



The Economies of Balkan and Eastern Europe Countries in the Changed World (EBEEC 2013)

Economic Diplomacy and Security in Sovereign States

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Abstract

This article illustrates that there is connection between national security and economic diplomacy. The main goal is to show that economic diplomacy can contribute to national security policy as a secondary factor, since the armed forces are a major player. This is effectuated by raising security levels and improving the state's power, without causing any security dilemmas. In order to prove this point, we have used the following indicators that can lead to a secure outcome. First and foremost, we have used the political economy of Greek and Turkish security policy as a tool, by analyzing and contrasting indicators such as the Greek

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geopolitical and geostrategic environment, bilateral economic diplomacy (Greece and Turkey) and secondly, by contrasting military spending on both sides and the number of Turkish violations of Greek Airspace and Territorial Waters. By focusing on that field, we conclude that Turkish disputation over Greek sovereignty has reduced, although it has not been totally eliminated, and consequently Greece feels less insecure and as a result, and much more deterrence can be achieved by the Greek side. Summarizing, when there is strong economic activity between two countries national security is enhanced for both sides, unless the power of the one overcomes the status quo.

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Main text

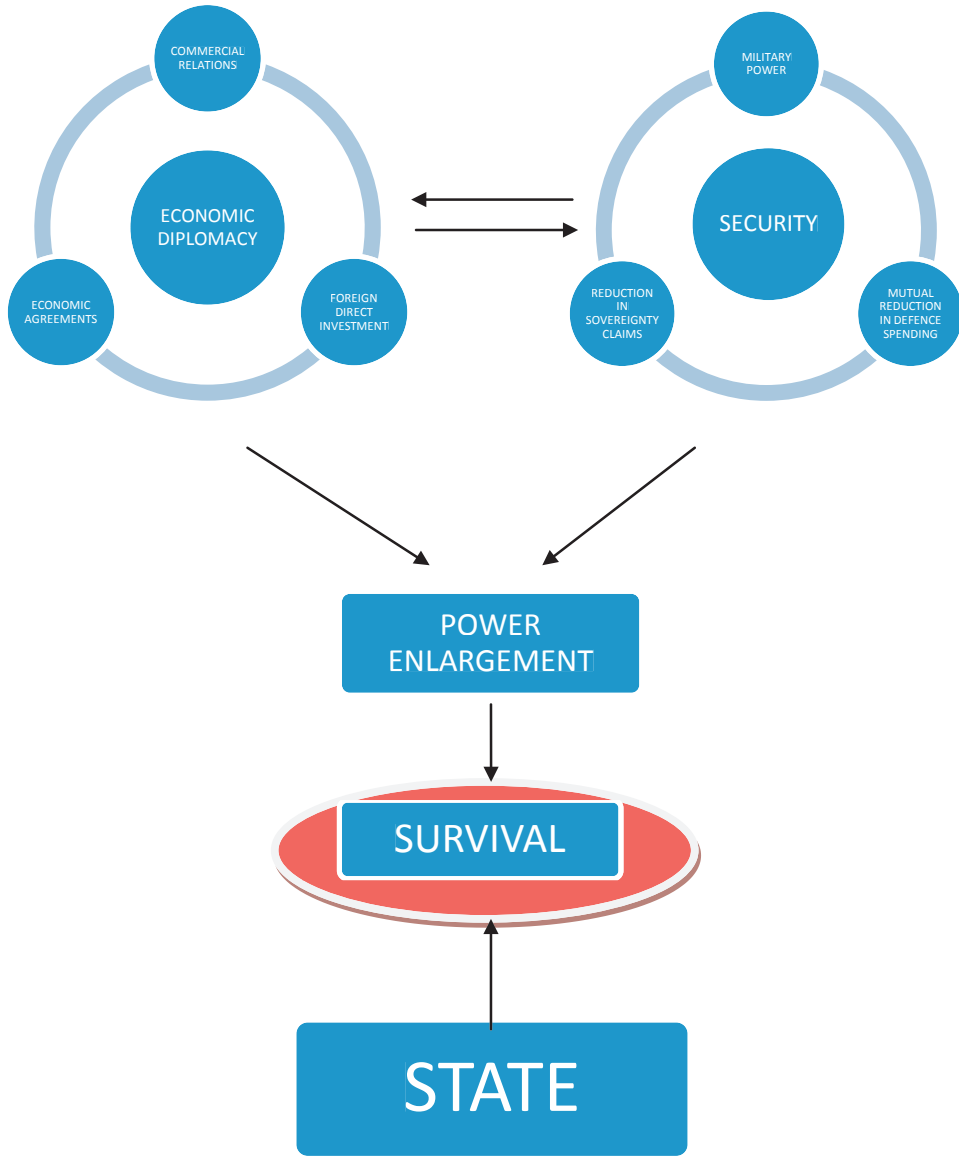
They key aim of this paper is to demonstrate the existence of a relationship between economic diplomacy and security as a means of fostering a sense of security, in order to maintain power and consequently ensure the survival of the state.

Why is that states seek power? Mearsheimer (2010), among others, makes two very important hypotheses in this regard: the first hypothesis has to do with anarchy in the international system. In contrast with Bull (1995), who argues for a general balance of power between forces which is what international order depends on, Mearsheimer points out that anarchy does not mean conflict per se, rather it is the absence of any central power at a level higher than all states. The second hypothesis is that states are rational actors and operate as such. In contrast with Fukuyama (2004) and Doyle (1986) who argue that democracies do not fight with each other and that economic growth and prosperity are the main aims of states, Mearsheimer stresses the existence of suspicion between states and that they develop strategies depending on the strategies of others. Both these views, coupled with the aggressive military capacity that states have, lead to the conclusion that power is maximised to safeguard security (Muller 2008). Consequently, states seek power to maintain their sovereignty and security (Fiammenghi 2011), which are controlled via economic diplomacy and safeguarded via military superiority.

The relationship between economic diplomacy and security issues (Kapstein E., 2002) was a major topic for debate between the realists and liberals, and concerned the causes underlying the rise and fall of great powers. In the 1970s and 1980s economic diplomacy was examined separately from military diplomacy and security issues in general. At the beginning of the 1990s there was debate about which sector ought to have priority in foreign policy -economics or security-, and this debate went on until 1995 when US officials (Bergsten C.F., 2005) decided to direct foreign economic policy towards the goal of bolstering security strategy. In addition, emphasis has not been placed on the role of defence spending accords and agreements and economic policies in arms control.

Mastanduno (1998) mentions that economic diplomacy and security are involved in and contribute to the theory of international relations and to diplomacy, while one major factor is considered to be the structure of the international system where in the multipolar system economic interdependence is key and in the unipolar system a hegemonic state attempts to retain its privileged position using all means available. However, this stance does not safeguard the supremacy of the hegemonic power nor the balance of power for emerging states, because of the security dilemma. In effect, it is not possible to have a multipolar system as an international system but only as a sub-system of a unipolar system, in other words as the potential the unipolar system offers, and allows to appropriate groupings of powers, such as the EU for example, to collaborate and function either as a counterweight to a hegemonic power or as an extension of its policy, in order to increase its own power.

Consequently the methodological framework requires the analysis of both sides; economic diplomacy and security, and examination of the various aspects thereof such as commercial relations, investments, agreements and challenges to sovereignty, defence spending and military power. To explore how these points can be applied and how they interact, we have opted to take Greek-Turkish relations as a case study. The proposed model below can illustrate the main goal of this paper.



2. Literature Review

The International Relation literature contains many references, from Thucydides to von Clausewitz and from Machiavelli till today. As far as the development of this field is concerned, the main idea is that there is a continuous tradition from ancient Greece to contemporary international system. As Schmidt (2008) mentions, there were several scholars who thought themselves as descendants of Kant or Hobbes, in their effort to create a link between political theory and international relations. This practice led to an error, by confusing the analytical tradition and distracting attention from individuals who contributed to the establishment of the International Relation's identity.

All these controversies caused three great debates, between idealists against realists, traditionalists against behavioralists and pluralists against structuralists. At the first debate, almost all admitted that realists won and made the International Relations' field more practical and scientific. At the second debate the main division, according to Liska (1966) was between those who were interested in international relations and those who were more focused on social science. The last debate was among realists, pluralists and structuralists. Because of the realist's weakness, during the 1970's, to implement their assumption on issues which that time were in contradiction to their key assumptions, new approaches came up, such as Keohane and Nye's theory of complex interdependence and a new distinction in international politics, high (military and security issues) and low (economics and human rights issues) politics.

But after all, realism, instead of becoming an outdated theory, it managed to rise and give to international politics a new approach. Neorealism can be considered as a contemporary version of Realism, maintaining at the same time the basic core of the realistic theory. However, Neo-liberal's approach is not far from the realist's one, taking into consideration the number of assumptions in which they agree, such as state or international system. For example, both agree that the international system is anarchic and both recognize the suspicion between states when they make an agreement. Furthermore, Jervis (1999) claims that there aren't many differences between neo-realists and neo-liberals with the latter to declare that they are part of the same coin. On the other hand, according to Lamy (2008) there are many scholars who claim that there are

clear differences between the neos (Neo-realists – Neo-liberals). For example, Neo-realists focus on high politics issues, such as international security and Neo-liberals focus on low politics, such as political economy. Consequently, Neo-realism is the appropriate theory whose assumptions can be implemented on security issues, regardless of the means that are going to be used, political economy or economic diplomacy, for example.

The same can be said, as far as the Constructivist's theory is concerned. Although constructivist thinkers focus on the social side of international politics, they accept many assumptions of neorealism. Alexander Wendt (1992), for example, claimed that Realist's assumptions are contained in Constructivist's theory, by accepting the anarchic international system or the fact that states behave as rational players. But most importantly, constructivists recognize the state's primary goal for survival. According to Realists, the latter assumption is the ultimate concern of the state's security.

On the other hand, constructivists make clear that social structures are defined by same expectations or understandings. For example, in a security dilemma the social structure and norms are going to define if states go to war or solve their problem peacefully. However, there is still the same factor, which leads a person, or a social group, or states to a decision and it is not other than the cost or benefit. But once again, Neo-realism and its assumptions remind us that states act as rational players and before they take a decision they will first consider the potential cost or benefit of their choice.

Taking all into consideration, Neo-realism is proven more accurate and complete theory, not only because it combines many assumptions, which also exist and accepted in other theories, but also because it is confirmed by the state's main purpose for survival, within the international system.

1. Economic diplomacy

According to Robert Gilpin (1981), “*the struggle for power and the desire for economic gain are intimately bound up*”. Foreign policy is determined in large part by the stability and cohesion of domestic policy, particularly in fields which generate increased power for the state. The most important field for the development of foreign policy, other than militarism and diplomacy, is the economy which in many cases, as proven, can generate equally positive benefits for the power of the state and for exerting influence in other fields.

Although economic diplomacy does not resolve many foreign policy issues, it is –for major economic powers like the USA and its Marshall Plan- a major sector in which foreign policy can be exercised, and is a powerful tool for further advancing diplomacy and military power (Mearsheimer, 2003), while economic measures are often used by governments in combination with diplomatic and military measures. Under the Hegemonic Stability theory, after the end of the Cold War, the USA implemented an interventionist policy (Williams, 2009) which managed to impose its economic hegemony within the international system, changing the economic diplomacy agenda relating to organisations such as the World Trade Organisation and the International Monetary Fund.

States have at their disposal at great many mechanisms and tools for engaging in economic diplomacy such as commercial and investment agreements or embargoes – blockades and financial or monetary sanctions (Mastanduno 2001) with the aim of exercising the greatest possible influence at either transnational or regional level, so as to dominate in the market and increase their power, initially at an economic level and later in the security sector.

According to Bayne et al. (2007), the decision-making procedure goes through 6 stages:

- identifying the department which will shape developments
- internal and external consultations
- political leadership
- democratic legitimation
- international negotiations
- ratification of the agreement.

Stage one includes negotiations and the minister who will report back to the legislature and will determine the budget required. As the author stated, economic diplomacy rarely involves the Ministry of Foreign Affairs, which is the opposite of what occurs with diplomatic policy.

Moreover, there is a direct correlation between the departments involved and the competent ministries, even though in this case there is a difference between developed and developing countries. More specifically, in developed countries, the Ministry of Foreign Affairs undertakes the role of departments, either because the international economic relations of the state are of exceptionally high political importance, such as the sale of the port of Piraeus to a Chinese-owned company for example, or because the issue touches upon topics of major international interest. In developing countries, on the other hand, the competent departments which could engage in economic diplomacy are not as developed whereas the Ministry of Foreign Affairs undertakes a larger role both in engaging in economic diplomacy and in political diplomacy.

In the second stage, in external consultations, the competent department contacts players outside the central government, such as businessmen for example, primarily to see the impact that a possible agreement could have on the life of citizens, given possible conflicts of interests, and the reaction and subsequent stance of the markets to it. Another major challenge is the involvement of the media, so that they can communicate the issue to society in general, with the result that the greatest possible transparency can be achieved. Internal consultations, on the other hand, are carried out within government and what emerges is multilateral negotiation and a focus on factors that facilitate the perspective of each sector, until some compromise can be reached.

Ministers are involved in the next stage with senior officials, who forward their recommendation to the competent minister so that it is approved and acquires political force. In the case of disagreement, there is a mechanism for settling issues primarily via consultations. After that, the competent minister can take the initiative to promote new policies instead of delegating them to the cabinet.

The legitimation process is the next stage. In authoritarian regimes, legitimation occurs automatically since it is sufficient for a decision to be taken by the executive. In democratic

regimes, legitimation is given to the executive but does not spring from it, and comes primarily from the legislature, so as to secure the maximum possible consent for a decision being taken and to ameliorate the possibility of factors detrimental to the state's interests (if they exist) being ignored. At the same time, government can obtain legitimation by presenting its key stances and not necessarily all the details leading to its decision, with the overriding aim of ensuring flexibility in negotiations as part of the agreement.

International negotiations can be broken down into 5 stages which are as follows:

- setting the agenda
- authorisation for the negotiations
- negotiations about the agreement
- adopting the agreement
- implementing the agreed terms.

Negotiating strategies play an equally important role in promoting the interests of a state. The following strategies can be identified:

- negotiations between the negotiators
- utilising any disagreement within the cabinet
- intervention by external players
- political intervention (usually the Prime Minister)

After negotiations are completed, the agreement is ratified by using the same procedure followed within the state. In particular, the competent department and minister inform government about the decisions and re-confirm the initial stance and then the agreement is laid before parliament to be legitimised and government shows how its objectives match the decisions taken.

1. The concept of National Security within Realism

The concept of security -and more so, providing a definition for it- is quite complicated because

international relations is comprised of theories which perceive reality from different perspectives such as Realism and Liberalism, or which consider that there is no external objective reality but that reality is determined by how man views it, such as the theory of Constructivism for example. Consequently, the definition of security presupposes a combination of (a) an assumption about the status quo and (b) the causes which led to that situation emerging. For example, acceptance of anarchy in the international system presupposes (a) the existence of states as rational agents and (b) man's evil nature along the lines proposed by Hobbes, and consequently the poor nature of the state, and suspicions in dealings with each other,

Consequently, when one talks of security one needs to specify what one is talking about since security is a concept which exists in all aspects of human activity. For example there is individual security, social security, cultural security, political security, national security and international security. Each sector is aimed at different sets with different features and how one ranks their importance varies depending on how one perceives reality. That is to say, for a Realist, national security will take priority because it is what makes the state capable of and strong enough to act. However, for a Liberal, social security is what maintains a balance between non state actors, who operate independently and develop the international stage. However, in each case, irrespective of the differences that exist in the forms of security, there is one common aspect which imbues and utterly determines the meaning of the concept, and that is none other than a fear of change in the status quo for the worse. This fear exists innately in the individual, in society, in political regimes, in the state and in the international system as a survival impulse.

Consequently, the theory of Realism is the one which proves itself to be true and for that reason has been selected as the theoretical basis of this paper, since the overriding purpose of a state within the international system is to survive because of the sheer anarchic nature of that system.

From the Realist perspective, state security was and is a priority in order for the state to protect itself; which is often termed as self-help in the international system. That is because lasting peace cannot exist except in periods when there is a balance of power. The rise in one state's power or the possibility of such a rise due to high levels of competition between states, make states suspicious of each other, with the result that the policy they adopt continues but

using other means, as Clausewitz (1984) argues.

In effect, the theory of Realism consists of one central idea and individual branches, that seek to bolster that theory to provide as complete and as adequate an interpretation and analysis of the international system as possible. This leads to the assumption that there is not one form of realism but many, due to the differences that exist, and this has allowed us to distinguish three categories of realism based on different time periods and different proponents of the realist approach: a) Classical Realism from Thucydides to the 20th century, b) Neoclassical Realism from 1939 to 1979 when the First Great Debate commenced and c) Neo-Realism or Structural Realism from 1979 to the present day.

For the purposes of this paper, we will take Neo-Realism as the theoretical basis, which argues that the international system is anarchic in the sense that there is no universal, single leadership that operates globally. A second aspect of the system is the tendency of states to develop military power by citing the need to protect their own sovereignty. In addition, states will constantly battle to survive and due to the imperfect flow of information there will also be the potential for erroneous computation or interpretation with the result that there will be conflict.

In this paper, we would add one additional element tied into the survival of states, which complements military strength; namely economic diplomacy in military sectors which bolsters the state's sense of security and operates to prevent any potential attack.

Realists take the view that there are many barriers to collaboration between states, and although collaboration exists it cannot be maintained for long due to two very important factors: deception and gain. As far as the first of these is concerned, states may collaborate to a certain level however, they remain suspicious. The result is that the fear of deception dominates. Mearsheimer mentions that although states participate in alliances and agreements for armaments programmes they continue to have reservations and always act to bolster their own national security (Baylis 2008). As far as the second is concerned, collaboration fails because it does not generate absolute gains for the state, only relative ones, with the result that states become more sceptical about concluding agreements.

In many cases, however, in order to avoid the security dilemma, states use economic diplomacy as a first step to bolster the status-quo or to send a message to the other side with a warning about the cost that any potential threat would have. If that is not achieved, then states tend to move on to a second level of action which is nothing more than involvement of their armed forces in a game of power and survival.

1. The case of Greece

1.1 GREECE'S GEOPOLITICAL ENVIRONMENT

Greece's primary objective is to protect the boundaries of its own territory and to safeguard its democratic values. It is a country with no expansionist goals, which defends the status quo and has a Western focus. Moreover, membership of NATO and EU has confirmed its peaceful nature and defined the country's orientation and its position in the international system, taking into account the difficulty that a small state has in maintaining its power in an anarchic international system.

Greece's geographical position makes it a power to be reckoned with, whether it wants it or not, primarily at a regional level, and it is also a channel for communication between West and East and between the Balkans and the Mediterranean. The country's supremacy in the maritime sector (Imerisia, 28 May 2008) at global level, and its role in the energy sector, require stability in order to survive, since Greece can develop both at regional level within the EU and at bilateral level with the Balkan countries, the Middle East and Russia, Financial relations that simultaneously favour both sides, make each partner a gateway to a larger market for the other, either via continental and maritime routes.

Greek businesses in the Balkans are among the most supremacy investors, with the country pursuing the role of a powerful regional player since total Greek investment capital exceeds € 15 billion and there are prospects for this figure to grow. In addition, under the Hellenic Plan for the Economic Reconstruction of the Balkans, the budget for approved private productive investments is € 138.6 million.

On the other hand, this penetration into the Balkans has not negatively affected Greece's

relations with Russia. Frequent contacts between top level counterparts, friendship and collaboration pacts, economic and scientific partnerships, protection of mutual investments and merchant shipping and collaboration in the energy sector by constructing the South Stream natural gas pipeline indicate that it is a leading player in the wider region. At the same time, the rekindling of relations with Israel (ETHNOS, 13 January 2011) and collaboration in the energy sector and the security sector coupled with the economic and political security and stability offered to Greece by membership of EMU and the EU, make this a fertile and safe environment for investments.

1.2 WHY IS THERE A SECURITY ISSUE WITH TURKEY

The belief in a possible Turkish attack on Greece is a strong factor that has dictated Greece's strategy both at political and military level. However, this belief is far from unjustified if one takes into account the Turkish invasion of Cyprus in 1974, when there was political instability in the country and the illegal occupation of the northern section of the island which continues to this day, the Imia crisis of 1996, which resulted in the maritime area of the Aegean Sea being converted from an area of Greek sovereignty into a 'grey zone', a 'hot spot' with flyovers into Greek airspace, culminating with the fly-over above Karpathos in 2006.

Moreover, there are ongoing disputes about Greece's sovereign rights, the most characteristic example relating to the territorial waters, in other words the area of 6 nautical miles Greece is entitled to, based on international law, and for Turkey such a move would be a *casus belli*. Moreover, Turkey has raised issues such as the continental shelf, the demilitarisation of islands (whereas at the same time there is a battle-ready unit known as the Turkish 4th Land Army stationed on the Turkish coast close to Smyrna), sovereignty over the Dodecanese and control of international airspace. Of course, there have also been statements made by the political leaders that accompany and legitimate these claims (TO VIMA, 7 February 1999).

At the same time, Turkish defence spending is far from 'amicable' since from 1991 Turkey has fully renewed its armaments programme (Dokos 1998) and increased spending while other countries such as Russia and the USA have reduced theirs, thereby dragging Greece into similar rounds of high defence spending. As is clear from figures 1 and 2, Greek military spending rose

in the periods 1996-2001 and 2003-2009, whereas Turkish military spending has been in decline from 2002 onwards.

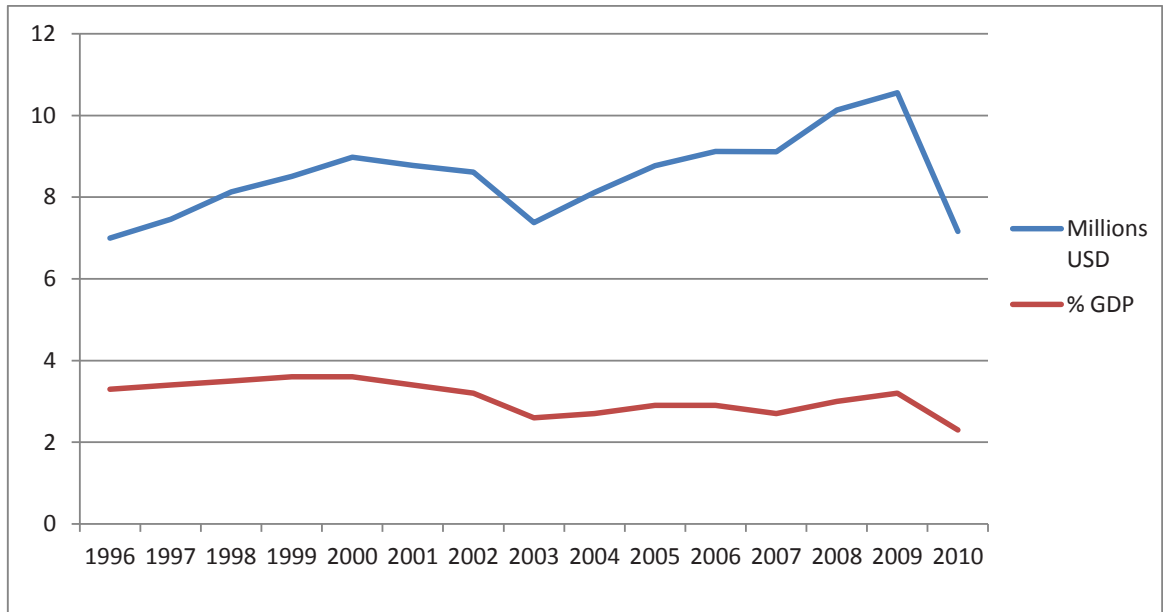


Figure 1: Greek defence spending 1996-2010

Source: “Stockholm International Peace Research Institute”, 10/03/2013, at <http://milexdata.sipri.org/result.php4>

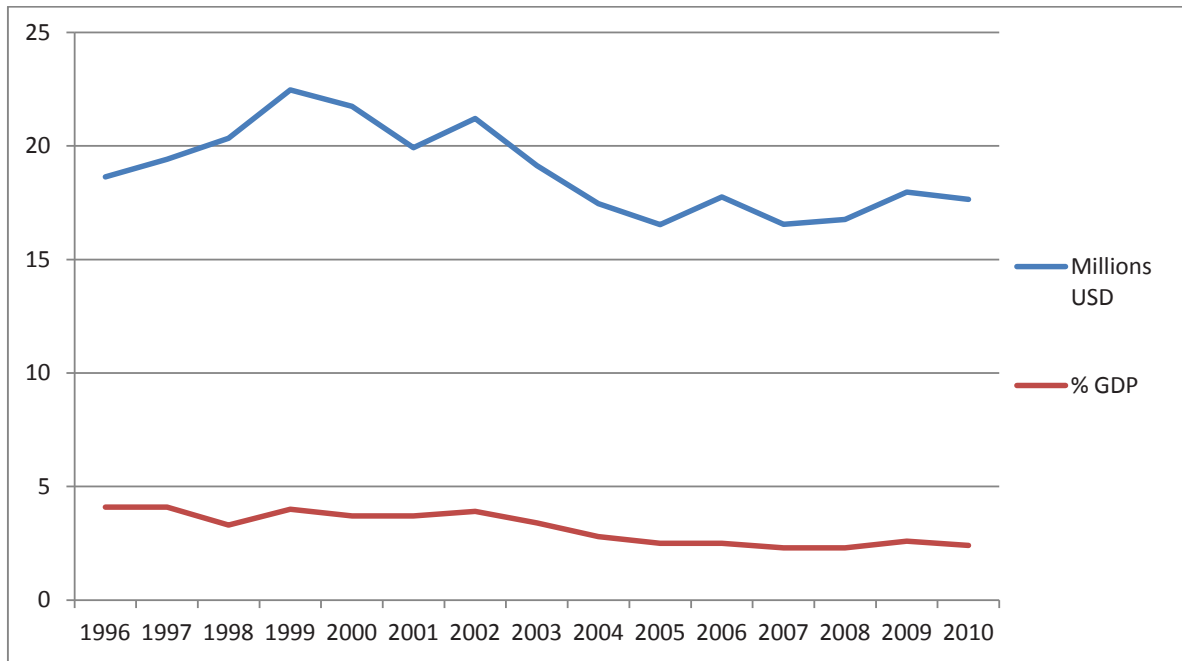


Figure 2: Turkish defence spending 1996-2010

Source: “Stockholm International Peace Research Institute”, 10/03/2013, at <http://milexdata.sipri.org/result.php4>

In light of all the points made above, this point could be considered to be either paradoxical or irrational, but it is utterly reasonable if one takes into account a quantitative approach and not a qualitative one. For example, although Turkish spending began to gradually decrease from 2002 onwards, Turkey spent around USD 21 million on defence spending whereas Greece at the same time was spending USD 7 million. Consequently a disproportionate situation like this usually leads the weaker side to a continuing increase in spending not just to procure arms but also as a means of directly responding to the other side, so as to provide a better deterrent.

However, it is not just a matter of defence spending. The greatest challenge to Greece’s sovereignty comes from the continuing violation of national airspace by Turkish fighter aircraft which often engage in incursions of Greek airspace, in other words they fly over inhabited islands with their weapons systems armed. As is clear from the diagrams below, Turkish violations have been ongoing both in relation to airspace and territorial waters. The data from 2003 to 2008 is confidential and for that reason the diagrams below analyse data from the periods 1996-2002 and 2009-2012 only.

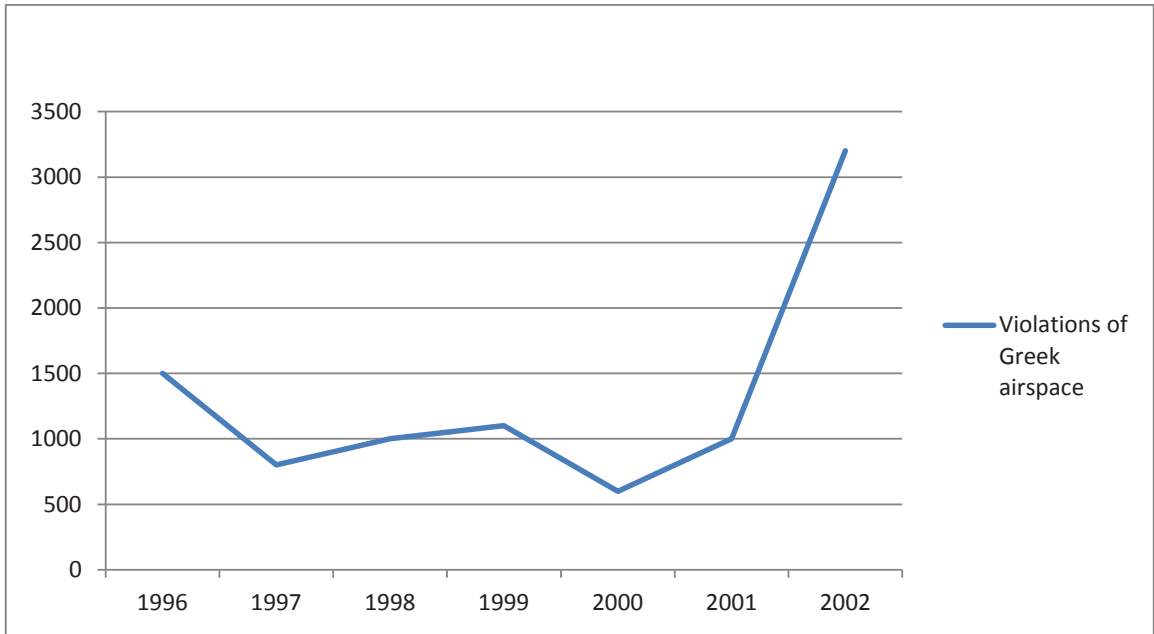


Figure 3: Violations of Greek airspace 1996-2002

Source: Kollias Chr., “The Greek-Turkish Rapprochement, the Underlying Military Tension and Greek Defense Spending”, *Turkish Studies*, Routledge 2004, 5:1, pp: 99-116

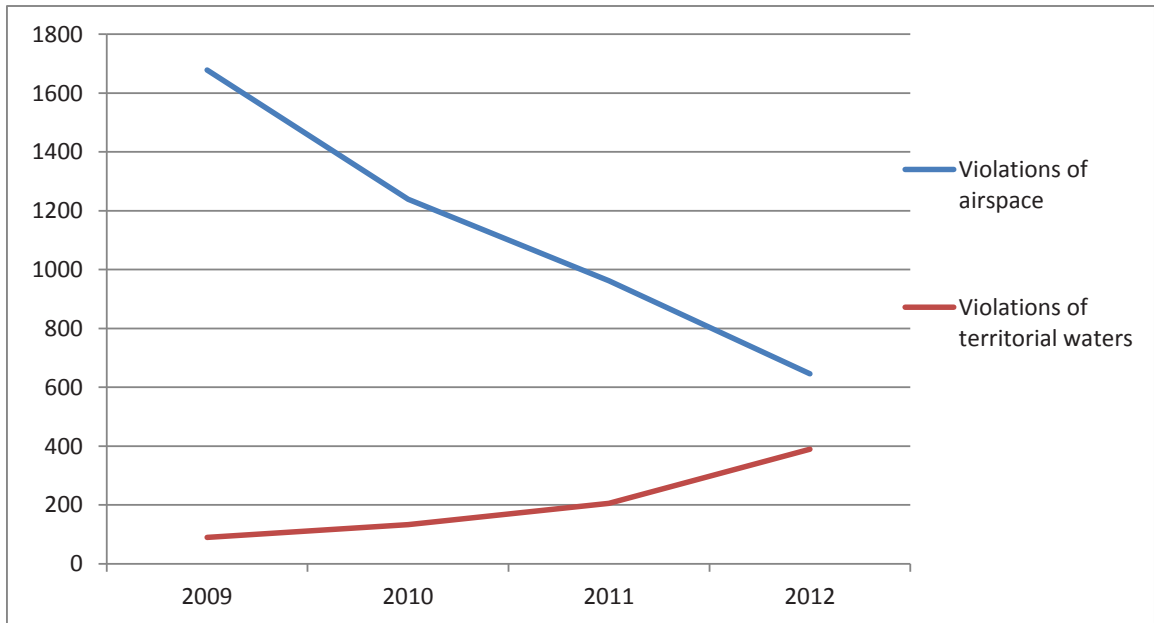


Figure 4: Violations of Greek airspace and territorial waters 2009-2012

Source: Hellenic National Defence General Staff, at http://www.geetha.mil.gr/index.asp?a_id=2733

Moreover, with the Cyprus Question still unresolved, the Turkish influence on Greek Muslims in Thrace and the continuing challenges to Greek sovereignty concerning the boundaries of the Exclusive Economic Zone are threats which reinforce Greece's sense of insecurity and do not leave room for it to rest on its laurels.

1.1 ECONOMIC DIPLOMACY BETWEEN GREECE AND TURKEY

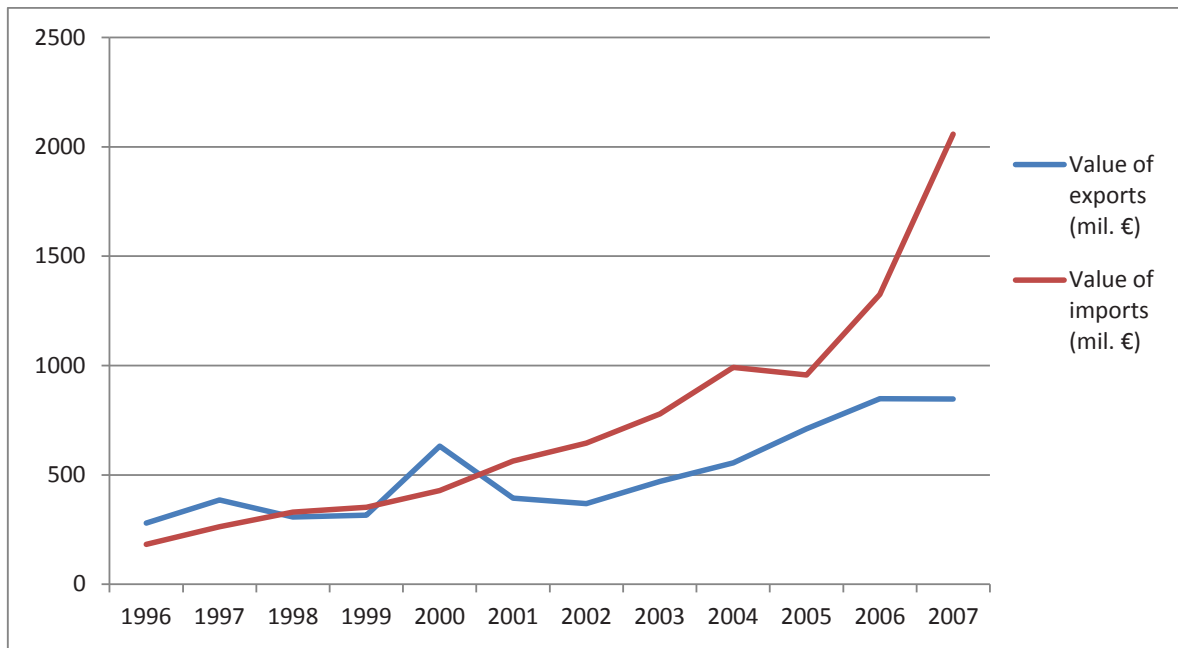
Greece's membership of the EMU created a new, more attractive economic environment both for investments and for bolstering the domestic market, since the new currency was the world's second most powerful and guaranteed stability. That resulted in the activity of both Greek investors abroad and international partnerships of the country in the region intensifying.

As far as Turkey in particular is concerned, two economic agreements were signed in 2000 (Turkish Ministry of Economy, 2013) whose objective was to encourage partnership between businesses in order to promote investments and other collaborations to foster economic ties. They were signed in the context of a new rapprochement between the two countries.

Collaboration was to relate to telecommunications, shipbuilding, transport, energy, tourism and the environment while in 2003 a treaty was signed on the avoidance of double taxation. In March 2013 (TA NEA, 5 March 2103), given the poor economic condition that Greece was in, 25 additional agreements were signed with Turkey relating to low politics issues such as the health sector, shipping and maritime transport, and the tourism sector, in order to foster the climate of trust between the two countries.

As far as commercial relations between Greece and Turkey are concerned, because of the new rapprochement both countries would benefit from collaboration since it opened up the market for Greece towards the orient and Europe's market for Turkey. In addition, Erdogan's visit to Athens in 2004 and Karamanlis' visit to Ankara in 2008 were moves that proclaimed further partnerships at both political and economic levels were to be expected.

As is clear in figures 5 (a) and (b) the value of Turkish imports into Greece has been rising constantly since 2005 and there was a massive rise of € 2 million, while from 2003 the imports of Greek products into Turkey began to rise and in 2006 was around USD 1 million.



1. Figure 5: (a) Bilateral commercial relations (Greece to/from Turkey)

Source: “Change in bilateral trade GREECE- TURKEY 1995-2007, Info-note: Ankara, April 2009, at <http://agora.mfa.gr/frontoffice/portal.asp?cpage=NODE&cnode=57&cid=175&ord=&xcc=tr&mid=111&pid=>

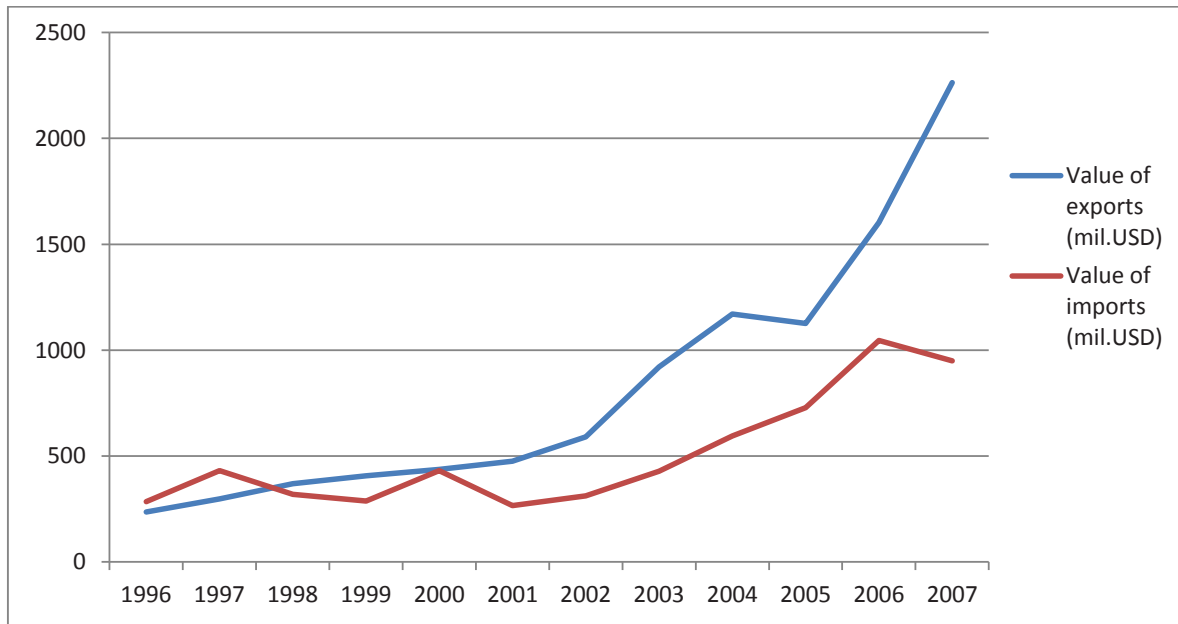


Figure 5: (b) Bilateral commercial relations (Turkey to/from Greece)

Source: Tsarouhas D., "The Political Economy of Greek-Turkish Relations", *Southeast European and Black Sea Studies*, Vol. 9, Nos. 1-2, March-June 2009, pp: 39-57

Investments too were on the rise, for the same reasons mentioned above, with Greek investments dominating over Turkish investments in Greece, as is clear from the diagram below.

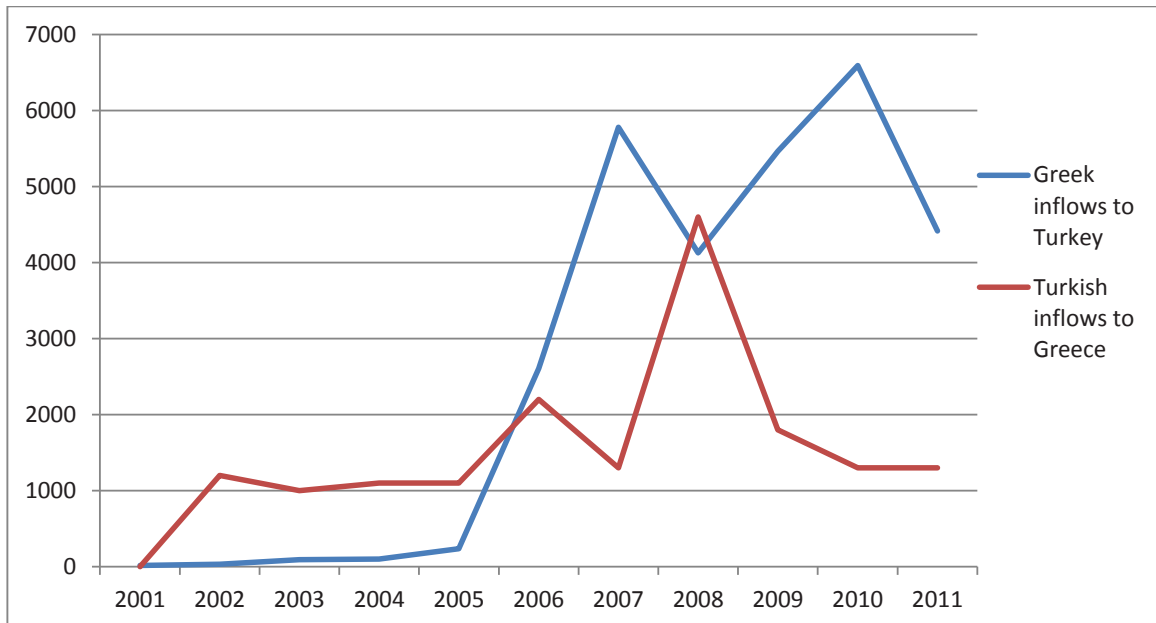


Figure 6: Inflows of FDI to Greece – Turkey (2001-2011) in millions of USD

Source: OECD data at http://stats.oecd.org/Index.aspx?DatasetCode=FDI_FLOW_PARTNER

More specifically, in 2001 both countries signed a Bilateral Investment Promotion and Protection Agreement and investment plans were speeded up with the result that in 2005 there was a massive increase in Greek investments in Turkey which was around USD 6 million, resulting in more than 80 Greek businesses being set up on the Turkish market (Tsarouhas 2009). On the other hand, Turkish investments in Greece rose more in mid-2008, reaching around USD 4.5 million. It is worth noting that these increases in investment occurred after the Turkish PM visited Greece in 2004 and after the Greek PM visited Turkey in 2008. Consequently, collaboration between the two countries in trade and investments was mutually complementary since Greece dominated in investments and Turkey in exports, given the guarantees of economic stability created by the euro and the emergence of a new market.

Conclusions

Given how it functions and the mechanisms it uses, economic diplomacy is a key tool used by states to implement foreign policy and that policy is shaped by it, which is why the theory of

Realism is the most suitable when analysing it. Economic diplomacy can also be the first stage of rapprochement between two or more countries at the level of low politics, laying the foundations for further collaboration and developing power for each party individually. Moreover, it is a basic principle, that provides a clear-cut picture in the cost-benefit analysis, in order for the state (as a rational agent) to exert influence in order to promote its own interests and to develop into a hegemonic force, initially in its own region and later in the international system, since it is one of the most suitable and valid indicators for interpreting the potential, weaknesses and intentions of a developing or developed state.

Consequently, its contribution to the security of a state is clear, provided that the armed forces already constitute a powerful deterrent and serve as a guarantee of the status quo and the country's power. Examining the case of Greece in relation to the security issues which it faces because of the constant challenges to its sovereign rights by Turkey, one initial conclusion that emerges is that the use of economic diplomacy is not some random, easy affair but rather lies within the realm of the policy followed by the state itself as a rational actor, both within its own region (if we are talking about a state of average power) or in the international system (if we are talking about a hegemonic state like the USA). For example, if there are no political contacts at the outset which open up the path and guarantee stability and collaboration, and facilitate procedures at transnational level via agreements, then it is difficult for there to be sufficient economic activity to ensure the state's power.

A second conclusion that emerges from this case study is the direct dependence of the economic relations of the two countries (Greece and Turkey in this case) on the level of security they have. Excluding the role played by the armed forces, Greece's membership of both the EEC in 1981 and EMU in 2002 were moves that bolstered the country's economic position and via it, its security, since they took place after intense events that fell just short of bringing Greece and Turkey to war, such as the invasion of Cyprus of 1974 and the Imia Crisis of 1996. It is also well-known that the Europeanization of Greek-Turkish issues is a major diplomatic card in the hands of the Greek side to generate a peaceful settlement of these issues.

Lastly, one further conclusion that emerges is the fact that in order for a state to maintain its powers and to reduce risks, one deterrent factor that it uses at the outset is military power and

then immediately after that on a secondary level it bolsters and protects its negotiating position and power by utilising economic diplomacy in critical areas of strategic importance -the benefits of which are not a zero sum- in order to ameliorate the security risk. As is clear from this case study, when there is significant economic activity between two countries, armaments spending has reduced on both sides as have Turkish challenges to Greek sovereignty in the Aegean. The diagram below relating to the periods 1996-2002 and 2009-2011 is illustrative in this respect².

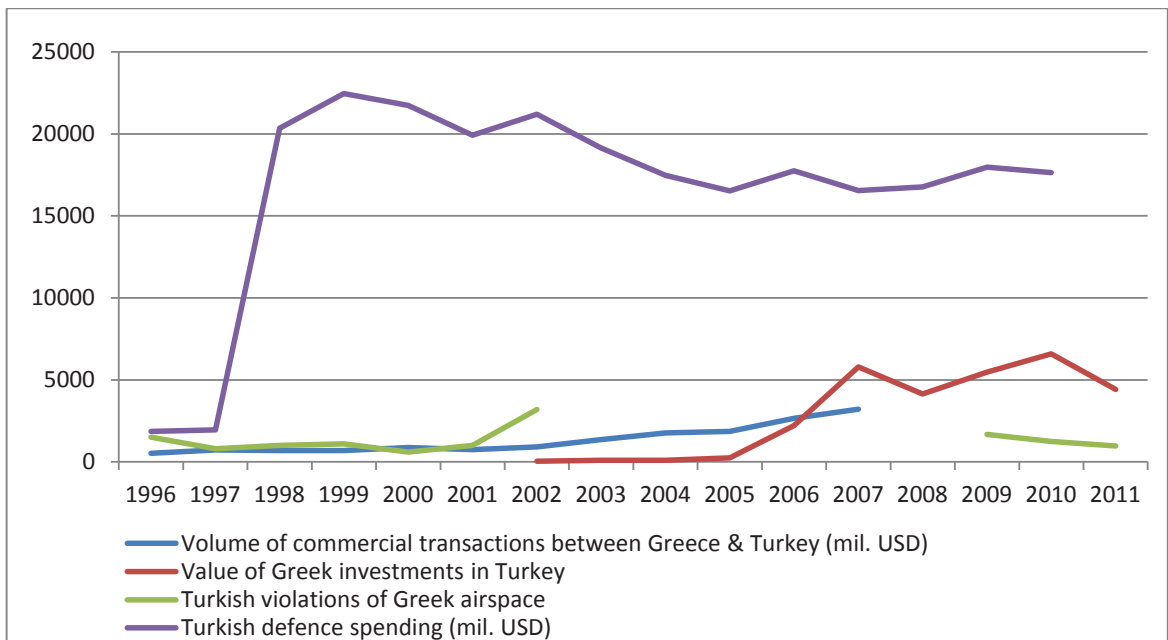


Figure 7: Relationship between economic cooperation and challenges to sovereignty (Greece – Turkey)

In short, the key argument made in this paper is that economic diplomacy contributes to an improvement in national security since in the case examined (Greece and Turkey), based on the data recorded and the data that could be published, this argument was adequately proven.

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² The period 2002-2008 relating to violations of national airspace has been left blank in this figure because the data is **confidential**.

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