Agreement is being modified and there is burden sharing among European countries.

Greece holds itself together during the crisis. An organizational reform of its security sector produces impressive results. Increased cooperation of judicial, intelligence and law enforcement agencies at the European level has extremely positive consequences for the EU as a whole. Political violence and terrorism in Greece remain under control. The country’s improving economy limits support for such groups and allows law enforcement organizations to put them out of action at a relatively early stage and at a rather low cost for the society.

**TABLE I:
SCENARIOS REGARDING THE EVOLUTION
OF GREEK FOREIGN POLICY**

| |  STORMY |  CLOUDY |  SUNNY |
|---------------------------------|--|---|---|
| EU | Greece is forced to leave the Eurozone and soon after the EU. The country feels humiliated. Heavy increase of ultra-nationalist feelings which is reflected in foreign policy choices; Greece raises officially the issue of German WW-II reparations | Greece is forced to leave the Eurozone but remains in the EU (although its status is rather unclear as the country is for all intents and purposes on probation). Its participation in EU functions is limited to the absolutely essential. Nationalism is on the rise | EU “smart” solidarity allows Greece to manage the crisis at an acceptable cost and to become a member in good standing of both the Eurozone and the Union itself; Greece becomes quite active in the context of the EU’s foreign and security policy |
| US | Greek public opinion attributes the blame for Greece’s economic collapse to external factors; as a result, anti-western and anti-American feelings are on the rise again; Greeks feel betrayed by the West and turn to the East (Russia and China); Greece is perceived in Washington as almost a hostile country, despite the thaw in Greek-Israeli relations | Greek-American relations are Janus-like; there is cooperation in some areas, facilitated by the close Greek-Israeli relations, and lack of trust or even competition in other fields; Because of wider problems in transatlantic relations, Greece is often faced with a choice between two seemingly incompatible allies | Greece’s central foreign policy orientation remains European, but there is an impressive improvement of US-Greek relations as a result of continuously improving Greek-Israeli relations, the uncertainty in Washington about Turkey’s regional role, the fluidity caused by Arab revolts and the concern about the rise of radical Islam into power in some Arab countries |
| NATO - regional security | Greece remains on paper a member of the Alliance but doesn’t participate in any operations; Access to Greek military installations (including Souda Bay) is extremely limited despite NATO’s and the EU’s increased needs because of Middle Eastern instability | Greece’s contribution to NATO operations is being considerably scaled down because of financial constraints. The country still offers its facilities for use in NATO operations in the Eastern Mediterranean, but the benefits of Greek membership are sub-optimal | Despite financial constraints, Greece upgrades its contribution to NATO stabilization efforts in the Eastern Mediterranean (especially in efforts to combat piracy) |
| Russia | Bitterness about the EU’s perceived lack of solidarity and strong anti-American and anti-western sentiments lead Greece to drift closer to an anti-western Russia | Greece occasionally plays the “Russian card”, without, however, a clear shift in its foreign policy; as a result, many European view Greece as too “pro-Russia”, whilst Moscow views Greece as “not enough pro-Russian” | Greek-Russian cooperation on energy and other issues is blossoming; Greece becomes a complementary “bridge” between the EU and Russia, working quietly to assist in the full normalization of relations and the development of a strategic partnership |



| |  STORMY |  CLOUDY |  SUNNY |
|---------------|--|--|--|
| China | With very few friends and allies left in the West, Greece welcomes an increased Chinese economic and political presence, as China tries to increase its influence in the Mediterranean and Southeastern Europe | Greece is unable -and perhaps unwilling- to decline offers for Chinese FDI; Chinese presence -and influence- in Greece grows steadily but without any clear direction and planning on the Greek side | Greece becomes an economic gateway for China in Southeastern and Central Europe; Political relations flourish, in a balanced way |
| Turkey | Greek-Turkish relations return to the 1990s; Rising nationalism in Greece and neo-Ottoman tendencies in Turkey lead to a considerable deterioration in bilateral relations; there are frequent incidents in the Aegean, many of them energy resources-related; the probability of a serious crisis is no longer considered as remote; NATO's Southeastern Flank is being paralyzed | Greek-Turkish relations are erratic and unstable; there is no progress in high-politics, although economic relations remain at a decent level and people-to-people contacts continue to increase; overall, the relationship remains fragile and crisis-prone, especially as the importance of the exploitation of energy resources rises in the Greek agenda | Athens and Ankara reach an agreement along the general lines of the ideas discussed during the exploratory talks; full normalization of relations is followed by substantially improved economic relations and reduced defence expenditures in Greece; however, such a development may have limited relevance in the context of EU-Turkish relations |
| Cyprus | Tensions rise in Cyprus as both Turkey and Greece harden their respective positions; bi-communal negotiations are being discontinued; the island's newly discovered energy wealth becomes a source of serious friction; the strong displeasure of Turkish Cypriots vis-à-vis Ankara's policies, firstly manifested in 2011, complicates the situation further | The status quo continues; Turkey is happy to let time change the demographic structure of the occupied North, the Turkish Cypriots are quite unhappy with the situation but have little room for maneuver and an increasing majority of Greek-Cypriots prefer the continuation of the island's division rather than co-habitation with the Turkish-Cypriots; despite being one of the three guarantor powers, Greece is in effect no longer a player in Cyprus | All sides adopt a win-win approach to the negotiations and the Cyprus problem is being resolved; the whole island is part of the EU; Cyprus becomes an energy supplier for the EU, as well as regional headquarters for EU policies vis-à-vis the Middle East |
| FYROM | Faced with domestic problems (as FYROM's Albanian community moves closer to its Kosovo brethren), the country's leadership hardens its position towards Greece; Greece announces that any agreement for the resolution of the bilateral dispute will have to be approved by a referendum; the two peoples grow increasingly alienated and frustrated by the other side's behavior | The diplomatic stalemate continues at considerable cost for both sides; Greece feels compelled to withdraw from the 1995 Interim Agreement; the Prime Minister of FYROM appears willing to sacrifice its country's long-term interests for short-term political profit; despite pressure by European countries and the US, neither side is willing to compromise further | As a result of European and US pressure, moderates in FYROM gain the upper hand and a compromise solution is reached; FYROM joins NATO and begins EU accession negotiations; political and economic relations between the two countries soar |
| | | |  |

| |  STORMY |  CLOUDY |  SUNNY |
|--------------------|--|---|---|
| Albania | As a result of the worsening economic situation, Greece expels large numbers of Albanian workers; Albania continues to discriminate against ethnic Greeks and the Cam Party calls for re-drawing the map, claiming that part of Greece's northwest province of Epirus belongs to Albania | Bilateral relations continue to fluctuate; despite the significant human ties and obvious common interests between the two countries on several issues, the overall atmosphere remains a rather negative one, because of rising nationalism in both sides | Greece and Albania agree on the delimitation of maritime zones, resolve problems related to ethnic Greeks in Albania and Albanian workers in Greece and put the Cham issue to rest; Greece strongly supports Albania's membership to the EU and Greek companies re-invest heavily in Albania once the Greek economy starts developing again |
| Balkans | Formerly a key regional actor, and in most cases a producer of security, Greece becomes marginalized and a source of instability. Greek economic presence and investment in the region shrink considerably | Greece maintains only part of its economic presence and political influence in the Balkans; its ability to influence regional developments in a stabilizing manner is significantly curtailed because of its political and economic weakness, as well as bilateral problems with FYROM and Albania | Greek investment and political leadership, after the full normalization of relations with FYROM and Albania, becomes once more an important stabilizing factor for the region; Athens makes a strong contribution to EU enlargement in the Western Balkans; once they join, an active Southeast European bloc inside the EU is being formed |
| Middle East | Greece remains virtually absent from a region of traditionally good cultural and political ties between Athens and the major local players | Very limited activity and involvement, mainly through bilateral relations with Israel and also as a member of the EU | Greece energetically offers its good offices as an acceptable interlocutor to both Israel and the Palestinians/Arabs; also, exploiting its traditionally good relations with Iran, Athens becomes a complementary bridge between the West and Tehran |
| Energy | The Burgas-Alexandroupolis oil pipeline is dead and buried; the South Stream gas pipeline does not cross Greece, neither is the selected pipeline for the Southern Corridor; problems with Turkey lead to the closure of the TGI pipeline; and efforts to exploit hydrocarbon deposits in Greek maritime zones fail because of Turkey's strong reaction, which bring the two countries to the brink of war; Greece's dependence on Iran for oil increases despite EU sanctions | Greece enlarges slightly its footprint on the energy map, through the construction of the Southern Corridor pipeline that crosses Greek territory; there is also limited production of oil and natural gas through the exploitation of deposits in Greek territory and maritime zones; TGI's future is uncertain because of limited availability of gas from Azerbaijan | Greece becomes an energy hub: in addition to the Southern Corridor, South Stream's southern route crosses Greece; substantial deposits of natural gas are discovered south of Crete and exploitation begins; furthermore, Greek-owned ships transport LNG from Cyprus and Israel to Europe both directly and through Greece |



| |  STORMY |  CLOUDY |  SUNNY |
|--------------------------------------|--|---|---|
| Migration | Greece is unable to control illegal migration; there is a noticeable increase in racism and xenophobia, with incidents of violence against immigrants; there is concern about the radicalization of immigrant communities | There is limited progress in controlling the flow of immigration and in establishing effective reception and asylum examination systems; but the situation remains quite problematic | Greece substantially improves its asylum examination and immigrant reception systems; border control improves with support from FRONTEX and in cooperation with Turkey; the Dublin Agreement is being modified to provide for burden sharing among European countries |
| Domestic security & order | Greece becomes an unstable and “unsafe” country as a result of a combination of several factors: increased rates of “hard” criminality, almost unhindered operation of transnational organized criminal groups, inability to control immigration, social tension and frequent acts of political violence | Greece’s social fabric is under considerable strain and the security mechanisms are being heavily tested; the country is being forced to leave the Schengen Agreement and faces serious challenges in its efforts to maintain law and order | Greece holds together during the crisis; an organizational reform of its security sector has impressive results; increased cooperation of judicial, intelligence and law enforcement agencies at the European level has extremely positive consequences for the EU |
| Terrorism | Domestic terrorism is almost out of control, as a result of the worsening economic, political and social situation; there is also cooperation with anarchist groups and anti-globalization movements from other European countries; inability to control Muslim migrants leads to ghettoization and the activation of radical Islamist cells that are cooperating with Salafist organizations in the Middle East | Domestic terrorism evolves from a mere nuisance to a serious problem, making a sizeable contribution to the country’s further destabilization and increasing its fragility; this results to practically zero FDI in Greece and the country plunges deeper into economic, social and political turmoil | Political violence and terrorism in Greece remain under control; the country’s improving economy limits support for such groups and allows law enforcement organizations to put them out of action at a relatively early stage and at a rather low cost for the society |

Options for the future

Without underestimating Greece's own substantial responsibility, at the global level it was the EU's inability to successfully manage the crisis that has been perceived by competitors and friends alike as a signal of weakness and has hurt the image of the Union as an important strategic actor. Completely ignoring the geopolitical consequences of the Greek crisis is yet another symptom of the European foreign policy malaise. Europe is sliding into strategic insignificance, losing its global role and influence as it is becoming more and more introvert as a result of its own economic and political crisis. One can foresee three possible scenarios for the EU's global and regional role. In the first, the EU crumbles under the weight of its internal problems, the integration process stops completely or advances extremely slowly, and the EU becomes irrelevant both at the global and at the regional level. The second scenario can be labeled "business as usual." The EU continues to spend money but still doesn't get enough global or regional influence. There is no substantial strengthening of EU institutions and the Union's role –even in its own backyard, along the Mediterranean coast– is not negligible, but neither is it substantial. In the third –and unfortunately less probable– scenario, the EU re-acquires its geopolitical perspective and develops both a coherent foreign policy and a global vision, as well as a Neighborhood Policy, especially vis-à-vis the Middle East.

If one agrees that, yes "it's the economy stupid", "money makes the world go round" and geo-economics are increasingly important BUT nevertheless geopolitics still matter, then one cannot afford anymore to manage the Greek crisis without due consideration of its geopolitical consequences. No one is seriously arguing for giving Greece another free lunch (and obviously no one would be willing to). Instead, the EU should be looking for a highly pragmatic policy which would be reasonably effective in achieving Europe's geopolitical and geo-economic objectives and promoting its interests. A policy seeking to support and engage a country in deep trouble is much more likely to succeed than policies intended to "punish" such a country, as students of German history may remember from the periods after the two World Wars. What is needed is a policy that goes beyond "bean-counting" and tackles the Greek problem in the context of the EU's regional and global role, not merely its economic policies. The onus would be, of course, mainly on Greece (who should implement a series of wide-reaching structural reforms), but also on its EU partners.

Greek foreign policy makers will function, at least for the near future, under the Damocles sword of the country's economic crisis. This imposes a number of constraints and limitations, although we strongly believe that Greece has a few good cards to play in the foreign policy realm. As key organizations such as the EU and NATO are changing in an effort to adapt to new global and regional trends, Greece needs to find its own niche in the distribution of regional roles and convince its partners and allies of its own added value in common endeavours. Accumulation of 'diplomatic capital' will be a priority objective. A difficult task, indeed, for a country with limited resources but the alternative is strategic irrelevance in the wider region and inability to protect its national interests. The best option for Greece would probably be its active participation to the shaping of the EU's new regional policies, without, however, ignoring the need for national initiatives or the further multilateralization of Greece's foreign policy.

The key concept for Greek foreign policy in the next few years will be the smart use of its resources in fields like energy, relations with emerging powers, strengthening of its relationship with Israel while at the same time maintaining its ties with the Arab world and offering its good services to interested parties, regaining its role and influence in Southeastern Europe and becoming more active inside the EU. To facilitate the achievement of those priority tasks for Greek foreign policy, a number of structural reforms of the Ministry of Foreign Affairs and the wider foreign policy mechanism will be necessary (with an emphasis on more effective economic diplomacy), in addition to a number of important changes in the wider sphere of national security policy (security sector reform and "smart defence" to maintain its combat efficiency at lower levels of defence expenditures). To this end, Greece should take maximum advantage of EU and NATO opportunities for training,

defence reform, security sector reform, crisis management and disaster management systems, and strategic planning mechanisms.

Admittedly, the “stormy” scenario outlined above is the least probable among the three presented (although several of its “predictions” may materialize in one form or another). But considering the potential costs of Greece becoming a weak state in terms of foreign and domestic policy and being a consumer rather than a producer of security, is it a risk worth taking for the EU (and also the U.S.)?

Furthermore, given the extremely unstable and fluid situation in Europe’s periphery, including the Arab uprisings, the tension with Iran, the uncertainties regarding EU-Turkish relations and the direction of Russian foreign policy in the new Putin era, can Europe afford the creation of a security vacuum and a “black hole” in this critical region? Even if the EU could live with Greece’s economic collapse (although even that hypothesis is challenged by experts, not because of the size of the Greek economy but due to the highly symbolic, but very tangible damage to the Eurozone’s credibility), one should ask whether a country with Greece’s geopolitical location and its “special relationship” with countries such as Russia, Israel, much of the Arab world, and even Iran, would constitute an acceptable loss for an EU with any ambitions to play a meaningful global and regional role? And even if Berlin has slow reflexes and limited experience, and probably interest, in issues related to EU’s foreign and security policy, what about Paris and other European capitals and EU institutions?

In addition to an objective analysis (although admittedly this author is probably not a completely objective observer), this study is a desperate plea for rational thinking by all actors involved, both inside and outside Greece. A “new Greece” could certainly be a useful instrument for European foreign and security policy in regions of critical importance for European security and interests. Just as Greeks should be asking the question “who among us is endangering Greece’s European perspective and, indeed the country’s future”, are Europeans prepared to contemplate the answer to the question [placed in a wider geopolitical contest, not just a narrow economic one] “who lost Greece”?

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ELIAMEP can trace its origins to informal meetings in the mid-1980s among academics, diplomats, military officials and journalists. That group's goal was to introduce an independent and scholarly approach to policy options regarding European integration, transatlantic relations as well as the Mediterranean, South-eastern Europe, the Black Sea and other regions of particular interest to Greece. In April 1988 these meetings were institutionalized and became the Hellenic Foundation for Defence and Foreign Policy (Greek acronym, ELIAMEP).

Since its official establishment, ELIAMEP has experienced significant growth and has attracted the attention of scholars, government officials and corporate entities in Greece and abroad. As developments in the wider region moved rapidly, the focus of the institute was enlarged to include more policy-relevant research projects assisting post-communist democracies in the creation of a civil society, providing training and networking services and acting as a contact point to public and private sector bodies on politico-economic and security matters, as well as on European affairs. This was reflected in the 1993 amendment of ELIAMEP's statutes to include a change of name (without abandoning its original acronym), which would illustrate the Foundation's wider scope of concerns and activities: Hellenic Foundation for European and Foreign Policy. The message is clear: in the context of the EU and shared sovereignties, a distinction needs to be drawn between European policy and traditional foreign policy.

Over the years, ELIAMEP expanded its activities to include topics such as migration, human rights, civic participation and social inclusion, climate change and its impact on human security; good governance and security sector reform, and energy security, with a view to having a greater impact on the public through the dissemination of information and of policy proposals, the organisation of training and conflict management seminars and international conferences, the publication of books, journals and monographs. ELIAMEP is frequently visited by journalists from various parts of the world requesting the Foundation's help for information, analysis and interviews. It is now generally recognised as one of the leading think-tanks in the region.

