THE GREEK-TURKISH CONFLICT AND THE LIMITS OF COOPERATION

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The academic controversy on whether trade promotes peace still exists between Realists and Liberals, since the latter argue that trade operates as a peaceful means, since it decreases the levels of insecurity and promotes peaceful relations, even between rivals. However, Realism offers a better interpretation on this issue, since it considers economic cooperation as a zero-sum game, that creates asymmetric gains for both sides. For example, through cooperation a state may achieve disproportionate gains and become a more dangerous enemy for its partner that it was before. Therefore, the levels of cooperation depend on the states' interests. That's why conflict rather than cooperation is a constant feature in international relations. Based on this theoretical aspect, we argue that strong economic ties between Greece and Turkey will not have any impact on the conflict between them. International Political Economy offers the applied analytical tools we need, such as the dependency path and macroeconomics indicators as well as indicators of national security, in order to confirm our argument. The dependency path defines the context in which conflict takes place and macroeconomics and security indicators define the correlation between conflict and economic interdependence between the rivals.

The Dependency Path

Turkey raised the number as well as the quality of its military weapons, becoming more aggressive and creating a security dilemma. In addition, it also adopts a more aggressive strategy against weaker adversaries, such as Greece and Armenia, and consequently the balance of power is affected by the rise in Turkish military power. Moreover, after the Turkish invasion of Cyprus in 1974 -taking into consideration its revisionists intentions over the Aegean Sea as well as the serious crisis close to war from 1955 to 1996- Greek governments concluded that Turkey's main objective is to dispute Greek sovereignty over the Aegean Sea and the common exploitation of its wealth resources and the ultimate goal is the regional domination, as Evagoras Evagorou mentioned in his book *"The Greek-Turkish Relations from 1923 until today"*, in 2010. On the other hand, although Turkey claims that Greece is a threat for its objectives, it must be seen only as a potential threat, meaning that Turkey cannot implement its high strategy for regional hegemony because of Greece

(Evagorou, 2010). The same can be said for all of Turkey's neighbors, since it considers them as a threat.

Correlation between Macroeconomic and Security Indicators

Although Greece tried to raise the levels economic interdependence focusing on trade, Foreign Direct Investments (FDI), Energy and several economic agreements the conflict with Turkey not only remained but also escalated more. Indicatively, we highlight the most significant periods.

Regarding trade and FDI, Turkey was the first export partner for Greece. According to the International Monetary Fund, from 2004 to 2013 the Greek exports (in goods and services) to Turkey increased by 512%. For the same period, according to UNCTAD the Greek FDI flows to Turkey were also increased, however, in 2006 the Greek flows into Turkey accounted for 0,53% of Turkish GDP, in 2007 0.39% and in 2012 accounted for 0.1% of (Turkish) GDP.

Regarding the energy sector, Greece's No. 2 supplier of natural gas under contract was Turkey with 17% (Russia, accounts for 67% of total imports). In addition, two economic agreements were signed in 2000, 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 with regard to collaboration in telecommunications, shipbuilding, transportation, energy, tourism and the environment.

On the other hand, the acquisition of 5% of Turkish Finansbank by the National Bank of Greece raised many controversies in Greece since it was the largest investment Greece had ever made in Turkey and this entailed high risks due to the bilateral conflict. Second, the shares of the National Bank of Greece were hardly higher than the acquisition cost and this was very risky for the Greek bank. Third, the National Bank of Greece was the largest bank in the country and any change in the Turkish economy would have a direct impact on the Greek economy.

Greece raised its Military Expenditure from 1988 to 2009 by 52.4%, while Turkey, during the same years, raised its expenditure by 83.8%. Nevertheless, because of the financial and debt crisis in 2010 Greece was forced to decrease its Military Expenditure by 46.4%, a figure which was lower than that in 1988. A disproportionate situation like this usually leads the weaker side to continually increase its spending not just to procure arms but also as a means of directly responding to the other side, so as to provide better deterrence.

Moreover, there continue to be high levels of Turkish violations and disputes, despite Greek efforts at deterrence and balancing. Most of the violations concern Greek national airspace, especially in the Northern, Central and Southern Aegean Sea. From 1996 to 2003 Turkish violations increased from 1,689 to 3,938, with some fluctuations during those years. In recent years, although Turkish violations had decreased, they remained high, reaching in 2015 the 1384 violations of the Greek national airspace. Turkey also reinforced its disputes with further violations of Greek territorial waters and infringements of Air Traffic Regulations from 1999 onwards. In that way, the Turkish threat became more serious and more credible.

Taking the above into consideration, we conclude that there is no correlation between conflict and economic interdependence, which is also confirmed through statistical analysis, and therefore, Greece should not count on economic cooperation with Turkey hoping that this would benefit its national security. Since the territorial conflict concerns the Aegean Sea, it is directly connected with issues of high politics, such as state's survival and influence. More specifically because of the continental shelf its islands have, Greece has extended its exclusive economic zone and upgraded its role in the energy sector. On the other hand, the Aegean's geographic location is a unique strategic point for military operations and further expansion of military influence in the Mediterranean, in Northern Africa and even more in the Middle East. Therefore, if Turkey could control the Aegean Sea, it would reinforce its strategic influence and this would enable it to become a regional hegemon, something which cannot be accomplished only through economic cooperation.