

Europeanization of Greece and Turkey in Comparative
Perspective: The Role of Business Associations and Civil
Society Organizations

by

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This is to certify that I have examined this copy of a master's thesis by

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ABSTRACT

Europeanization has been a widely contested concept which is increasingly being studied to explain the processes of adaptation, convergence and reform at the domestic as well as at the regional level. While Europeanization from above sends signals to the national politics, polity and policies to cope with European norms, rules and regulations, it also receives impulses by the pressures from below which are eventually illustrated in the policy discourses and debates at the EU level. Thus, the circularity of mutual influences of Europeanization is instrumental in finding out the linkages that are inducing change and reform at the national level. Hence, the study of Europeanization is utilized to draw the framework in my attempt to explore the transformation of Greece and Turkey in general, and Greek-Turkish relations in particular. While a significant emphasis will be put on the Europeanization from above in comparative perspective that reinforced the transformation at the political level, the thesis aims to tackle with a relatively less addressed question: The role of business associations and civil society organizations in Europeanization of Greece and Turkey. In contrast to many contemporary studies of Greek-Turkish relations whose focus were given on the security-related, conflict-resolution based issues, the objective of my thesis is to assess the role actors of low politics on the transformation of the states towards European *acquis* within the Europeanization framework. The findings of the study are quite astonishing. Greek-Turkish relations entered into a new orbit of rapprochement given the set of incentives provided by the EU, the civil diplomacy in the aftermath of the twin earthquakes in 1999, and soaring business interests at both sides of the Aegean. In this respect, the role of the EU has been instrumental in catalyzing social and business rapprochement aside the political rapprochement. Finally, the trajectory of social and business rapprochement strongly indicate that Greek-Turkish relations have reached such a momentum that a sharp return of the relations in the forthcoming future is barely conceivable.

Keywords: Europeanization, Greek-Turkish relations, civil society, business associations, rapprochement

ÖZET

Avrupalılařma kavramı son yıllarda gerek ulusal gerekse de bölgesel çerçevede adaptasyon ve reform süreçlerinin incelenmesinde giderek daha fazla tartışılmaya başlamıştır. Bir yandan, tepeden Avrupalılařma ulusal siyasi süreçlerinin, yasa ve politikalarının Avrupa norm, hukuk ve kurallarına uygunluęu bağlamında sinyaller göndermektedir. Öte yandan, derinden Avrupalılařma Avrupa Birlięi siyasi süreç ve tartışmalarında görüleceęi gibi etkili olmaktadır. Avrupalılařma'nın bu iki yönlü yapısı ulusal düzeyde varolan reform ve deęişim hareketinde etkin rol oynamaktadır. Dolayısıyla, Avrupalılařma kavram ve kapsamı genelde Türkiye ve Yunanistan'ın geçirdięi deęişim sürecinin incelenmesinde, özeldense Türk-Yunan ilişkilerinin irdelenmesinde önemli vazife arz etmektedir. Her ne kadar tepeden Avrupalılařma kavramına tez içerisinde büyük ehemmiyet verilmiş olsa da, tezin genel amacı bugüne kadar daha az incelenmiş bir konuya açıklık getirmektir: Türkiye ve Yunanistan'ın Avrupalılařması'nda İş Örgütleri ile Sivil Toplum Kuruluşları'nın Etkisi. Günümüze deęin, Türk-Yunan ilişkilerini inceleyen birçok yazı temelinde güvenlik algısı ve sınır çatışmalarını esas almaktaydı. Bu tezin hedefi ise yukarıda bahsedilen devlet dışı aktörlerin Avrupalılařma çerçevesinde devletlerin Avrupa müktesebatına uyumundaki rollerini incelemektir. Bu bağlamda varılan sonuçlar oldukça çarpıcıdır. Türk-Yunan ilişkileri yeni bir düzleme oturmuştur. Avrupa Birlięi'nin artan rolü, 1999'da yaşanan ikiz depremlerin yaratmış olduęu sivil diplomasi ve iş dünyasının artan ilgisi bu sonuca etki etmişlerdir. Avrupa Birlięi, son dönemdeki Türk-Yunan siyasi yakınlaşmasının yanı sıra, iki ülkenin sosyal ve ekonomik olarak da yakınlaşmasına büyük ölçüde etki etmiştir. Son olarak, sosyal ve ekonomik yakınlaşmalar, Türk-Yunan ilişkilerinin vardığı nokta açısından geri dönüşün oldukça zor ve uzak olduęu bir duruma işaret etmektedir.

Anahtar Kelimeler: Avrupalılařma, Türk-Yunan İlişkileri, Sivil Toplum, İş Örgütleri, Yakınlaşma

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to Rozika, and my parents

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

The literature of comparative analysis of Greek – Turkish relations has overwhelmingly focused on the security driven research agenda on both sides of the Aegean, through various research centers and renowned think-tanks around the world. (Kut, 2000: 253-270; Couloumbis and Lyberopoulos, 1998; Aksu, 2001; Heraclides, 2001; Ayman, 2001; Dokos, 2001; Tsakonas, 1999; Bölükbaşı, 1992) The bilateral disputes about having control over the Aegean Sea which include conflicts of continental shelf, territorial waters, demilitarization of Eastern Aegean Islands, air space and FIR responsibility were, *en masse* on the spot of the analysis. It is right to observe that no major advancements have taken place for the resolution of the Aegean conflicts until very recently. Therefore, security considerations and reciprocal threat perceptions were, and still are, predominantly influential in the foreign policy priorities of Greece and Turkey. Especially, as long as the conflict on Cyprus issue remains unsolved, a duly structural change in the relations seems quite difficult and complex.

Notwithstanding the importance of the realist perspective of Greek - Turkish comparative study, the contextual approach for the analysis of Greek – Turkish relations has been subject to change in spite of the continuation of the Aegean conflicts and the ongoing international debate for the Cyprus issue. Accompanied with the emerging literature of European studies in general and extending Europeanization framework in particular, Greek-Turkish relations have increasingly started to be assessed and analyzed through this framework. Hence, Europeanization has become a key term and substantial concept to examine Greek-Turkish relations within which it has been possible to theorize, conceptualize,

understand, explain and explore the bilateral relations as well as the recent *rapprochement* process on both sides of the Aegean.

Nevertheless, the prolonged boundary disputes between Greece and Turkey and the frequency of crises in their recent past exemplify the security concerns of both countries over the Aegean. The recurrent emergence of disputes in different formats and magnitude clearly indicate the contest of power in recent Greek – Turkish relations. A brief summary of the disputes will illustrate why and how security matters in the study of Greek – Turkish relations. Yet, a purely realist standpoint has its own limitations for this study. Unlike the features of classical realism, which asserted that state survival is best guaranteed by power and military means are key instruments for ensuring security, it is also possible to find common grounds for cooperation and collaboration between the two competing states. In this vein, the Europeanization framework will be useful in the scrutiny on how and why Greece and Turkey can cooperate. The framework will also indicate the genuine sources for the *rapprochement*, which actually emerged after a series of major bilateral conflicts within the last two decades.

1.2 THE EMERGENCE of AEGEAN CONFLICTS and THE SUBSEQUENT DAVOS PROCESS

Problems stemming from Aegean disputes brought both sides on the brink of war several times in their past. To begin with, the increased tensions in the Aegean and several escalations thereafter prioritized security concerns of Greece and Turkey and highlighted the possibility of military action for deterrence in March 1987. Several diplomatic calls for calming down the tensions have found ground, yet the relations remained far from being normalized during the year.

The pendulum of the relations swung from crisis to the first phase of *rapprochement* when Papandreou and Ozal met at the World Economic Forum in Davos next year. The reasons for such an aptitude of change for both sides are numerous. On the one hand,

Papandreou had built up his political career as a 'hard-liner' especially in foreign policy issues, but had reversed his position into 'peace-maker' through the Davos process. This transformation would have given him the reputation as well as the power in international relations to have a bigger impact on solving the conflicts and making possible to limit the political power of Turkey. Moreover, Papandreou would also be capable of gaining more space for manoeuvre in the international arena and entitling the Turks as the primary responsible factor for causing the outbreak and continuation of the Aegean conflicts.

In addition, he was aware that the military defeat of Greece due to Turkish military campaign would be disastrous for two reasons. First, it would cause the immediate collapse of his government and secondly, he would endanger his political future and give way to rise of the opponent New Democracy Party as a consequence. Arguably, Papandreou took the political message of Cyprus intervention in 1974, which had led to the end of military junta in Greece and paved the way to the emergence of democratic regime in the aftermath of the military defeat. By virtue of history, he would not be able to protect his position for long while holding another possible Greek military defeat in his track record. Finally, he had strong motivation to prevent war and diminish the tension through diplomatic means, after being reported by the high command which indicated the fact that the Greek military could not hold the Turkish military for more than three days, which eventually would lead to the loss of war. (Pridham, 1988: 83)

On the other side, Ozal asserted that Davos Process was an important opportunity to eliminate, or at least to postpone resolution of the Aegean conflicts through confidence building activities in order to decline tension. He asserted that Davos Process was a good opportunity to gain the support of international community in his attempt to start the negotiations with the European Economic Community (EEC) because a positive outcome of the process could have given Ozal a leverage to solve the disputes through diplomatic means instead of military actions. In retrospect, Turkish application for the start of the negotiation

was submitted in early 1987 and was under revision amidst the Davos Process. Ozal considered that the Greek support was crucial for starting the negotiations, since Greeks had the veto power as a major bargaining chip at their discretion. Nevertheless, Papandreou had also the hope to play the veto card to get significant concessions from Turkey over Cyprus and gain diplomatic victory which he could not have achieved through military means.

Nevertheless, it was common to both leaders that the shock in 1987 was an important turning point in the relations and such a crisis should not happen again. (Pridham, 1988: 81) Started as an individual effort between the two leaders through which personal messages were exchanged before the meeting took place, the 'Davos Process' had been instrumental in assessing the reasons for the eruption of the conflict and projecting the future of the relations by taking into account the international role of both countries in the wider region of the Balkans, the Middle East and the Eastern Mediterranean. Later on, referred as the 'Davos Spirit', the meeting was transformed into a series of negotiations for enhanced economic cooperation and tourism. It was also agreed that further committees should be established to examine contentious issues of military exercises and problems in the Aegean. (ibid: 82) Despite massive efforts from both sides, the initiative was short-lived and was not sufficient to start a new policy direction, nor causing further relaxation in the tension.

The Greek Press had been questioning the reasons for the lack of proper rewards on Cyprus issue and blaming Papandreou for his incapability of protecting the Greek interests at Davos. In the same manner, the Greek Cypriots were disillusioned on the basis that their interests were not fully taken into account. Likewise, Ozal has also faced the resistance of hard-liners, especially from military elites, which prevented him to take any further steps in Greek-Turkish relations. As a consequence of the factors that influenced the public opinion, domestic political structure and foreign policy initiatives in Greece and Turkey have put the 'Davos Spirit' and the eventual *rapprochement* into deadlock.

1.3 IMIA-KARDAK ISLETS and ERUPTION of MAJOR CRISIS IN THE AEGEAN

In the aftermath of the ‘Davos Process’, the ongoing low-track diplomacy between Greece and Turkey continued for a relatively long time. This period came to an end with the eruption of the Aegean islets crisis in 1996. Noticeably, the legal status of two islets in the Aegean Sea, Imia-Kardak, that are located three miles off the Turkish coast, led to the outbreak of a major crisis between Greece and Turkey. As a result, both countries came on the brink of warfare.

The eruption of Imia-Kardak islet crisis in February 1996 and the consequences of this conflict were denoted as one of the hallmarks that brought Greece and Turkey to the verge of war and exemplified both countries’ priority in turning Imia-Kardak into an issue of sovereignty. Further, the influence of domestic politics on foreign policy has been put under scrutiny whilst analyzing the Imia-Kardak crisis. In Greece and Turkey, the political atmosphere had changed dramatically where, on the one hand, Papandreou had lost the elections and gave way to the rise of grave concerns of the country’s long-term stability. On the other hand, the rise of Welfare Party and the subsequent ‘political Islam’ in December 1995 was perceived as a national security threat to the domestic institutional structure, Republican regime, Kemalist ideology in general and secularism in particular. Imia/Kardak crisis also revealed that if the ongoing democratization process in Turkey were not seriously supported by the European Union in such a way that the EU channels backing to the pro-democracy and pro-EU circles in Turkey, then this democratization process would benefit only the circles which thrive on parochial and unilateral nationalism. In the face of the EU’s ambiguous policy towards Turkey’s accession, it would not be difficult for the political parties to successfully employ mobilizing ideologies of ‘nationalism’ and ‘political Islam’. (Adamson, 2002: 171-174)

Therefore, given the international context that critically viewed the developments in both countries, and the domestic political factors for the outbreak of the crisis, the Imia-Kardak

issue can be seen partly as an effort by these two countries to disprove any domestic or Western perception that they were uncertain, unstable and weak at home or abroad. (Gundogdu, 2001: 109-110) It is possible to argue that the failure of this attempt of reassertion was one of the strongest motives behind the “critical rethinking” in Greek and Turkish foreign policies. In this respect, the Imia-Kardak crisis strengthened negative perceptions and hostile feelings in both Greece and Turkey, thus bringing an increase in the security dilemma. (Ayman, 1998: 111-112)

From the theoretical point of view, the outbreak of the Imia-Kardak crisis and the underlying historical factors that affected the eruption can be found on the establishment of linkage politics. According to linkage politics, there is a two-directional process: the inner-directed linkages within which the impact of the international environment on the domestic arena is analyzed and the outer-directed linkages which deal with the effect of domestic developments and actors on external relations. (Pridham, 1988: 74) Specifically, inner-directed linkages take the international economy, geopolitical location, the role of international organizations, bilateral links with other states and whereas Rosenau dwelled primarily on the outer-directed linkages in his investigation and examined the penetration of two directions into the ‘fused linkages’ where issue-specific policies have been put under deeper scrutiny. (Rosenau, 1969: 69) According to Karl Deutsch, ‘foreign events may have an effect on the memories of people’. (Deutsch, 1966: 25) In this vein, Veremis agreed on that and further commented on: “*The Cyprus crisis was a catalyst for all changes in Greek foreign and defense policy after July 1974; a threat from the Warsaw Pact was no longer perceived as the primary security consideration*”. (Veremis, 1988: 274) Therefore, it is arguable that historical memory in Greek and in Turkish people is instrumental in influencing the public opinion as well policy decisions of politicians especially when the Cyprus case remained unsolved.

On the practical field, it is also possible to argue that the Imia-Kardak crisis created the motives toward a renewed phase of *rapprochement* in Greek-Turkish relations. As

Athenassopoulou observed, the crisis can be considered as a “blessing in disguise” since it generated strong pressure from the United States and the European Union, especially on Athens, to reach an understanding with Ankara, and compelled Simitis’ government to abandon Greece’s long-held policy of ‘no talks with Turkey’. (Athenassopoulou, 1997: 97)

Ironically, then, this crisis, with its influence on the initiation of a dialogue between two countries, marks not only the culmination of a conflict but also the first steps towards overcoming the obstacles in the way of cooperation and positive identification. It is also important to note that the Imia-Kardak crisis resulted in an increase in the “civic diplomacy” or “second-track diplomacy” which is usually associated with the earthquakes. (Gundogdu, 2001: 114)

1.4 S-300 CRISIS and GEOPOLITICAL IMPORTANCE of CYPRUS

The Imia-Kardak crisis of 1996 was not the only crisis that left a deep impact on Greek-Turkish relations in the post-Cold War era. Another crisis took place over Cyprus when the Republic of Cyprus intended to bring in S-300 surface-to-air missiles from Russia that endangered Turkish security provisions of Northern Cyprus and the southern cities of Anatolia. The reason for stationing of anti-aircraft missiles in Cyprus was declared by Athens to safeguard the aerial corridor from Greece to Cyprus. Yet, Turkish perception of these missiles as offensive weapons ushered in another stressful period in Greek-Turkish relations. Turkey and the Turkish Republic of Northern Cyprus jointly declared that such a move by the Greek Cypriots would be reciprocated harshly. It was made clear that Turkey would strike at the missiles if they were installed on the island. Although the tensions seem to be reduced with the decision of the Greek government to install them in the island of Crete, instead of Cyprus, the underlying logic that dictated the policy of ordering such surface-to-air missiles still prevails in the southern part of the island. (Oguzlu, 2003: 54-56) This act, which was criticized as a

concession by some circles in Greece, was clearly related with a redefinition of Greek interests and identity in line with the European collective identity under EU.

1.5 THE CAPTURE of OCALAN: GREEK – TURKISH RELATIONS STRAIN

Preceding the capture of Öcalan in February 1999 and the findings that Greece provided a safe heaven for him was another major setback that was followed by rapid deterioration of the relations due to this crisis. The harboring of Öcalan via Greek channels was outrageous for Turkey, since it was pursuing a major military campaign against PKK in the South Eastern Turkey for more than a decade. Turkey accused Greece of giving support to terrorism, and Greece's government also faced severe domestic criticism. The crisis led to the dismissal of three Greek cabinet members: Foreign Minister Theodoros Pangalos, Interior Minister Alekos Papadopoulos, and Public Order Minister Philipos Petsalnikos. The reshuffling of the cabinet, and especially the dismissal of Pangalos, known for his uncompromising stance against Turkey, were other indicators of significant changes in Greek politics. The elimination of the hardliners gave a strong hand to the moderates within the ruling PASOK party who favored rethinking Greek-Turkish relations and avoiding other crises in order to ensure Greece's further integration with EU. (Ayman, 2000:59)

1.6 THE CYPRUS CASE: STANDING ON THE KNIFE'S EDGE

Finally, the deadlock of the resolution of the Cyprus conflict provided the ground of possible clashes, reciprocal diplomatic pressures, international exchanges, concessions and heavy lobbying activities of Greece and Turkey because the Cyprus conflict was not only embodied as a major issue on the military arsenal or security arena, but also had significant implications on political as well on economic field. The Annan Plan, which was put under referendum one week before accession of Republic of Cyprus took place on May 1st, 2004, was thought to pave a historical turning point in the history of Cyprus. The objective of the Turkish foreign policy

from switching the years-long status-quo into favoring change of status in the island was heavily related to strong expectations to gain new openings in Cyprus and consequently in the Turkish foreign policy. By doing so, the AKP government believed to receive a stronger bargaining chip with the acceptance of the Annan Plan. The Prime Minister Erdogan and numerous civil officers repeatedly claimed that their intention was to be one step ahead of the Greek Cypriots in the negotiation process for the Annan Plan. (Bila, 2004) Moreover, Mr. Erdogan numerously referred to the merits of game theory in his speeches to explain the reasons for the change of Turkish Foreign policy and put forward that *'a mutual 'Yes' on both sides is the optimal win-win strategy that Turkey and Turkish Cypriot is looking for'* (Economist, 2004).

However, the projections of the AKP government have not been realized because of the failure of the plan due to the rejection by the Greek Cypriots. Expectations of the Turkish side on behalf of the Turkish Republic of Northern Cyprus (TRNC) such as the finishing of international isolation of the TRNC, receiving EU's and UN's aid and infrastructure funds for economic recovery, provisioning limited availability of exports, increasing tourism revenues and even gaining support for recognition of TRNC by some states, especially the Turkic Republics did not come true. Although an overwhelming majority in TRNC approved the plan whereas the Republic of Cyprus (RoC) voted clearly against it, the results in the aftermath of the referendum were mainly contradictory vis-à-vis the expectations. Impressively, neither RoC was punished by the EU before its accession took place, nor TRNC was rewarded both politically and economically.

Albeit the effects of the international actors such as United States, UN and EU as in the subsequent events and developments of the Annan Plan, it was also evident that national actors of the parties in Cyprus as well as those in Turkey and Greece have been playing an influential role. Examples may include the TV broadcast of President Papadopoulos, weeping and explaining why his ballot is casted for rejection, the speech of President Denktash in Grand

National Assembly and explaining why Turkish Cypriots must say no, or General Hilmi Özkök, the Chief Commander of Turkish Armed Forces, making a press conference and informing the public about the military's view of Annan Plan. (Tezkan, 2004) This showed the impingement of the role of the media on determining the sentiments in the public opinion which in turn affected the foreign policy of the nation-states.

1.7 WHY EUROPEANIZATION MATTERS?

The realist perspective shows how both countries compete for power and control in Aegean disputes and Cyprus issue. The repetition of conflicts in different formats and locations within the last two decades indicate that the disputes were deeply engraved in the minds of people for hatred against each other, reinforced by the push of media and public opinion, shaped with the expectations, moves and motivations of the policy-makers, and affected by the charges of international community and states. Given a major issue that endangers the national interest in Greece and Turkey, a combination of these factors was culminated in the eruption of the crises and the subsequent resolutions which are mostly short-term.

Yet, conceptualizing Greek-Turkish relations without taking the impact of EU anchor and the Europeanization into account would have shortcomings. In order to be able to explain the reasons for the revival rapprochement process and the endurance of it, Europeanization framework is instrumental.

In its broadest term, Europeanization is defined as the process of downloading European Union regulations and institutional structures to the domestic level (Howell, 2004). Maarten Vink (2002) argued that from the mid-1990's and onwards, there occurred a shift from the direct study of European institutions to a more indirect approach via the national political domain. Increasingly, scholars of European integration started to employ the concept of Europeanization to assess the European sources of domestic politics focusing on the institutional adaptation of member states to EU membership. As a result, the research agenda

of Europeanization has undoubtedly enriched the study of European integration by pointing out some previously underresearched questions, particularly related to the domestic implementation of European policies. The literature included new terminology such as downloading and uploading, and extended its focus on issues like policy transfer, shared beliefs, misfit and goodness of fit. (Howell, 2004) Vink (2002) added that the research agenda of Europeanization now focuses on the aspects of national politics that have traditionally been assumed less subject to European influence, such as political parties (Ladrech, 2000: 399), party systems (Mair, 2000: 49), local government (De Rooij, 2002: 456), refugee policies (Lavenex, 2001: 876) or citizenship. (Checkel, 2001: 183)

It follows that the Europeanization of foreign policy runs in two directional way: The first direction looks at the impact of the domestic policy, polity and politics on the institutions and systems of the European Union, which is referred to as the uploading process in the terminology of Europeanization. The second direction is much more concerned with the downloading process of European level system to the nation-state level which include rules, regulations, laws, mechanisms, institutions and alike. The impact of downloading process and the policy transfer is not limited to political structures only, but it also influences the economic, social, cultural and military structures as well. However, it must be noted that Europeanization may affect the structures in variance so that differences in the magnitude of change, influence and penetration may come into existence.

Because of the two-directional level of analysis, the placement of Europeanization as the main framework into the Greek-Turkish relations has a crucial role. First of all, Greek-Turkish relations cannot be limited to Aegean conflict, bilateral disputes or Cyprus issue, given the prospects of *rapprochement* process with its clearly visible effects on low politics. Examples include the souring tourism activities on both sides of Aegean, greater than before cultural exchanges, better civic dialogue among interest groups, civil and non-profit organizations,

decreasing military expenditures as a percentage of GDP and increased trade volume in the last five years.

Secondly, closer alignment of successive Turkish governments with the EU provided new opportunities for inner-outer linkages. Especially after the Helsinki Summit in 1999 which approved Turkish candidature for full membership, the role of the EU as an important external anchor in determining domestic as well as foreign policy of Turkey has increased remarkably. With the election of AKP government in November 2002, it was no later that the efforts for granting the start of accession negotiation have been accelerated. Following the harmonization packages of the previous coalition government, the AKP government tried hard to make the national legislative, executive and judicial systems to be compatible with the European norms, standards and regulations. The task which AKP intended to fulfill had two facets. On the one hand, the coalition government, just before its practical collapse and decision to run for early election had enacted the reform package. The package contained contentious issues such as the legalization of broadcasts in Kurdish, Kurdish-language education, a ban on capital punishment, lifting restrictions on speech and assembly, training for police officials and the judiciary, a reduced role for the military in politics, and progress on the Cyprus problem which fall outside the Copenhagen Criteria applied to other states. (Kubicek, 2004: 19) As a result of this package, the AKP Government had to guarantee the continuation of the Reform Process which had tremendous repercussions on public policy.

On the other hand, it was the responsibility of AKP government to ensure the transformation of the laws into practical application on which EU has been putting enormous emphasis. Therefore, the AKP government, responding both to EU efforts and having a wish to redefine itself to Turkish voters, has accelerated the pace of reform. The government passed a variety of measures, including ending the state of emergency in all provinces, abolishing the Article 8 of the Anti-Terror Act which prohibited propaganda against the indivisible unity of the state, establishing an EU Harmonization Commission, and adopting the UN Covenants on

Civil and Political Rights and on Economic, Social, and Cultural Rights. (Kubicek, 2004: 20)

In addition, many very visible organizations, most notably the Economic Development Foundation and TÜSİAD (Turkish Industrialists' and Businessmen's Association) have taken up the cause of democratization and joining the EU, and have forged transnational alliances with partners in the EU. One hundred and seventy-five non-governmental organizations founded the *Avrupa Hareketi 2002* (Movement for Europe 2002), and the EU could use this initiative to its advantage to create the "boomerang effect" in Turkey. These facts support the change of course in Turkish politics, and have provided cause for optimism for the EU that Turkey could meet the political criteria by 2004. As noted by Onis (2003: 117), since 2000, Turkey has witnessed a "period of profound and momentous change in Turkish history...[A] change of this magnitude would have been impossible in the absence of a powerful and highly institutionalized EU anchor in the direction of full membership". (Onis, 2003: 117) In this respect, Guenther Verheugen, the EU's Commissioner for Enlargement, noted in 2003 that "the passage of reforms through parliament shows the strong determination of the Turkish government to get in shape for EU membership". (Turkey Update, 2003)

Indeed, the European Commission, while noting progress on several fronts, also stated in its 2003 regular country report that the "reforms have produced limited practical effects...[and] implementation has been slow and uneven." It highlighted problems with the courts and with the establishment of Kurdish education and media, and "inconsistent use of articles of the Penal Code when applied to cases related to freedom of expression."

Thirdly, the Copenhagen criteria stipulate the elimination of border conflicts of candidature countries with member states. As a result, Turkey faces a serious dilemma. Firstly, it has serious border disputes with Greece that needs to be negotiated and agreed upon for full membership. A much complex and vested problem stems the Cyprus case. With the accession of Republic of Cyprus to the EU in May 2004 without solving its border conflict is not only

outrageous from Turkish perspective yet also serves as a double standard mechanism which Euro-skeptics greatly dwelled on.

1.8 EUROPEANIZATION AS THE KEY FRAMEWORK

Taking the impact and the extent of Europeanization into consideration by studying Greek-Turkish relations in depth, I will use Europeanization as the main framework in my dissertation. The increasing role of civil dialogue between Greece and Turkey in the process of rapprochement and the influence of business associations in building new bridges between Greece and Turkey will be closely examined. It is important to assess the capabilities and limitations of civil society organizations and business associations on the Europeanization process of Greece and Turkey. Scrutinizing on local, national, regional and international linkages they use to exert their opinions and protect their interests will pose the greater picture how they operate.

Within the context of Europeanization, the emphasis of the EU on civil society and participatory democracy can challenge the domestic power and interest groups. It may further lead to redistribution of power within the polity and bureaucracy which can agitate some while favoring others. This would necessarily lead to strong opposition from the groups which would believe their interests, vocations or ranks are endangered because of the infiltration of European level structures into domestic field.

1.9 OBJECTIVE OF THE DISSERTATION

In the analysis of contemporary Greek-Turkish relations, it is important to find out how Europeanization in the past affected, and still continuing to affect the bilateral relations in general and the recent rapprochement in particular. In both cases, the interplay between the processes of top-down and bottom-up Europeanization reinforced positively the emergence of new actors in the decision making such as civil society organizations and business

associations. Indeed, it is instrumental to find out how and why Europeanization enforced the rise of these actors with respect to membership prospects. It is also evenly significant to draw linkages on the contributions and limitations of these new actors on the Europeanization of Greece and Turkey.

Given these, I argue that Europeanization will serve as the main reference not only during the negotiations of the *acquis* in the post-3rd October context, but also will be instrumental in the intergovernmental dialogue in general and in Greek-Turkish relations in particular. Moreover, Europeanization of Turkey will not stay as a political project, nor will it be a Jacobenist, elite-driven top-down process where the society is a passive recipient on the changes and reforms conducted on the political sphere. On the contrary, the business associations, corporations, and civil society organizations will be quite important since they actually have started to play an important role in the Europeanization and democratization of Turkey even before the Helsinki Summit took place in 1999.

Yet, there will be remarkable distinctions of the Europeanization process between Greece and Turkey and its implications on both countries. Especially, the analysis of the role of business associations on Europeanization of Greece and Turkey will illustrate the similarities and differences in their path of action. Likewise, the path that civil society organizations has followed to thrive are remarkably different from each other, particularly the time and space dimension of them distinguishes the impact of them.

I believe that one of the most underresearched questions in Greek-Turkish relations was the impact of business circles and civil society organizations on *rapprochement* within the Europeanization context. On the one hand, while business relations do not only have commercial value but also have political influence, their influence requires further examination. For instance, one of the main questions that arises is why Greek business associations distanced themselves from being politicized and kept themselves concentrated to economic and financial matters only whereas the Turkish business associations have

undertaken political responsibilities in addition to their economic role. As a common ground however, both have exerted pressure for *rapprochement* and lobbied heavily for the resolution of conflicts based on the fact that elimination of political risk provide new business opportunities between Greece and Turkey. The reconstruction of greater Balkans and Middle East are also considered as target zones among the business community in Greece and Turkey.

Likewise, civil society organizations should not be seen solely as instruments of low politics, nor their impact should be limited to inter-communal talks for confidence building. As Öniş and Yılmaz noted, the civil society initiatives and activities of NGOs were essential for starting to reverse the process of demonizing “the other” and for dispelling the long-lasting biases which had been aggravated by a nationalist rhetoric and sensationalist press on both sides. (Öniş & Yılmaz, 2005: 13) Therefore, their presence and actions are substantiating the key role in the *rapprochement* process, yet the level, effect and frequency of their action are bounded. The reason for that is their dependency on the financial resources as well as human capital.

How Europeanization affects civil society organizations and business associations in Greece and Turkey is another important question that needs further study. On the one hand, the EU provides the opportunity structures for civil initiatives within which it is providing legitimacy and funding for their activities. On the other hand however, the source of their legitimacy and financial resources put their activities under suspicion since they can be used as leverage to promote the pro-European policies.

The use of personal interviews with representatives from political sphere, civil societies and business circles will provide answers to these questions. I believe that the main contribution of the dissertation will be to enlighten the genuine role of business associations and civil society initiatives within the context of Europeanization in Greece and Turkey. The personal insights of those who are interviewed will be the key in this process of exploration. The primary motivation will be to find out what kind of business community and civil society

activities can and shall be done during the Europeanization process in comparison to scrutinize on what has been done before. Another important finding will stem from the analytical framework of the dissertation that will look into the *rapprochement* in greater detail in terms of selected variables to indicate the strength of the process.

1.10 ORGANIZATION OF THE DISSERTATION

The dissertation begins with the **introductory chapter** that gives background information about the current debate of Greek-Turkish relations. There, the security perspective is scrutinized and the aspects of Europeanization are briefly explained. Further, the factors that necessitate the use of Europeanization framework are highlighted for the study of Greek – Turkish relations. The first chapter also includes the objective of the dissertation and the organization.

The **second chapter** will look upon the phenomenon of Europeanization in theoretical and practical perspectives. The inclusion of theoretical framework of Europeanization and the literature review with special reference to its democratization aspect will constitute the major pillar of this chapter. The distinction between European integration studies and Europeanization will be highlighted. In the context of Europeanization, the similarities and difference between neo-functionalism and intergovernmentalism in their perception and conceptualization of Europeanization will be given a great emphasis. The theoretical debate will be concretized with factual examples that will be instrumental for deeper understanding of the prospects of Europeanization. The implications of Europeanization on Greek- Turkish relations will be briefly highlighted in the second chapter, which will be examined in a very detailed way in the fourth chapter.

In the **third chapter**, Greek-Turkish relations in historical perspective will be emphasized. The historical background will be periodicized into four parts: The first phase of Greek – Turkish Relations will be between 1959 - 1974 where both countries almost jointly

and simultaneously started their journey to European Economic Community (EEC) in 1959, yet ended with military campaign due to ethnic clashes in Cyprus. The second phase will deal with EEC – Greece – Turkey relations in the post-1974 era up to Greek accession in 1981. The interim period remarks historical change due to a series of political events, regime changes, military conflict and civic actions that led to a remarkable shift in the evenhandedness of the EEC. The repercussions of the shift are tremendously felt in the forthcoming period of the triangular relations in the post-1981 era. The third phase will put its emphasis on the period between 1981 and historical Helsinki Summit in 1999. The beginning of the third phase illustrates the end of equi-distant position of EU with the accession of Greece, and start of the rise of Turkey question. As Öniş (2003: 14) mentioned the key difficulty arose over the question of whether to treat Turkey as a “natural insider” or an “important outsider” from the EC/EU perspective. Whereas 1990s were marked as the low point between the EU-Greece-Turkey relations, the year 1999 can be seen as a major shift. The year witnessed the capture of Öcalan at first which brought Greece and Turkey into a very troublesome situation. The major earthquake which shook Turkey and Greece almost successively in the summer of 1999, and led to tremendous casualties enabled mutual activities of civic society organizations. The diplomatic and civil initiative that were undertaken by Papandreou, Greek Minister of Foreign Affairs, and Cem, Turkish Minister of Foreign Affairs, gave way to rise of opening a new era in Greek – Turkish relations in the same year. Finally, the Helsinki Summit which listed Turkey as a candidate country for full membership, which was also supported by Greece, affected the bilateral relations to a large extent. The last phase of the analysis will examine the post-Helsinki relations until recent, within which the change of government in Turkey in 2002, the renewed and eagerly attempts for full membership will be closely scrutinized. Hereby, a special reference will be given to the Cyprus issue with respect to Annan Plan and the consequences of Cyprus accession without the resolution of the conflict.

Then, the **fourth chapter** will focus on the Europeanization of Greece and Turkey in comparative perspective. First, the many faces of Europeanization will be a general theme of this chapter before moving on the Europeanization of Greece in specific. Questions such as: “How did Greece Europeanize?”, “Has the process been completed?”, “Do Europeanization and democratization go hand in hand?”, “Is Greece a unique case for the EU?”, “Has Greece become a Western stereotype democracy?”, “What are the benefits, what are losses of membership?”, “Which part of the society supported EU membership, which parts resisted?”, “Did they change over time?, Why?”, “Has there been change or continuity in the political, social and economic spheres of Greece after membership? If yes, how and why?” will be asked and their answers will be analyzed.

Then, Turkish accession process within the context of Europeanization will be examined. In this analysis, the similarities and differences of both countries with respect to Europeanization in general and democratization and economic development in particular will be emphasized. The effects of Europeanization on the foreign policy will be one of the highlights of the chapter. The scrutiny will put be on how national interests, the impact of membership and delegation of power from national to supranational and intergovernmental bodies interact and what their ramifications are on the foreign policy.

In this respect, the basic questions to be asked in this part will be “To what extent Turkey is compatible with Europeanization?” and “Where does the soft spot lie?” Then, the political economy of accession will be analyzed. In addition to ramifications of Turkish application for full membership in theory and in practice, research will focus on what the EU can economically offer to Turkey. Hereby, the attention will be drawn to what would happen if and once Turkey completes the negotiation of the *acquis*, given the fact that the membership is conditioned to the positive result of referendum in France, the volatile political atmosphere in the EU, and visibly less access to structural funds and aids of the EU budget after 2012.

At this juncture, the comparative analysis of the Turkish case with Greek accession will be highly beneficial. The challenges that Greece has gone through in the post-accession era, the changes that have occurred in the political sphere, the turbulence that Greek business and economic actors have experienced and the transformation of institutional basis and the effects of Europeanization will be brought under closer scrutiny. Then, the causes and the effects of the democratic consolidation of Greece in 1990's will be looked upon. In this manner, the underlying factors and the process of stabilization of political forces that aim to be Europeanized rather than marginalizing the foreign policy initiatives will play a great role in the comparative analysis. In the comparative analysis, a special subchapter will be opened for the Cyprus conflict within Europeanization context. The focus will turn to how Cyprus case is examined through Europeanization perspective by taking the interplay between politics, economics, and security considerations into account.

Next, the **fifth chapter** will include the role of business associations and civil society organizations on Europeanization. The findings of the interviews, which will be conducted with representatives from civil society organizations and business associations from Greece and Turkey, will extensively take place in this chapter. Particularly, the role that the business associations and civil society organizations play in the Europeanization of Turkey and Greece will be analyzed. Questions to be addressed include: "Do civil society organizations and business associations foster economic development, or undermine democracy?" and "Can their attitude change over time, especially with respect to their expectation formation?" In this chapter, the potential projects that business communities jointly can undertake, or at least collaborate will also be examined. Moreover, an attempt will be made to answer the questions including "Can they build synergy to act as joint powers in the wider Balkan region and the Middle East?", "Are the business segments of both countries contradictory or complimentary to each other", "Is it possible that Greek service sector and Turkish manufacturing can act together for an enhanced cooperation?", "What role do the civil society organizations play?".

Civil society organizations, their responsibilities, functions, and effects will be analyzed in two ways. First, the comparative study will illuminate how civil societies acted during the process of ongoing rapprochement between Greece and Turkey, especially from 1999 and onwards. Secondly, their individual effect on the Europeanization and democratization will be scrutinized. Finally, the results of the interviews will be presented in this chapter.

In the **final chapter**, the possible lessons for Turkey will be drawn with regard to the Greek accession to the EU where the negotiation policy of the Greek government will be scrutinized extensively. In this vein also, concluding remarks will be added, and policy recommendations will be included.

CHAPTER 2

EUROPEANIZATION IN THEORY AND PRACTICE

2.1 BACKGROUND

The concept of Europeanization enjoys increasing emphasis within the study of European integration. The term is used in a number of ways to describe a variety of phenomena and processes of change. As far as the definition, extent, origin, causes and effects of Europeanization are concerned, there is absolutely not a single set of definition on which the scholars have concurred upon. (Radaelli, 2004; Börzel and Risse, 2000) Although there is considerable conceptual contestation with regard to the question what it actually is, the literature speaks of Europeanization when something in the domestic political system is affected by something European. Hence, Europeanization, in its broadest term, is defined as the process of downloading European Union regulations and institutional structures to the domestic level. (Howell, 2004) Yet, the current debate about Europeanization not merely focuses on what Europeanization really is; on the contrary, the main emphasis on the literature focuses why Europeanization takes place, how it affects local, national and regional policy making processes, the mechanisms within which domestic level and EU-wide institutional structures influence the policy, polity and politics. (Olsen, 2001)

The research agenda of Europeanization has undoubtedly enriched the study of European integration by pointing out some previously underresearched questions, particularly related to the domestic implementation of European policies. In this respect, Börzel and Risse argued that European studies have tried to explain European integration and Europeanization processes for years where the debate between neo-functionalism and intergovernmentalism centered on the questions of the emerging European polity. (Börzel and Risse, 2000: 1-2) With the research agenda on the European studies, not only the dominant paradigms were being

contested, but all traditional approaches to European integration more generally have been put under closer scrutiny. After all, neo-functionalism (Haas, 1958), its contemporary counterpart of supranational governance (Stone Sweet and Sandholtz, 1998) and to a lesser extent also the multi-level governance approach equally concentrated on European institutions and their output in terms of European policies.

It is important to note that with the emergence of Europeanization, new terminology such as downloading and uploading were added up to the existing literature. Likewise, issues like policy transfer, shared beliefs, misfit and goodness of fit were extensively included in the ongoing researches concerning the processes of Europeanization. (Howell, 2004:2) One significant consequence that came out with the research agenda of Europeanization was the increased emphasis on the aspects of national politics that have traditionally been assumed less subject to European influence. The key areas of study included such as political parties (Ladrech, 2002), party systems (Mair, 2000), local government (De Rooij, 2002), refugee policies (Lavenex, 2001) or citizenship (Checkel, 2001). Thus, empirical studies have shown that it would be misleading to assume that Europeanization takes place only within the EU member states; on the contrary, the processes of Europeanization are quite vital in non-member European states such as Switzerland and Norway and in candidate countries in Central and Eastern Europe as well. (Radaelli, 2000) These studies indicate that Europeanization is not restricted to member states, or those states which are looking forward to benefiting from membership impact as the CEEC. Indeed, the effects of Europeanization are far reaching than those who are member or candidate countries and its impacts can go beyond the geographical borders of 'Europe'. The influence of Europeanization is genuinely effective in non-member states as well, even though they have not been provided the membership incentives, nor they are included in the forthcoming enlargement process. In this line, Turkey clearly denotes one of the best examples where the impacts of Europeanization were embodied throughout the historical discourse of Turkish application for full membership which dates back to almost five

decades ago. Although Turkey was not enlisted as a candidate country until the historical Helsinki Summit in 1999, the transformative power of European Union and the forces of Europeanization from a top-down perspective were prevailing in Turkish context which were accelerated significantly in the post-Helsinki era and paved the way for accession negotiations in the aftermath of the Summit. The reform process of Turkish political, economic and institutional system in the post-Helsinki era also pointed out the importance of Europeanization as a driving force of adjustment and exemplified the transformative capacity of the EU which became much apparent with the granting of start of accession negotiations and subsequent positive incentives of membership impact.

2.2 DEFINITION of EUROPEANIZATION and KEY CONCEPTS

Initially, the scholars tended to refer to Europeanization as an institution-building process at the European level. Research had focused on how EU interest groups diverged from their national counterparts and the growth of exclusive policy competences at the European level. (Cowles *et. al*, 2001: 3) From the mid-1990's and onwards, there occurred a shift from the direct study of European institutions to a more indirect approach via the national political domain by collections on the institutional adaptation of member states to EU membership. (Vink, 2002) Slowly, the emphasis of Europeanization was concentrated on its effect at the national level within which the activities of Brussels and their influence on the national political institutions from a top-down perspective were examined.

To begin with, Olsen admitted that there is no clear-cut definition of Europeanization on which everyone can agree, yet he argued that Europeanization definitely has certain characteristics through which it creates changes on the domestic level (Olsen, 2001: 2). First of all, Europeanization can be viewed as changes in external territorial boundaries. According to him, this involved the territorial reach of a system of governance and the degree to which Europe as a continent became a single political space. For example, he said that

Europeanization is taking place as the European Union expands its boundaries through enlargement. Secondly, Europeanization is meant developing institutions of governance at the European level. This signified center building with a collective action capacity, providing some degree of political coordination and coherence. Formal-legal institutions and a normative order based on some overarching constitutive principles, structures and practices both facilitated and constrained the ability to make and enforce binding decisions and to sanction non-compliance. Thirdly, Europeanization has been the central penetration of national and sub-national systems of governance where it involved the division of responsibilities and powers between different levels of governance. All multilevel systems of governance need to work out a balance between unity and diversity, central coordination and local autonomy. Europeanization, then, implied adapting national and sub-national systems of governance to a European political center and European-wide norms. Then, Europeanization is seen as a means to export forms of political organization and governance that were typical and distinct for Europe beyond the European territory. Europeanization here concerned relations with non-European actors and institutions and how Europe found a place in a larger world order. Europeanization, then, signified a more positive export/import balance as non-European countries import more from Europe than vice versa and European solutions exert more influence in international fora. Finally, Olson argued that Europeanization is as a political project aiming at a unified and politically stronger Europe. The degree to which Europe is becoming a more important political entity was related both to territorial space, center building, domestic adaptation, and how European developments impact and are impacted by systems of governance and events outside the European continent. (Olsen, 2001: 3-4)

As far as the definition of Europeanization is concerned, Green-Cowles, Caporaso and Risse defined Europeanization as the emergence and development at the European level of distinct structures of governance, that is, of political, legal and social institutions associated with the political problem solving that formalize the interactions among the actors, and of

policy networks specializing in the creation of authoritative European rules. (Cowles, et. al, 2001: 4-5) They asserted that Europeanization involves the interaction of new layers of politics with older one. They noticeably refrained themselves to define the exact patterns of interactions since they thought that these must be empirically analyzed. However, their broad notion raised questions on the precise meaning of Europeanization.

In this respect, Ladrech argued that Europeanization is an incremental process re-orienting the direction and shape of politics to the degree that EU political and economic dynamics become part of organizational logic of national politics and policy-making. (Ladrech, 1994: 69) He referred the adaptive processes of organizations by using the term ‘organizational logic’. He further acknowledged the importance of the adaptation, learning and policy change in his analysis. However, his over-emphasis on the role of institutions has the shortcoming that the role of individuals and policy entrepreneurs, which are actively shaping the policy agenda of the European arena and investing their valuable resources such as time, energy and reputation for future returns in terms of policy changes, are overlooked. (Bicchi, 2003: 9)

To overcome the weakness of Ladrech’s definition of Europeanization, Radaelli described Europeanization as the processes of construction, diffusion and institutionalization of formal and informal rules, procedures, policy paradigms and styles, ‘way of doing things’ and shared beliefs and norms which are first defined and consolidated in the EU policies and incorporated in the logic of domestic discourse, political structures and public policies. (Radaelli, 2004:3) Thus, he conceptualized Europeanization as an interactive process instead of a unilateral reaction and put emphasis on how domestic change is processed. According to him, the patterns of adaptation can be more complex than simple reactions to ‘Brussels’ and therefore the analysis of the effects of Europeanization on the national policy structures were ought to be multi-layered.

Similar to Radaelli’s definition, Hix and Goetz identified European integration as an independent variable and change in domestic systems or Europeanization as the dependent

variable. (Hix and Goetz, 2000) Howell viewed that this is a useful distinction if Europeanization is the outcome of change at the domestic level. (Howell, 2004: 3) However, he criticized that if the domestic level initiated change in the EU and affected European integration then the variables should have been reversed. Thus, the relationship between European integration and Europeanization must have been interactive and the distinction between the dependent and independent variable obscured (ibid).

Dyson and Goetz further pointed out the difficulties relating to Europeanization when they indicated how the term was used in a number of different ways. They wrote that Europeanization was sometimes used narrowly to refer to implementation of EU legislation or more broadly to capture policy transfer and learning within the EU. It was sometimes used to identify the shift of national policy paradigms and instruments to the EU level. Other times it was used in a narrower way to refer to its effects at the domestic level, or in a more expansive way to include affects on discourse and identities as well as structures and policies at the domestic level. (Dyson and Goetz, 2002) However, these broad definitions led to an inclusive conceptualization of Europeanization and caused criticisms of ‘conceptual stretching’. In this context, Radaelli argued that Europeanization was difficult to define because, if all things have been touched by Europe, to some extent or other, all things have been Europeanized. If Europeanization can be used to explain cultural change, new identity formation, policy change, administrative innovation and even modernization, it eventually becomes all things to all people and to some extent almost meaningless. (Radaelli, 2000: 12)

Moreover, Dyson explained that Europeanization remained a relatively new theoretical interest and has produced more questions than answers (Dyson, 2002). In a similar fashion Radaelli, by asking whether Europeanization is a solution and has a progressive programme, or a problem which produces degenerative shifts, clarified that Europeanization can be viewed as a problem more than a solution. He argued that Europeanization does not provide a simple fix to theoretical or empirical problems and therefore it must be seen as ‘something to be

explained’, but not ‘something that explains’. (Radaelli, 2004: 2) Likewise, Featherstone and Kazamias proposed that Europeanization was a “dynamic process unfolding over time” and through complex interactive variables it provided contradictory, divergent and contingent effects. (Featherstone and Kazamias, 2001) Nonetheless, they ultimately argued that Europeanization included both domestic and EU levels of policy-making and stressed the interdependence between the two. Indeed, they focused on the expansion of EU institutions and their policy-making capabilities, as well member state changes that were based on these expansions. In other words, concentration on downloading alone was not sufficient and conceptualizations of Europeanization needed to be considered in an understanding of the EU as ‘process’.

2.3 HOW EUROPEANIZATION AFFECTS DOMESTIC STRUCTURES?

Within the complicated system of interactions between EU rules, regulations and institutions and domestic structures, the member states are widely challenged. The crucial issue they encounter with regard to the public policy planning and implementation functions is the challenge of adapting to a multi-layered policy-making environment at the EU level. On the one hand, it is broadly agreed that Europeanization impacts the domestic structures through a multitude of ways. On the other hand however, how Europeanization affects the national structures is highly contested and therefore it constitutes a big research question within the field.

In this respect, Cowles *et al* utilized a three-level framework in their analysis. First, they identified the Europeanization processes such as legal practices, ruling of the European Court, EU Directives and policy mandates, state-society relations and EU norms which eventually necessitated adjustment at the domestic level. Secondly, they asserted that Europeanization will likely to result in domestic change if there is a misfit (Börzel, 1999: 579), or a mismatch between the European and domestic policies, processes and institutions. According to them,

the ‘goodness of fit’ arises consequently between the European and domestic level, which determines the degree of pressure for adaptation. Adaptational pressures affect the extent to which domestic institutions have to change in order to comply with European rules and policies. Thus, the degree of the pressure depends on the ‘fit’ or ‘misfit’ between European institutions and domestic structures. It follows that the lower the compatibility between European and domestic process, the higher the adaptational pressure. (Cowles *et al*, 2001)

In particular, Börzel and Risse identified two types of misfits through which Europeanization exerts adaptational pressures on member states. (Börzel and Risse, 2000: 5) The first is the ‘policy misfit’ between European rules and regulations, on the one hand, and domestic policies, on the other. As European policies can challenge the national policy goals, regulatory standards and administrative structures, the policy misfit comes into being. In their attempt to comply with European level policies, the member states are compelled to download the policies at their domestic core. In some cases, EU rules and regulations might be easily incorporated into the domestic practices because the mismatch is quite low, and the cost of adaptation is relatively limited. At some instances, member states might choose to adapt even before they are granted membership status. For instance, the United Kingdom liberalized and deregulated its transport policies before it became full member of the EU. In contrast, European norms and practices may run completely counter to national rules and regulations. In this vein, Germany had long resisted the implementation of the environmental stipulations of the EU which set forth some criteria through Drinking Water Directive. At the end of prolonged debates and discussion, Germany had accepted to comply with the requirements of the Directive and had started to invest in technological innovations to diminish its adaptational costs thereafter. (Knill and Lenschow, 2001: 120) At an extreme stance, countries may choose to opt-out for policies they think they cannot cope with. To exemplify, Sweden and United Kingdom opted out from the Single Currency Act, and resisted until recently to transform from national currency to single currency.

The second type of misfit that Börzel put forward is the ‘institutional misfit’ which challenges domestic rules and procedures. Although ‘institutional misfit’ is less direct than ‘policy misfit’, its effect is more incremental and likely to be perceived in the long-run. In this respect, she argued that European rules and regulations confront with the territorial institutions of highly decentralized member states which granted their regions to autonomous decision powers. Further, Europeanization may even threaten the collective understandings of national identity since it touches upon constitutive norms such as state sovereignty. (Börzel and Risse, 2000)

As far as the variation in structural change is concerned, Cowles *et al* acknowledged the third step in their conceptual framework as mediating factors. These factors are defined as formal institutions, strategies of national executives, existing political and organizational cultures and the learning process concerning the adaptation. In cases of high adaptational pressures, the presence or absence of mediating factors is crucial for the degree to which domestic change adjusting to Europeanization should be expected. Despite the fact that there is an ongoing debate between the goal setting, agenda building, incentive creating mechanisms of the factors on theoretical and practical fields, Cowles *et al* greatly emphasized their instrumental role in adaptation process of the European norms, rules and regulation.

Eventually, it becomes clear that although the Europeanization process plays a key role in the transformation of the national systems of governance and in the improvement of their institutional capacity, domestic institutions and especially the preexisting institutional infrastructure at the national level matters for adaptation. (Risse *et al*, 2001; Börzel, 2001) Moreover, this importance of the pre-existing institutional infrastructure has become evident in the transition of the CEECs as well. However, although institutions may facilitate or inhibit structural change, they cannot bring about change on their own. (Paraskevopoulos, 2002:3) He argued that the problem of the “goodness of fit” approach is that it does not provide an explicit institutional framework for facilitating learning and hence the adaptation process, given that

the conception of both the multiple veto points and the political/organizational cultures are quite problematic with regard to the learning and adaptation processes. This weakness of the “goodness of fit” approach is therefore evident in the field of public policy, where, while there is no provision of any specific institutional framework that would facilitate the learning process. (Paraskevopoulos, 2002: 4)

2.4 THEORETICAL FRAMEWORK

The analysis of causality between Europeanization and domestic structures has shown that it can run in both directions. In its beginning phase, the European studies in the 1970s and 80s had internalized the top-down approach towards Europeanization within which the effects of Europeanization on the domestic level were analyzed. The process of domestic change was largely viewed through a chain-like structure. (Dyson and Goetz, 2002) According to top-down perspective of Europeanization, the necessity to download the European norms and regulations emerged as a result of the pressure of EU on the member states. The adaptation of the processes, policies and regulations were ensured through facilitating mechanisms where key actors were institutions in general, and prominent and influential individuals in particular. Eventually, there was expected reactions and change at the domestic level despite the fact that the direction could have varied. (Ladrech, 1994) As the major objective, top-down approach was aiming to track down the implementation of European policies on the domestic level. The driving force of top-down researches was to understand how member states organized structure within the European framework. (Radaelli, 2004: 4) One other reason that pushed the authors to choose top-down perspective had been its clarity in terms of explanatory power and determination of cause and effect. (Howell, 2004: 7)

In contrast to top-down perspective, bottom-up perspective has a completely different research design which started to gain importance from 1990s and onwards. Instead of starting from European policies and politics as independent variable and tracking down the

consequences for domestic actors, policies and politics, the bottom-up approach starts and finishes at the level of domestic actors. (Cowles *et al*, 2001) Seemingly paradoxical, yet in a circular fashion, bottom-up standpoint begins at first the systems of interactions at the domestic level. It carefully analyzes the domestic structures and balance of power. Then, by using time and temporal causal sequences, the approach checks if, when and how the EU provides a change in any of the main components of the system of interaction. (Radaelli, 2004: 5) At the final stage, it tries to measure the consequences of all this in terms of change at the domestic level. In most instances, the conceptualization of bottom-up perspective emphasizes the creation of the EU policy-making structures, which border definitions of European integration, rather than clearly outline domestic up-loading. (Howell, 2000: 12) Finally, this view puts forth that Europeanization is not a new theory, nor is a term that produces new vocabulary. Featherstone and Radaelli wrote that Europeanization, in fact, is the ‘orchestration’ of existing concepts and theories, with major theoretical import from comparative politics and theoretical political analysis. (Featherstone and Radaelli, 2003: 320)

In this vein, Börzel argued that member states are not merely the passive takers of European demands for domestic change. They may act proactively to shape European policies, institutions and processes to which they have to adapt later. Moreover, the need to adapt domestically to European pressures may have significant return effects at the European level, where member states seek to reduce ‘misfit’ between European and domestic arrangements by shaping EU decisions. (Börzel, 1999: 592)

As a matter of fact, downloading and uploading have common features within which policy exchanges, adaptation and changes occur simultaneously. The traffic between the EU policies and domestic architectures runs into both ways, where the member states can take action against the EU policies and try to change them, and on the contrary, the EU can apply pressure and use facilitating mechanisms to change the domestic structures. To exemplify the interpenetration of uploading and downloading at the European level, Howell argues that the

policies of positive integration such as Single European Act (SEA), European Monetary Union (EMU), and Common Agricultural Policy (CAP) resulted from the sequence of uploading, European integration, and downloading.

From the theoretical perspective of the impact of Europeanization on domestic structures, Börzel and Risse argued the debate between neo-functionalism and intergovernmentalism had constituted the main frameworks which tried to explain European processes, policies and institutions in different angles. (Börzel and Risse, 2000) Cowles *et al* noted that although neo-functionalism and liberal intergovernmentalism have important differences, both posit a causal sequence from individuals, to groups, to national and to international decision making. (Cowles *et al*, 2001: 12)

Neo-functionalism underlined the autonomous power and energy of transnational society, especially when coupled with entrepreneurial institutions which take the initiatives to shape EU-wide policies such as security, common foreign policy, environment and migration. (Bicchi, 2003: 17) In this respect, the pillar of politics was laid down by society and economy, which collectively produced agents such as unions, corporations and professional organizations. (Haas, 1958) Political institutions played a minor role in shaping the interests and setting agendas since neo-functionalism put great importance on the social pluralism to a large extent. Thus, political institutions were viewed as means for channeling interests to central governments. The actors were seen as rational, goal-oriented and purposeful. They can perform cost and benefit analysis within which they also take the strategy of other actors into account. From this perspective, Europeanization was largely conceived as an emerging political opportunity which offers some actors additional resources to exert their influence whilst constraining other actors to pursue their goals. In this vein, neofunctionalists argued that Europeanization provided societal and subnational actors new resources, since the EU enabled them to by-pass the national executives. (Sandholtz, 1996) However, the lack of emphasis on

inter-state and intra-state bargaining, the overlook on the political processes and exaggeration of the role of collective bargaining systems constituted the soft spots of neo-functionalism.

Liberal intergovernmentalism emphasized the importance of states as the ultimate locus of decision making while giving credit to the ability of governments to shape the policy agendas as well as to their capacity to control institutions. According to liberal intergovernmentalism, national politics matter within which social and economic interests must be accurately defined and respective policies shall be designed to follow up these interests. Moravcsik argued that governments are self-interested actors, which are capable to gather extensive information about the orientation of domestic interests groups. By taking these into account and defining their preferences, states can internationally bargain and negotiate with their counterparts about the desired outcome. Hereby, institutions are key vehicles which enforce agreements and make bargains credible. (Moravcsik, 1993) Liberal intergovernmentalists also suggested that European opportunities and constraints strengthen the action capacities of national executives enhancing their autonomy vis-à-vis other domestic actors. (Moravcsik, 1991) However, the analysis of Moravcsik ignores the potential endogeneity of domestic structures and preferences in which domestic institutions and preferences of actors are dependent on Europeanization as well. (Cowles *et al*, 2001: 14)

In fact, neither can fully account the impact of Europeanization at the domestic structures since Europeanization does not systematically favor one particular group of national actors over others. (Börzel and Risse, 2000: 7) For instance, the existence of multiple veto points can empower actors with diverse interests to avoid constraints, and inhibit domestic adaptation. The more power is dispersed across the political system and the more actors have a say in political decision making, the more difficult it is to foster the domestic consensus, or establish ‘winning coalition’. (Cowles *et al*, 2001: 9) In contrast to multiple veto points, facilitating formal institutions can provide actors with material and ideational resources necessary to explore European opportunities and thus promote domestic adaptation. For instance, while

Bavaria and Catalonia have the sufficient manpower, money and expertise to be permanently present at the European level and have better access to new opportunities, Extremadura or Bremen lack the action capacity to do this. (Börzel, 1999: 588)

In sum, institutions and policy changes at the European level have profound political consequences which create tensions between domestic and regional, national and supranational. The emerging tension is the source of adaptational pressure whose degree is dependent on the ‘goodness of fit’. While the direction of downloading of EU policies, or uploading of domestic policies as a result of ‘misfit’ can change instantly, the institutional structure at domestic and at European level are the key elements in the Europeanization process.

2.5 HOW EUROPEANIZATION PRODUCES CHANGES?

As the mechanisms of Europeanization produce changes through adaptational pressures, mediating factors and means of institution-building policies, how domestic structures reacts to these pressures and how they accommodate them becomes quite vital. The analysis of Héretier and Knill (2000) and Cowles *et al.* (2001) to display the consequences of Europeanization on the domestic structures came out with four different possibilities. Taken together, they cover the magnitude of change and its direction (Radaelli, 2000) within which member states respond to EU changes.

In this vein, Radaelli first considered ‘inertia’, which is when political will to bring about change does not exist. This result may arise when a country perceives the EU political architectures, choices and models are distinct from domestic practices. It must be noted however that inertia is not sustainable over a long-term period of time and is subject to produce crisis and abrupt change.

Secondly, he put forward that ‘absorption’ emerges as an indication for adaptation. Domestic structures and policy legacy absorb non-fundamental changes, but maintain their

active core. H ritier noted that absorption is accommodation of policy requirements without real modification of the essential structures and changes in the ‘logic’ of political behavior. (H ritier, 1999: 21) Likewise, B rzel and Risse viewed absorption as a process in which member states re-adjust their institutions and policies without substantially modifying their existing policies. (B rzel and Risse, 2000: 10) As a result, the degree of political change is low.

Thirdly, member states can ‘accommodate’ the pressures of Europeanization by adapting existing processes, policies, and institutions without changing their essential features and the underlying collective understandings attached to them. (ibid) Howell observed that through accommodation downloading of European policies is compatible with domestic structures, policies, discourses and identities. (Howell, 2004: 10) According to Hall, accommodation provides ‘third order’ change, or paradigmatic change such as when changes on the fundamental logic of political behavior like a rupture of the party systems, or adoption of a new orthodoxy in monetary policy occur (Hall, 1993).

Unlike Radaelli, B rzel and Risse put forward that another possible outcome of the member states to the EU policies is ‘transformation’ (ibid). According to them, member states, by transforming their existing policies and institutions with the new ones that are most compatible with the EU, undergo high domestic change.

Finally, the fourth possible consequence, identified by Radaelli, is ‘retrenchment’ which is also labeled as ‘negative Europeanization’. As a matter of fact, this is a counter-production of what Europeanization is intended to generate since it implies less Europeanization of national policies than it was. This paradoxical result has been exemplified in a number of cases, for instance, the Italian government started to intervene more in transportation sector but not liberalized despite the enormous pressure of the EU. The reason for that has been identified as the strengthening of anti-EU coalition in Italy vis- -vis reformist political blocks.

Thus, there is no uniform response and reaction of member states to the European rules, regulations, policies and institutions. The political culture, existing political dynamics, institutional behavior, key actors interest and other parameters give weight to the degree of adaptation. The variation among the dimension and direction of domestic change of member states is important to note, which requires further empirical studies.

From a theoretical perspective, rationalist institutionalists argued that the more new opportunities and constraints Europeanization provides, the more likely is the redistribution of resources. Indeed, this will result in a major change of balance of power, and enable domestic actors to utilize their power to override various veto points. In the presence of multiple veto points, medium adaptational pressure will be at best accommodated if not absorbed, even if this means non-compliance in case of policy misfit. Finally, the mere absorption of low pressure of adaptation may be prevented by formal institutions which support domestic actors in exploiting albeit modest new opportunities. (Börzel and Risse, 2000: 11)

On the contrary, sociological institutionalism asserted that high adaptational pressure is likely to meet strong institutional inertia preventing any domestic change. Therefore, new norms, rules and regulations do not simply replace or harmonize existing ones. As a result, medium pressure for adaptation is most likely to result in domestic transformation, at least in the long run.

2.6 CONVERGENCE or DIVERGENCE?

There is little doubt among scholars that Europeanization changes the domestic structures, but the main question remains whether it leads or enforces a unilateral convergence of domestic institutions, policies or outcomes.

Radaelli wrote that Europeanization changes state-society relations to a large extent. As a result, technical bureaucracies are empowered, the institutions of economic policies are changed (Dyson, 2002), the operating environment for party politics is transformed. (Ladrech,

2002) Therefore, he invalidated the adage that ‘policies change but politics and polity do not’. (Radaelli, 2004: 14) Mény *et al* argued that convergence takes place in which there is a progressive emergence of a bundle of common norms of action, the evolution of which escapes the control any particular member state and yet decisively influences the behavior of public policy actors. (Mény *et. al*, 1999: 8-9) They further asserted that evidence for convergence can be found at three levels: the emergence of a European political agenda, the forms of interest representation, and the modes of operation of various actors. (Mény *et. al*, 1999: 17)

Europeanization however does not lead to convergence, Radaelli observed, the real life situation is much more complex and sophisticated. According to him, one can think of convergence as the means of creating a common European grammar. Moreover, it is very important to note that convergence does not mean the homogenization of domestic structures. There is no evidence that domestic institutional change corresponded the rejection of national administrative styles, legal cultures, societal relationships, or identities. (Börzel and Risse, 2000: 12) For instance, Risse underlined the fact that France did not shed its national identity *per se* when adopting a European one. Likewise, the meanings of ‘Europe’ differed in French and German political discourses, even though the elites in both countries incorporated Europeanness into their collective nation-state identities. (Risse, 2001)

Börzel and Risse argued that what looks like convergence at macro-level may still show divergence at the micro level. For instance, the EMU led to policy convergence among the member states except of those who are opted-out and set forth the convergence of inflationary and budgetary restraints as critical criteria. It also stipulated the institutional convergence of the dependence of central banks. However, the EMU did not lead to similar institutional arrangements in the economic and fiscal policy areas. What actually mattered for the convergence criteria of EMU were the ends; the means in which the goals were received were left to member states and they varied extensively among each other. (Börzel and Risse, 2004: 11) Respectively, Radaelli stressed the idea that countries with similar structural and

institutional characteristics respond with similar strategies to the opportunities and constraints provided by Europeanization. Nevertheless, it is difficult to generalize across policy areas, as the same country often responds in dramatically different ways to Europeanization (Radaelli, 2004: 14).

In summary, even though there is a tendency towards convergence in institutional framework, the pattern is more of clustered convergence rather than uniform convergence across Europe. (Goetz, 2002) Irrespective of the pressures of adaptation, every member state has a different set of institutions and actors facilitating or inhibiting change in response to these pressures. Multiple veto points, supporting formal institutions, norm entrepreneurs and cooperative formal institutions mediate between adaptational pressures and the outcome of domestic change. Thus, the facilitating factors of domestic change can explain the absence of full convergence and should lead to expect clustered convergence consequently. (Börzel, 1999)

2.7 CONCLUDING OBSERVATIONS

Europeanization has turned out contemporarily to be a key word that contributed to the understanding of changing nature of governance and shifting models of policies, polity and politics. Actually, Europeanization is not a new theory or innovation; rather it is a culmination of concepts and means of organizing existing theories. It systematically analyzes the comparative politics, international political economy and international relations in its approach of asking new questions on European phenomena. (Radaelli, 2004: 15) Featherstone added that Europeanization result in the revision and synthesis of existing conceptual frameworks in political science and concluded that Europeanization acknowledges dynamism, imbroglio and limits to determinism in present-day Europe. (Featherstone, 2003: 17)

Most of the current focus is turned on the mechanisms of Europeanization and the means it produces change. However, the limitations of the mechanisms have still remained as a question mark which requires further attention and careful study. The ‘goodness of fit’

approach has to account for agency and the transformative power of the discourse to gain more precision. Last but not the least, more interdisciplinary research as well as empirical studies need to be conducted in the forthcoming period.

The theoretical terrain of Europeanization will be converted into practical results and outcomes in the forthcoming 4th chapter which will scrutinize the impact of processes of Europeanization on Greece and Turkey in greater details through a comparative perspective. Notwithstanding the importance of historical discourses, major international dynamics and the role of policy entrepreneurs, the processes of Europeanization is prevailing in both countries for almost a half century although the adaptational pressures, institutional frameworks, policy objectives and membership incentives greatly varied among each other. From an analytical standpoint, the theoretical framework in general and the top-down and bottom-up perspectives in particular will be instrumental in elucidating the effects of Europeanization in Greece and Turkey. Here, the impact of Europeanization arises as reference point in assessing the transformation of Greece and Turkey from an authoritarian, military rule to a relatively stable democracy, establishing a solid democratic infrastructure and resolving border conflicts in a peaceful manner. In addition to democratization and peaceful resolution of conflicts, Europeanization tremendously affected the existing economic systems and radically influenced the preferences and the tendencies of politicians, actors, interest groups in which it created certain winners and losers. Both in Greece and Turkey, as the orientation towards Europeanization gained a noteworthy momentum, the shifts within internal political and economic structures were accelerated which demolished the old and traditional camps of pro-, and anti-European sentiments and led to formation of new blocs with different supporters. In explaining the re-orientation of existing political system, shifts in domestic politics, transformation of party politics and even their ideological stances in Greece and Turkey, the theoretical framework of Europeanization will be instrumental and path-leading. Thus,

Europeanization, in theory and in practice, is a sophisticated phenomenon whose causes and results are quite complex and differentiated that is worth for further research and analysis.

CHAPTER 3

GREECE AND TURKEY IN HISTORICAL PERSPECTIVE

3.1 BACKGROUND

Since the foundation of Turkish Republic in 1923, the discourse of Greek-Turkish relations is paved with repetitious cycles of rapprochement and marked with numerous bilateral crises. In retrospect, the triumph of Turkish military against the Greek army which was backed by British colonialists during World War I has been a very crucial turning point in the contemporary history of Turkey. The elimination of foreign powers including Greeks, and the subsequent establishment of the republican regime under Atatürk's leadership has led to numerous evolutionary changes in the nascent Turkish Republic in the aftermath of the World War I.

At first, the Turkish Republic in early 1920s has concentrated in domestic affairs to a large extent, and turned its focus to transforming the state and the society almost synchronously. There had also been profound attempts to establish democratic structures, yet two successive trials ended with clear-cut problems and consequent failures of democratic regime.

In contrast to domestic hardships, remarkable achievements have been gained within the international context in early years of the Republic. The Lausanne Treaty in 1923 signified the end of Independence War in Turkey, marking the victory of Turkish forces over occupying states, and denoted the success of the Turkish Republic to resolve the conflicts peacefully rather than using military means. However, disputes regarding the Hatay region, the future of Musul and the security of Straits remained unresolved in the Lausanne Treaty.

The treaty also brought up new openings in Greek-Turkish relations with a vital and long lasting impact. In addition to ending the war and setting the boundary between Greece and

Turkey, the Treaty also stipulated the population exchange from both countries based on Article 14. (Lausanne Treaty, 1923)¹ According to the Treaty, the Muslims living in Western Thrace and the Greek resided in Istanbul, Bozcaada and Gokceada were excluded from the mutual agreement of forced exchange. Nevertheless, the total number of residents who were influenced of the agreement was enormous. In specific, it is noted that 1.200.000 Greeks and 500.000 Muslims were exchanged as a consequence of the exchange. (Rumelili, 2005: 15)

It was no doubt that since Greece and Turkey earned their national identities by fighting with each other, their subsequent relations were affected. (Aydin, 2003: 224) In this vein, Richard Clogg (1991: 12) indicated that the protracted Greek – Turkish conflict which lasted over a century has profound ramifications on Greek - Turkish relations. He wrote that Greeks achieved her present boundaries through armed conflicts with Turks, while crushing defeat of the Greek Campaign in Asia Minor and the ensuing exchange of populations necessarily resulted in a poor climate in relations between the two countries. (Clogg, 1991: 12)

Concerning the long – term implications of Greek – Turkish conflict, Mustafa Aydin commented that ‘living history’ of both countries constitute a major obstacle that not only prevents the solution but even the discussion of the ‘real’ problems. In both Greece and Turkey, ‘history is not past; indeed, the past continues to live in the present’, Aydin elaborated further. (Aydin, 2003: 225) This anomaly stems from the fact that both Turkey and Greece have obtained their national identities by fighting against, and interacting with each other. Therefore, it would not be possible to understand contemporary Greek or Turkish history without taking the other’s history into account. In spite of the living memoirs on both sides of

¹ Full text of the Lausanne Treaty can be reached on ww.lib.byu.edu/~rdh/wwi/1918p/lausanne.html. In Article 14 of the Lausanne Treaty, it was stated that the islands of Imbros and Tenedos, remaining under Turkish sovereignty, shall enjoy a special administrative organization composed of local elements and furnishing every guarantee for the native non-Moslem population in so far as concerns local administration and the protection of persons and property. The maintenance of order will be assured therein by a police force recruited from amongst the local population by the local administration above provided for and placed under its orders. The agreements which have been, or may be, concluded between Greece and Turkey relating to the exchange of the Greek and Turkish populations will not be applied to the inhabitants of the islands of Imbros and Tenedos.

the Aegean, it was no later that both countries agreed on the Treaty of Friendship and the first phase of détente came into existence. (Onis & Yilmaz, 2005)

On the new phase of Greek – Turkish relations after the agreement on the Treaty of Friendship, Mustafa Kemal Atatürk stated on his address to the Turkish General Assembly: “*The national interests of Greece and Turkey are no longer opposite each other. It would be highly advantageous to both countries to seek security and strength for themselves in mutual friendship.*”. (Turkish Ministry of Foreign Affairs, 1993: 392)

Remarkably, the re-alignment of Turkish foreign policy with its Greek counterpart was not only a result of domestic dynamics, but it also reflected Atatürk’s foreign policy objective under the motto of “Peace at Home, Peace Abroad”. After the normalization of Greek – Turkish relations in 1930s, Greek President Venizelos made a successful visit to Istanbul and Ankara. The most significant outcome of the visit has been marked with Greek renouncement of all its claims to Turkish territory.

Following the Treaty of Friendship in 1930, the consensus on Balkans expanded with the subsequent foundation of Balkan Pact in 1934 by Turkey, Greece, Kingdom of Yugoslavia, Romania and Albania. The Balkan Pact manifested the harmonization of foreign policy of Balkan states against the perceived threat from Fascist Italy, and rising Nazi expansionism towards Eastern Europe and the Balkans. It was evident that Italy’s *mare nostrum* policy became the common denominator for re-thinking security priorities and revising threat perception in Greece and Turkey. This resulted in further cooperation and establishment of joint policies during 1930s.

It is also very noteworthy that Venizelos nominated Atatürk for Nobel Peace Prize in the 1934 as a gesture of good will, and indicator for rapprochement before the World War II broke out.

3.2 POST-WAR GREEK-TURKISH RELATIONS

When the Second World War broke in 1939, it was no later that the Axis forces turned their attention to the Balkans to which they posed great emphasis. This had put both Greece and Turkey into a very difficult position because of their geo-strategic importance. As they constituted the gateways towards Anatolia, Near Asia and Arab Peninsula, their choice to enter the war were quite important for both Axis and Allied forces. In the early years of the war, Fascist Italy and Nazi Germany attacked Greece at numerous times and despite the relative success of local military forces, the Axis annexed the country in 1941. This has led the emergence of the rival monarchist and communist resistance groups to initiate a guerilla war against the Axis which lasted until the British liberation of Athens in October 1944.

During World War II, Turkey found itself poised between the Axis Powers and the Allies. It kept a somewhat precarious neutrality throughout the war. (Ergüvenç, 1998: 3) As the Nazis took over the control of Greece and headed towards Turkey, President İnönü increased Turkey's efforts to keep its neutrality and succeeded to sign a Non-Aggression Treaty with Germans in 1941. İnönü intended to keep the balance of power and refrain from entering war neither on behalf of Axis, nor Allied forces. Thus, Turkey also sought the assistance of the Allied alike. Therefore, İnönü met Churchill in Adana in January 1943, and thereafter Roosevelt and Churchill in December the same year. In spite of repeated insistence of Allied, Turkey managed to keep its neutrality until the war ended. This neutrality, however, was costly to Turkey as at the end of the war, the West blamed Turkey for being an unreliable partner and Russia made territorial claims and demanded joint control of the Straits. Nevertheless, as the world order was being restructured in the post-World War era, especially led by the US, Turkey as well as Greece was trying to locate themselves in the new system.

Whilst the post-war international system was restructured by the US dominance, both countries constituted the southern flank of the NATO. Holding geo-strategic importance and proving geographical barrier towards the Soviet expansionism, Greece and Turkey were jointly

included in Truman Doctrine. As a result, they both benefited from the military and economic aid that was offered through the Marshall Plan. Evenly enough, both countries had entered the NATO in 1952 and started to constitute the southern flank of the Western powers. The attempt for revival of the Balkan Pact in 1953 was accomplished, but it turned out to be short-lived. Nevertheless, it was an important action of both countries towards protecting their security in Southern Europe and the Balkans. Thus, it can be asserted that the immediate post-war period was something of Golden Age between Greece and Turkey, since with the Cold War, the threat from the Soviet Union and its satellites led to close political cooperation between the two countries.

At this juncture, it is significant to analyze the underlying factors that enabled Greek – Turkish cooperation in the Balkans in 1930s and 1950s. As a matter of fact, the reasons for joint action are quite similar on both sides of the Aegean. First of all, the security risk that Greece and Turkey perceived in both instances was unexpectedly high against which they could not stand alone and could not overcome through their own means.

Notwithstanding the fact that they gained their independence by fighting each other, and past memoirs were vivid in the minds of people and policymakers, cooperation had been inevitable in both 1930s and 1950s since they wanted to protect their borders and provide security as their foremost policy agenda. Re-alignment of interests towards each other made it possible to assess their joint power much better vis-à-vis choosing isolationism and stand-alone policies. (Acer, 2002: 201)

Further, encouraged by the British in 1930s and the U.S. in 1950s to cooperate against the threat by outside powers, both Greece and Turkey were able to work together and collaborate under the Balkan Pacts and the NATO banner in putting aside their reciprocal disagreements. (Acer, 2002: 202; Aydin, 2003: 226) As a result of the security threats from external forces which had been visible during 1930s by the Fascist Italy and Nazi Germany, and 1950s by the Soviet Russia, Greece and Turkey harmonized their policies by building

security blocs founded by themselves, or through joining greater alliances such as the NATO. In this vein, both countries often subordinated their own national interests to the dictates of alliance cohesion and the need for collective action in their effort to prove their loyalty to the Alliance. (Aydin, 2003: 227)

What initially tipped off the disagreements between the two states were the developments related to the successive Cyprus crises and, over the next decade, relations were exacerbated by a number of other events, ranging from the continental shelf to the treatment of national minorities. Especially, as the demands for union, or for *enosis*, of Cyprus with Greece during the 1950s became ever more insistent, the brief honeymoon in Greek – Turkish relations ended abruptly with the Anti-Greek riots of 1955 in Istanbul. On 6-7 September 1955, Turkish nationalist groups, galvanized by the false news that Greeks have bombed Atatürk's house in Thessalonica, looted and burned around 4,000 Rum-Greek homes and businesses. (Rumelili: 2005: 16) This gave space to the emergence of extremism and enabled the rise nationalist sentiments in Greece and Turkey, which subsequently abolished the Greek – Turkish rapprochement in early 1950s and opened up an era full of conflicts and disputes.

3.3 DOMESTIC POLICIES, EXTERNAL AFFAIRS: THE RISE of CYPRUS DISPUTE

The perception of common security threat and both nation's priority over securing the boundaries against communist expansionism was significantly challenged when the major fault line emerged on the Cyprus issue with Greece's renewed attempts of *enosis* in the midst of 1950s.

From a historical perspective, the requests for *enosis* of the Greek Cypriots have not been new. The Greek Cypriots, which made up approximately 70% of the island population, expected the British colonialists to transfer Cyprus to Greece back in 1930s, which was initially welcome by the British power. However, the demand for *enosis* was opposed by the Turkish Cypriots that created a major division on the island's politics. In 1947, the governor of

Cyprus in accordance with the British Labor Party's declaration on colonial policy published proposals for greater self-government. The Greek Cypriots in favor of the slogan '*enosis only enosis*' rejected them. (Pollis, 1973: 587) In 1955, Lieutenant Colonel Georgios Grivas, a Greek Cypriot who had served in the Greek Army, began a concerted campaign for enosis and formed an underground guerilla organization, E.O.K.A (National Organization of Cypriot Struggle), which took up arms against the colonial power. They bombed public buildings and killed both British and Greek Cypriot opponents of enosis, which in later stages targeted the Turkish Cypriots as well. (Jones, 1959) In the same year, Archbishop Makarios, the leader of Greek Cypriots declared that they were more determined than ever to put an end to British sovereignty over Cyprus and added that strict British laws and imprisonments will not prevent their campaign from ending in *Enosis*'. (Giannakaki, 2003: 14) In 1956, self-government proposals came from Britain and again it was rejected and attacks continued. In contrast to Greek Cypriot sentiment, the Turkish Cypriots and Turkey wanted the British rule to continue. Moreover, in the case of British withdrawal from the island, Turkey advocated partition of the island among Turkish and Greek Cypriots unlike Greece which ardently supported the idea of union. (Dodd, 1999)

By 1959 there were two factors that called for urgent action on Cyprus. Firstly, the internationalization of the problem meant possible involvement of the Soviet Union and a worrying prospect for the West, mainly the United States. Secondly, both sides had started a tactical war against each other in which they had established organized fighting institutions. On the one hand, Greek Cypriots formed the illegal organization of EOKA in their attempt to achieve *Enosis* and declared that it would use any possible means for succeeding it. On the other hand, the Turkish side formed their organization, *Türk Mukavemat Teşkilatı* (Turkish Defense Organization), TMT. As a result of the establishment of the two organizations EOKA and TMT, Greek and Turkish nationalism in Cyprus became more vivid and inter-communal violence started to take place. (Giannakaki, 2003: 15)

The negotiations in Zurich and London to end violence on Cyprus were long and difficult, but there was a common compromise at the end of discussions by all participants: Turkey, Greece, Britain, the Turkish Cypriots and the Greek Cypriots. Subsequently, the final agreement was signed on 19 February 1959 at Lancaster House in London. The treaties that laid down the foundation of the political structure of the new state were: the Treaty of Establishment, the Treaty of Alliance, the Treaty of Guarantee, and the agreement on the basic structure of the RoC which contained the key provisions of the constitution which was drafted later. (Salem, 1992) The treaties and the constitution were signed on 16 August 1960 in Nicosia and went into effect immediately. Accompanied by the Zurich – London Agreements and the constitution thereafter, Cyprus would “be a bi-communal Republic with a single territory but a unique Constitution which embodied an agreed political partnership between Greek and Turkish Cypriots and which prohibited the political or economic union of Cyprus with any other State”. (Broome, 1998: 13)

According to Article 62 of the Constitution, the House of Representatives was going to have thirty-five Greek and fifteen Turkish members, elected by the Greek and Turkish members respectively². Moreover, for a bill to become law, a separate majority of the representatives of both communities was necessary. The second paragraph of the same article put forward that there was going to be 70 percent Greek Cypriots and 30 percent Turkish Cypriots for the cabinet, civil service and judiciary, whereas for the armed forces 60:40 ratio was required.

Concerning the Treaty of Guarantee, the three signatory powers Britain, Greece and Turkey undertook to guarantee the independence, territorial integrity, security and constitutional structure of the Republic. According to the Blaustein and Flanz, all three powers had “the right to secure the observance of all provisions of the treaty; in case of a breach of a

² The full text of the 1960 Constitution is available on http://www.oefre.unibe.ch/law/icl/cy00000_.html. According to the Article 62 and the following articles concerning the duties and distribution of representatives set forward that the 70-30 distribution of the seat was not subject to any statistical data.

provision, when concerted action proved impossible each of the guarantor powers reserved the right to act with the sole aim of reestablishing the state of affairs created by the present Treaty". (Blaustein and Flanz, 1972) However, after the signing of the 1960 treaties, problems arose between the two communities. The first incident occurred when Makarios started giving redundancy notices to Turkish-Cypriots policemen with the claim that they were exceeding the 30 percent quota, even though the Turkish Cypriots were refusing and saying that the Greek Cypriots were doing so over the 70 percent quota.

In 1963, Makarios proposed 13 constitutional amendments. These features included electing the Greek-Cypriot President and the Turkish-Cypriot Vice-President by the Greek-Cypriot dominated House of Representatives as a whole which was previously done by the Greek-Cypriot and Turkish- Cypriot members separately and to removing the veto powers of the Turkish-Cypriots. (Dodd, 1999) These moves were actually an integral part of the alleged "Akritas Plan" which was a plan designed to end the new republic by quickly suppressing Turkish-Cypriot reactions to 'imposed' constitutional change before outside intervention could be mounted. Once the essential unitary nature of the state had been demonstrated to the outside world, and the treaties of guarantee rendered unnecessary and inoperable, the state would be in a position to declare *enosis*. Certainly after 1960, *enosis* was not dead. Makarios still proclaimed his belief in it, which, if less sincerely held than hitherto, continued greatly to alarm the Turkish-Cypriots. (Dodd, 1993: 15) Eventually, Ankara rejected the amendments univocally which were supported by Athens which paved the way to the emergence of the inter-communal violence started in late 1963. (Broome, 1998) The events unfolding in the aftermath of the acceptance of 1960 Constitution demonstrated that both communities were not 'mature' enough for reaching a solution. The creation of an independent state was viewed by the two sides as an interim phase for materialization of *enosis* or partition. (Savvides, 2003: 22) It was difficult therefore for the constitution to function the way it should do.

3.4 THE EMERGENCE OF THE EEC AS A KEY ACTOR IN GREECE AND TURKEY

In the comparative studies of Greek-Turkish relations, the EEC / EC / EU has been mostly conceptualized as the common denominator, or as a key actor that affected the objective of foreign and domestic policies in Greece and Turkey considerably, since the EEC has influenced bilateral relations in a multitude of ways for almost half a century (Öniş, 2003a; Savvides, 2003; Baç, 1997; Yilmaz, 2003; Vural, 2002). The significance of the EU and its repercussions on domestic as well as foreign policies of Greece and Turkey have been intensified throughout the discourse of history of European Union and gained a vital pace especially starting from 1970's. Especially, the EEC/EC/EU's soaring emphasis on freedom of expression, civil rights, democratization, and its attitude towards the Cyprus issue are evaluated through national interest perspective (*Ethnika Themata* in Greek, *Milli Dava* in Turkish) on both sides of the Aegean, and have caused major unrest among the military and political elites. Therefore, it has been a common element of the relations that the position of the EU has been held under cross-fire from both sides where the sincerity, effectiveness, importance and the role that the EU fulfils have been questioned. Notwithstanding the role of opposition in both countries, the EU affected the democratization process and foreign policies of Greece and Turkey from above as well as from below. Moreover, the EU has become an instrumental actor in member-state Greece and non-member state Turkey although the mainstream processes, major developments, political structures and motivations, institutional frameworks of both countries greatly differed from each other.

In the analysis of historical relations between the EEC/EC/EU – Greece and Turkey, the historical background can be examined in four sections: The first section of Greek – Turkish relations will focus on the period between 1959–1974. The analysis will begin with the application of both countries to the EEC and end at the time when Cyprus crisis broke out. In

this section, the importance of the Associate Agreements, which both countries have signed, will be discussed and their political and economic effect will be closely scrutinized. The second section of the historical analysis will focus on EEC – Greece – Turkey relations in the post-1974 era up to Greek accession to the EC in 1981. Remarkably, following the Turkish intervention in Cyprus in 1974 and the collapse of military junta in Greece thereafter, the steps towards democratization and stabilization of political forces had increased in Greece. Given its eagerness, diplomatic efforts and lobbying activities for full membership to the EC, Greece successfully completed the negotiations and accessed the EC in 1981. However, Turkey, which followed Greek policies in parallel, had entered into a phase of disillusionment in the same time period. The critiques towards double standards of the EC, and doubts on the negative effects of the Additional Protocol influenced Turkish foreign policy and led to reluctance for applying for full membership to the EC as Greece did. Experiencing civil unrest and economic stagnation, Turkey turned inwards especially after 1978 while domestic controversy over European Political Community (EPC) was in hike. In 1980, Turkey encountered another military coup d'état that resulted in the abolishment of the existing political parties and settlement of the military regime for an interim period. This curtailed the EU integration process of Turkey. One year later, the accession of Greece to the EC led a major asymmetry, since the EC could not hold its even-handed position to both countries anymore.

The third section will emphasize the events, developments and dynamics in the post-1981 era until the historical Helsinki Summit of 1999. This period signifies the changing attitude of the EC/EEC/EU towards Turkey and soaring distinction between natural insider and important outsider. In this period, Turkey started to be perceived increasingly from an important outsider perspective. In this vein, a special emphasis was put on its economic role and geostrategic importance. The EC/EEC/EU behaved hesitantly to give necessary incentives to Turkey for full membership. Indeed, the EU had refrained from granting the candidate status until the Helsinki Summit in 1999. This period also witnessed the rise of the asymmetry

between Greece and Turkey. As Greece efficiently started to utilize its veto card in critical decisions such as the Customs Union, the membership of Cyprus, the transfer of EU funds to Turkey, it became clear to Turkish policymakers that bilateral disputes with Greece directly affect Turkish membership objectives to the EU, and the EU is no more capable, nor willing to hold its equidistant position vis-à-vis Greece and Turkey.

The last section of the historical perspective will examine the period from post-Helsinki to until October 2005, which is generally associated with the re-alignment of Turkey with its EU membership perspective more closely, and the emergence of rapprochement between Greece and Turkey. Accompanied by the Europeanization of public and foreign policy of Turkey especially in the post-Helsinki period, the country has undergone numerous top-down institutional transformations, experienced shift in political structures and witnessed major changes in party politics. With the election of the AKP government in November 2002, the process towards European integration has gained impetus which was also welcomed to a large extent by Greece. The major soft spot between Greece and Turkey had been the Cyprus conflict in this period, especially with the accession of RoC on May 1st, 2004 to the EU. It is remarkable that the RoC became a full member just after the Annan Plan was rejected overwhelmingly by the Greek Cypriots one week ago. Yet, no steps were taken towards ending the isolation and economic backwardness of TRNC, although they supported and agreed on the Annan Plan. Nevertheless, after the historical decision of 17th December 2004, which set the date for the initiation of accession negotiation on October 3rd 2005, a new era has been opened in the EU – Greece – Turkey relations whose impact will be much deeply scrutinized in the fourth section.

3.5 THE EEC - GREEK – TURKISH RELATIONS BETWEEN 1959 – 1974

In retrospect, ever since Greece and Turkey almost simultaneously had set sailed for their journey of European Economic Corporation (EEC) in 1959, the two democratic yet unstable

countries were treated evenly by the forerunners of EEC. What played a significant role in the application of Greece and Turkey to the EEC was also their search and desire to diversify their security risks and decrease their dependency to the U.S. The Community acknowledged that both countries were geo-strategically important in the Mediterranean region. In addition to this, both countries constituted a geographical barrier to the Soviet Union which was eagerly seeking communist expansion in the Balkans as well as in the Caucasus; so the EEC welcomed both applications and within a relatively short period of time proceeding the applications, it had signed Associate Agreement with Greece (Athens Agreement, 1961) and with Turkey (Ankara Agreement, 1963) successively.

Athens Agreement aimed to promote continuous and balanced strengthening of trade and economic relations. According to the agreement, tariffs and quotas would be abolished over a 12-year and trade restrictions would be totally moved over a 22-year period. The ultimate goal was to prepare Greek economy to Customs Union, and the harmonization of Greek and Community policy in various fields of *acquis*. Under the provisions of the agreement, the European Community provided \$125 million in investment funds within the first five years to Greece. The purpose of this long-term, low-interest loan was to restructure Greek economy that it would be capable of coping with the free competition of the wider European markets, rules and regulations.

Ankara Agreement, the counterpart of Athens Agreement, was signed in 1963 and included a preparatory stage that preceded the transitional stage of association. The Article 3 of the Agreement set forth that the preparatory stage shall last five years, unless it should be extended in accordance with the conditions laid down in the Provisional Protocol³. In addition to this distinction, Turkey's association envisaged Community's unilateral trade concession

³ Full text of the Ankara Agreement is available on <http://www.euoffice.metu.edu.tr/Ankara%20Agreement.htm>. The most controversial issue of the Ankara Agreement will actually arise on the first part of Article 3 which claimed that Turkey shall benefit from the aid of the Community to strengthen its economy. Especially from the 1970s and onwards, the issue of aid from the Community will constitute a major debate and disillusionment in Ankara.

and loans under a financial protocol unlike Athens Agreement, which included significant tariff reductions and other reciprocal adjustments.

Both in Greece and Turkey, there had been considerable domestic concerns whether the national economies can absorb the costs of the Customs Union and protect their competitive advantage over European companies. Yet, both Greece and Turkey have undertaken the trade-off where they asserted the long-term advantage of membership exceeds short- and medium-term losses of domestic industrial growth. (Onis, 2003: 5) Considering the prospects of the Association Agreement, the EEC had turned into an important external anchor which was able to send signals that affect the public as well as foreign policies of Greece and Turkey. However, the EU was not able to be as influential due to its institutional incapacity, poor allocation of financial resources, lack of appropriate political tools, weak signs of membership incentives, and most important of all, absence of military power to protect Greece and Turkey from the rising communist threat at that time. Despite this situation, soaring Cyprus conflict and its ramification on the bilateral threat perception in early 1960s was an important factor that facilitated both countries' rush for application to the EEC, since Greece and Turkey sought to avoid the jeopardy of to be left alone in the international arena politically, economically and also militarily.

At this juncture, it is also worthy to briefly analyze the role of the US during the Cold War in the Balkans with respect to democratization, security and long-term stabilization in general, and its influence on Greek – Turkish relations in particular. On the one hand, the US had been providing security measures and precautionary mechanisms to the “Southern Flank” under the NATO umbrella which enabled Greece and Turkey to align with the West against the war towards communism. As a result, both countries refrained from expansionary forces and protected themselves from pressures of communism which, at least in theory, should have resulted in the long-term stability in the volatile Balkan region. On the other hand, the recurrent intervention of the U.S. in domestic affairs, foreign relations, military and economic

decisions of both countries caused major unrest in Greece and Turkey. Especially, the attitude of US foreign policy in the aftermath of Cyprus conflict towards both Greece and Turkey paradoxically affected its influence negatively and had the consequences of causing profound rifts within domestic political structures and also military-civilian relations. Therefore, one of the key factors that promoted and accelerated the application of both countries to the EEC had been to diversify their risks by diminishing their over-dependence on U.S. economic and military aid.

The brief democratic period in Greece came to an end in 1967 with a military coup which was synonymous to the end of Greek honeymoon with the Community. The military-civilian clashes prevailed during the military coup d'état, most reasonably due to the costs associated with democracy were too high for the armed forces. (Gursoy, 2001:16) Therefore, they initiated a dictatorship. Also known as '**Colonels' Coup**', the military takeover of the charge was synonymous to freezing of relations with the EC. The Community responded by limiting the tariff reductions and other provisions as long as democracy was not restored.

In comparative perspective, Turkey experienced another military coup in 1971 for the second time in her democratic history. Significantly, the driving forces behind the 1971 coup were quite different than its predecessor in 1960 and its successor in 1980. Similar to both military takeovers, the 1971 coup was largely seen as an attempt to contain the rising political left and violence. Through enacting a "memorandum" to the government by some of high ranking officers to prevent a group of 'radical' officers from gaining political power and maintain the unity and discipline of the military, democratic rights were immediately suspended. (Karabelias, 1998: 24) Undeniably, the democratization of Turkey has taken an important stroke due to the 1971 coup; however, the quick recovery to democratic order didn't last long. Coupled with the 'Additional Protocol' in 1973, Turkey entered into a new phase with the EC (Gursoy, 2001:19). The EC put a new framework for Turkey's full participation in the Customs Union, which would include a 22-year transition period to prepare Turkey for fair

competition. Under the terms of the Protocol, Turkey was obliged to reduce its tariffs on European imports. In return of Turkish concessions, EC would provide free access to European markets except textile and petroleum products.

In 1974, the dynamics between Greece and Turkey changed historically. With the ascent to power of a Greek nationalist right-wing military junta in 1967, the dictatorship regime was explicitly seeking *Enosis*. The regime was overtaken by a hard-line counter-coup in November 1973. Following a seven-year period of tension and hostility with Makarios, the military regime attempted to overthrow him. The climax came in 1974 with a nationalistic coup against President Makarios, inspired by the Greek Junta Colonels who believed that ‘Makarios had brought to power an extremist pro-*enosis* puppet regime’. (Giannakaki, 2003: 16) As a result of increased tension in Cyprus, attempts for ethnic cleansing of Turkish Cypriots by the Greek Cypriots and the protection of Turkish very existence on the island, Turkish armed forces intervened in Cyprus in 1974. Undoubtedly, this remarked a historical turning point in EU – Greece and Turkey relations.

3.6 THE EEC – GREECE– TURKEY RELATIONS IN THE POST -1974 ERA: MAJOR TRANSFORMATIONS IN GREEK - TURKISH RELATIONS

In July 1974, the inability of the Greek junta to confront the Turkish military intervention over Cyprus led to the collapse of military dictatorship in Greece. The pre-coup leader Konstantinos Karamanlis had been set in charge for restoring order and paving the way for transition to democracy. He perceived EC membership as an opportunity for ending Greece’s long-term political isolationism, attaining political and economic power over the third party countries, participating in the restructuring of Europe and gaining greater security in her region after the withdrawal from NATO. (Karamanlis, 2000:8)

Quite significantly, it would be misleading to constrain Greece’s application to the EEC to economic considerations, since political and security concerns were *en masse* influential in

paving the way for their full membership aspect. As a consequence of feeling disappointed by American reluctance to support Greece's *ethnika themata*, Karamanlis tried to align his policies with the EC and submitted a memorandum for full membership on November 1974. Despite the strong socialist opposition by PASOK, the Greek business and industries favored Karamanlis' policies. The business sentiment in Greece was also positive about EC by the hope of having access to greater markets and reforming Greek bureaucracy.

The EC responded cautiously to Greek membership application. The Community revised Greek political and economic conditions and underlined several problems such as deterioration of Greek-Turkish relations after Cyprus crisis, systemic weaknesses of institutions, vulnerability of Greek economy and the cost of enlargement. In addition, Tsoukalis claimed that neither the British, nor the Germans favored encouraging Greece to see the EC as an alternative to NATO. (Tsoukalis, 1981) Only France gave enormous support to Karamanlis government not only because of French national interest, but also because of personal close ties between the French President Giscard D'Estaing and Greek Prime Minister Karamanlis. Taking all these considerations into account, the EC proposed a pre-membership period, which would be more far-reaching than the completion of association timetable. Consequently, the Community suggested a more substantial economic program, utilizing the structural funds to complete the necessary adjustments.

Greece responded quite strongly to the Commission's opinion and argued that the Community's proposal was an attempt to shelve Greece's bid for full membership. According to the Greek government, the Association Agreement had the same purposes as the pre-membership proposal. By the fear of return to authoritarianism in Greece and due to overwhelming support of France as well as other member countries, the Community decided to open negotiations to Greece. Importantly, Greece assured not to block Turkey's relations with the EC, once she became a full member to the EC. However, it became very apparent that

Greece repeatedly used its veto card in decisions that concerned Turkey such as full membership, financial aid and Cyprus issue after she accessed to the EC.

It is also noteworthy that the EC had started to utilize the membership carrot to enhance democratization for the newcomers. In its attempt to prevent applicant countries such as Greece, Spain and Portugal from returning back to authoritarianism and encouraging to consolidate democratic regimes in these countries, the EC showed the willingness as well as the commitment to become an influential external anchor from the foreign policy perspective.

The negotiations lasted almost three years and ended with Greek accession in 1981. In this decision, not only were the support of France, push of Karamanlis and his lobbying activities, a strong public opinion favoring EC-membership for Greece was important, but also the Greek strategy and the admiration of Ancient Greek values by the member states played a vital role. First, the crucial strategy was to give the highest priority to the speed of negotiations, even if this left some adjustment problems to be dealt with after accession. Therefore, the key national interest was perceived as obtaining the rights of full membership as soon as possible, rather than in defense of specific policy positions. Second, the member states feared that Greece may turn to dictatorship since the EC required democracy as a condition for membership but did not guarantee it. At this point, Greece heavily promoted her historical linkages to the Ancient Greek civilization, which proved to be successful. (Tsoukalis, 1981) In this vein, during the debate in the British Parliament in 1980 over ratification of Greek membership to the EC, a foreign office minister stated that Greece's entry would be "a fitting repayment by the Europe of today as the cultural and political debt that we all owe to a Greek heritage almost three thousand years old." (Clogg, 1992)

Comparatively, the divergence between Greece and Turkey in 1975 became much clearer. Unlike the arms-length case in 1959, Turkey did not apply in 1975 to the EC. The Turkish officials have probably misperceived the seriousness of Greece's attempts on behalf of EC and underestimated the speed of Greece of becoming a full member. Also, the withdrawal

of Greece from NATO led Turkey to assume that Greece would encounter security threats from Soviet Russia or some other external force. Therefore, Turkey didn't consider Greek application as important as it should had since the EC was at that time an economic and political institution in its core rather being a security and defense organization.

The period of 1970's also marked a crisis period in the EC and Turkey relations. The first misunderstanding between the partners stemmed from the perception of the clauses of 'Additional Protocol'. As Baç argued, Turkey perceived harmonization of agricultural products as joining the CAP whereas it meant trade liberalization for the EC. (Baç, 1997) Then, under the Community's newly adopted Mediterranean Policy, Turkey did not receive any priority or preferential treatment over other Mediterranean countries. Next, the Community failed to carry out its agreed obligations such as the entry of more Turkish workers into the member states and further concessions in agriculture and industrial exports. Lastly, the domestic political sentiment with the rise of Bülent Ecevit into power changed against European Community. At about the same time period, Turkey chose to blame the influence of Greek pressure and has accused the EU of submission to Greek blackmail. Ankara severely criticized the European stance on Cyprus, repeating that it had not occupied Cyprus. In Turkey's eyes, the EU persisted in its erroneous assessment of the Cyprus question and thus adopted a Cyprus policy based on the Greek view. Furthermore, from the Turkish economic perspective, the conditions by the 'Additional Protocol' were not fulfilled properly by the EC and therefore Turkey ended in claiming that "Onlar Ortak, Biz Pazar" – They are the partners, we are the market.

Turkish economic suffering after 1978 was echoed nearly in every social strata and the country went into deep social, economic and political turbulence. Despite numerous attempts to liberalize the economy and stabilize politics in early 1980, they were all short-lived. The armed forces, observing the deadlock in the Parliament, increasing tension between leftist and nationalist, and worsening economic conditions, have found no solution but to discharge existing political figures and to take the control of the state.

3.7 THE EC / EU - GREECE - TURKEY – RELATIONS IN THE AFTERMATH of GREEK ACCESSION

The third military coup in the Turkish history happened just before 110 days of Greece accession to the European Community. The military takeover of the democratic regime led the EC to suspend its relations with Turkey. At this juncture one should note that the relations with the EC were already deteriorated before the 1980 coup when Turkey invoked the Self-Protection clause of the ‘Additional Protocol’ and froze relations with the EC in 1978. Politically, as the EC decided to open the negotiation with Greece, a major paradox in the Turkish political history was occurring. On the one hand, Turkish policymakers had chosen to stay in line with Greece in its relations with the EC; however the accession of Greece meant to end of the period of parallelism. On the other hand, the EC had internalized an equi-distant position towards Greece and Turkey, yet by accepting Greece as a natural insider, Turkey stalled the relations and put itself into an outsider position. Accompanied by the economic disillusionments and soaring civic unrest, Turkey had turned its face inwards.

As unevenness towards the EC membership became clearer to the Turkish policymakers, it was no surprise that the relations with the community were suspended in the transition period following the coup d’etat. The reasons for the disappointment and perception of “betrayal by the EC” were multilayered.

On the domestic field, Turkey clearly missed the opportunity to follow-up the arms-length strategy with Greece as it failed to apply for full membership in the late 1970s. Considering the domestic turmoil and civil clashes in these years, and given the short-lived governments which were highly unstable, Turkey apparently missed the chance to proceed in its membership prospects towards EC. Hypothetically, it can be argued that by applying to the EC, Turkey would have not gained the membership status probably, yet it could also prevent, if not, at least postpone the membership of Greece. On the foreign context, Turkish

policymakers sensed that the source of the unevenness stems from the policies and attitude of the EC itself. As the EC favored Greek's application as well as it did Spain's and Portugal's with a greater responsibility to consolidate the democratic establishments, it clearly didn't send the same signals to Turkey both historically and contextually. (Öniş, 2003b: 6)

In the aftermath of the interim period following the coup d'état in Turkey and realization of Greek full membership in 1981, it was not until late 1983 that the normalization process in the political system and a new democratic election in Turkey took place. With overwhelming victory of the Motherland Party, headed by Turgut Ozal, the view towards the EC has changed. By considering the economic benefits which the full membership was offering and calculating the gain in domestic politics in the case of membership, Özal applied for the full membership in 1987. (Öniş, 2003a) A program of economic liberalization was adopted to prepare and modernize Turkish economy for entry to the EC. In 1988, Turkey submitted a five-year plan for the implementation of the Customs Union. However, Turkey's attempts proved to be unsuccessful with the decision of EC in December 1989 which rejected Turkey's application on the basis of the lack of human rights, improper economic infrastructure, continued disputes with an already member state and the persistence of Cyprus issue. This decision indicated the fact that the EC was no more keeping equi-distant position to Greece and Turkey with its argumentation of the reasons of its decision.

The reaction of the EC towards the Turkish application made also clear that the context of Greek-Turkish relations have changed strikingly. First of all, the community evidently distinguished between 'natural insider' and 'important outsider' with its decision. As Greece became an insider of the EC whereas Turkey was seen as an outsider, the evenness of the EC was put under big question marks. Secondly, as the EC did not recognize Turkey as a 'natural insider' as it did Greece, yet chose to treat Turkey as an 'important outsider', a significant and noteworthy asymmetry came into existence. As a result, the EC behaved reluctant to send

signals to Turkey for full membership but limited its relationship to Turkey's economic affairs to a large extent which caused further disillusionments in Turkey.

The EU automatically became a party of the enduring bilateral conflicts between Greece and Turkey either intentionally or unintentionally, whose objectivity is quite ambiguous. (Park, 2000: 39) Either way, the forthcoming discourse of the EU – Greece - Turkey relations showed that Greece successfully used its veto card during Turkey's bargaining process with the EU. Greece apparently also claimed that it would prevent Eastern Enlargement if RoC could not complete its membership process, it was evident for Turkish policymakers that Greece constituted a major obstacle in Turkish membership prospects which required special attention and generation of new policies to cope with this significant asymmetry.

The asymmetry had its foremost important impact when Greece vetoed the resumption of the Fourth Financial Protocol and blocked Customs Union (CU) negotiations in 1994. (Müftüler-Baç, 1997) The second major asymmetry was felt during the discourse of Customs Union Agreement. On the one hand, the acceptance of long-planned Customs Union between Turkey and the European Union in 1995 marked a major historical development. On the other hand, binding this decision upon the acceptance of RoC candidature created major problems on the Turkish foreign policy whose effects still can be observed in the ongoing Cyprus conflict. (Barkey & Gordon, 2002: 3) On the economic side of the Customs Union, all duties and quantitative restrictions in industrial products were abolished from the beginning of 1996 and Turkey was obliged to apply Common External Tariff (CET) in trade with third countries. But, agriculture and steel were excluded from CU and problems relating to the free movement of labor have been put aside. (Hale & Avcı, 2001: 43)

Not all the segments of the Turkish economy were affected the same way by the Customs Union. For instance, the textile industry enthusiastically supported the CU whereas automobile industry approached much more cautiously and doubtfully to this agreement. The Turkish Industrialists and Businessmen Association (TUSIAD) was in favor of the Customs

Union, believing that big business has more chance in surviving in an environment of increased competition. On the domestic political level, the CU was heavily criticized by the political Islamists who were evidently against Turkey's integration into the EU. Some leftists as well as secularists have also opposed the CU on the basis of losing economic sovereignty. (Öniş, 2003a)

Briefly after the Customs Union agreement went into effect, EU – Greece – Turkey relations entered into a period of downturn due to multiple reasons. The first crisis between Greece and Turkey broke out when the legal status of two islets Imia-Kardak on the Aegean was put under cross-fire which almost brought Greece and Turkey on the brink of war. Shortly after a reconciliation had been achieved, another crisis occurred during which RoC had attempted to locate S-300 missiles on the island. Accompanied by a series of diplomatic talks, the issue was resolved, yet bilateral problems on the island persisted. (Barkey & Gordon, 2002: 4 - 5) EU – Turkey relations went into a new phase of disillusionment and resentment when the EU excluded Turkey from the list of prospective candidates at the Luxemburg Summit in 1997. After this development, Prime Minister Mesut Yılmaz announced the end of political dialogue with the EU.

3.8 THE EU – GREEK – TURKEY RELATIONS IN THE POST – HELSINKI PERIOD

In early 1999, Greek-Turkish relations went through another major crisis when it was revealed that the terrorist Ocalan was harbored by the Greek officials in Kenya and got direct aid from them. Turkey reacted outrageously to this which resulted in remarkable changes in the Greek domestic as well as foreign policy alignments. Despite contention between countries, an important factor that was quite instrumental in the emergence of rapprochement between Greece and Turkey was the dialogue established by Papandreou, Greek Minister of Foreign Affairs, and Cem, Turkish Minister of Foreign Affairs. In the wake turbulent times and deepened hostility, the unprecedented diplomacy gave way to rise of opening a new era in

Greek – Turkish relations in the same year with a focus for cooperation on areas such as trade, tourism, culture, science and technology, the environment and the economy. (Evin, 2005: 396)

What deeply impacted both countries at about the same time frame was the earthquake in late 1999 which caused tremendous casualties and awesome losses. Given the role of civil diplomacy in the aftermath of the twin earthquakes, and the means of low-track diplomacy in fact initiated a renewed phase of détente.

In light of these significant developments, the Helsinki Summit became a critical historical turning point in the EU – Greece – Turkey relations. Overrunning the decision at the Luxembourg Summit, the Helsinki Summit named Turkey as a candidate after a process of thirty-six years. (Tsakonas, 2001: 2) The avoidance of Greeks to use their veto power at Helsinki Summit and their further support to Turkish candidacy was very crucial, which signaled a major rupture in Greek foreign policy. It turns out that Greek policymakers have started to recapitulate their best interest within which Turkey did not give up its intention of becoming full membership, but eagerly pursued its prospects towards EU membership. An isolated Turkey from the west would push the country to the margins and result in the rise of nationalist sentiments among the public opinion which had been observed with the soaring votes of rightists and nationalist parties with the 1999 elections. Indeed, the positive correlation of the influence of Greeks veto power with Turkey's ambitions of membership prospects made it necessary the Greek leaders to revise their objectives and their long-run interests in general, and their Turkish policy in particular. As a consequence of the Helsinki Summit, Turkey prepared and submitted a National Program in 2001, which were followed by 34 Constitutional Amendments and Harmonization Laws which allowed long-disputed education in mother language and the removal of death penalty. (Müftüler-Baç, 2002)

Proceeding the landslide victory of Justice and Development Party in 3 November 2002 elections, a new era began in the EU - Greece - Turkey relations which also had tremendous effects on the future of Cyprus question. Often being accused of having a secret political

agenda and being stressed of his party's Islamic orientation, there were serious doubts in Erdogan's foreign policy priorities at the beginning (Yılmaz, 2003). Emphasizing the importance of EU membership impact right after its election, the AKP government worked hard to get the timetable for accession negotiation at the Copenhagen Summit in December 2002.

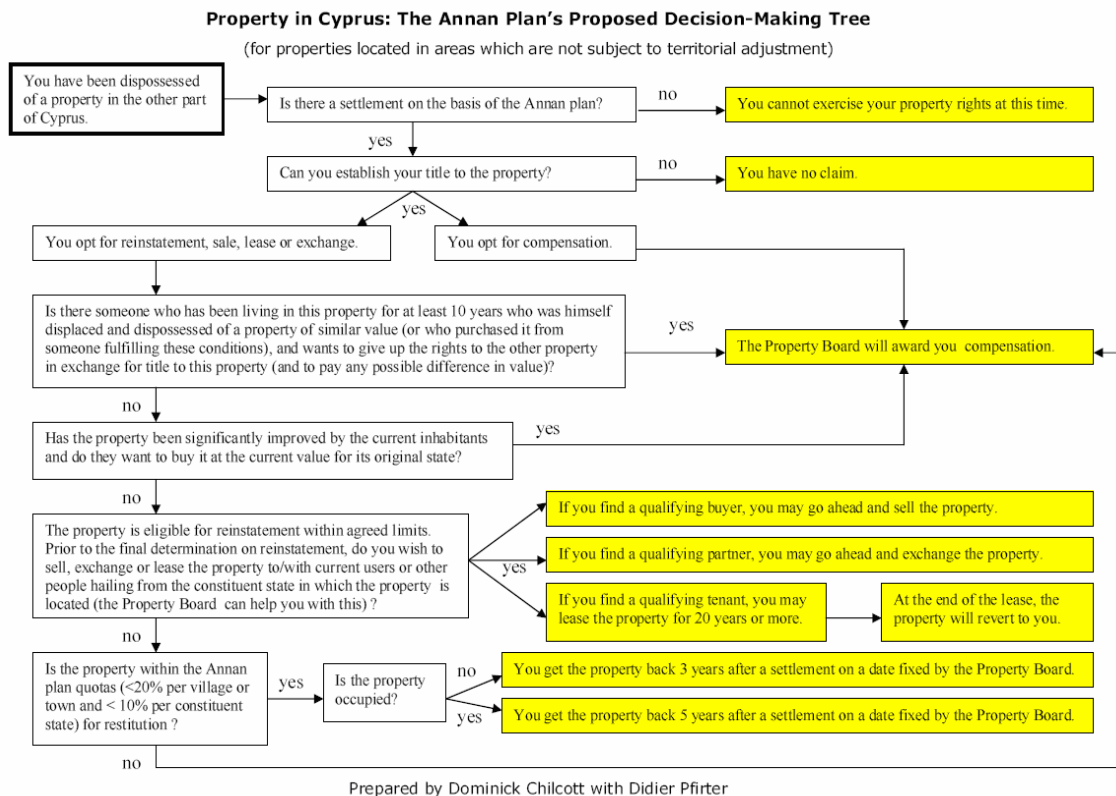
However, Greek – Turkish relations again entered into an awkward situation at the Copenhagen Summit due to the resolution of Cyprus. While the EU has said that it would prefer to see a Cyprus settlement before the accession takes place, a settlement is not a prerequisite for admission. (Barkey & Gordon, 2002: 6) By doing so, the EU has extended its asymmetry further, since it felt short to give the necessary incentives to Turkey as well as Turkish Republic of Northern Cyprus (TRNC) to compromise and resolve the Cyprus conflict through the mediation of European channels. (Oguzlu, 2002: 8)

With the attempts to revive the negotiations for Annan Plan, it was expected by Turkey that the plan can offer a much equitable solution for Cyprus unlike any possible solutions the EU could offer. In the general sense, the Annan Plan mainly strove to ensure workability and no vetoes are allowed like in the 1960 Constitution, but a special majority would be required with only 40 per cent of each side. The plan proposed the establishment of a federal, bizonal republic with a single international personality and single citizenship and attempted to equalize the living standards between the two communities. It has endorsed many principles which had the Swiss-inspired sovereignty and Belgian-style federalism with EU governance. (Rotberg, 2003) The plan's preamble explicitly stated: "Component states shall participate in the formulation and implementation of policy in external and EU relations on matters within their sphere of competence in accordance with Cooperation agreements modelled on the Belgian example".

The Annan plan also set forth the establishment of a new state of affairs in Cyprus with the creation of a United Cyprus Republic, which would be an independent state with a federal

government and two constituent states, the Greek Cypriot state and the Turkish Cypriot State. (United Nations, 2003) As far as territory is concerned, the Annan Plan was fulfilling Greek interest due to premises to leave control a larger part of island to Greek Cypriots. In this respect, the Annan Plan envisaged a reduction of the northern zone to approximately 28.2 per cent of the land to the Turkish Cypriot federated state and the remaining 71.8 per cent to the Greek Cypriot state. The plan also included the problematic return of Karpas to Greek Cypriots. In this plan, it was incorporated the transfer of approximately half of the territory of the British sovereign bases to the Greek Cypriot state. (Tocci, 2003:205) In addition to this plan, as Vassiliou, the Chief Negotiator for the accession of Cyprus, highlighted there would be a ‘problematic’ return of around 90,000 Greek Cypriot refugees to their properties under Greek Cypriot administration; another 50,000 would be able to go back into the Turkish Cypriot federated state over a period of 15 years. (Vassiliou, 2003: 12) While freedom of residence and property would be thus restricted, freedom of movement would be fully liberalized. In this respect, Rotberg demonstrated the decision making structure of the Annan Plan in which citizens of both sides were provided the right to reclaim their rights on their properties if they were dispossessed from their land. The Plan put forth that the Property Board should be in charge to determine the compensation and had a limitation within the quota of Annan Plan. (Rotberg, 2003: 18)

Figure 1. Property in Annan Plan



As for security matters, the plan asserted complete demilitarization of the island as soon as Turkey joined the EU. It also set forth that The UN peacekeeping operation will remain in the island, empowered by a new mandate, which will monitor the implementation of the agreement. Especially, security clauses of the plan invoked strong opposition among the military elites and anti-EU circles in Turkey.

The eventual failure of the acceptance of Annan Plan in fact reflected the duality the EU had been facing. On the one hand, Turkish Cypriots have greatly supported the plan mainly because of the opportunity to end their long-lasting isolation. They also expected to benefit from structural and cohesion funds of the EU in their inquiry for increased economic security and prosperity. Undoubtedly, they also wanted to protect their independence and security on the island regardless of the outcome of the referendum. As a combination of these factors, the Turkish Cypriots embraced the Annan Plan and have enthusiastically supported it as the results of the ballots had shown.

Table 1. The results of Annan Plan

VOTING PART	YES	NO	TURNOUT
TRNC	64.90%	35.09%	87%
ROC	24.17%	75.83%	88%

Source: UN, BBC

Yet, they were not rewarded either by the UN or the EU neither politically nor economically. Their isolation continued and no major steps towards abandoning it were taken until very recently.

On the other hand, the Greek Cypriots have not encountered any sanction by the EU notwithstanding the overwhelming rejection of the plan. Thus, the developments prior and after the Annan Plan presented the asymmetric incentives of the EU and noticeably indicated the dilemma between effectively contributing to resolution to the Cyprus conflict, or prolonging the conflict without giving any prospect to Turkey and TRNC, and preparing the roadmap for the resolution.

Nonetheless, Turkish ambitions to get the timetable for full membership pursued in the aftermath of the failure of the Annan Plan, which were successfully realized with the historical 17th December 2004 decision that envisaged the start of accession negotiations on 3rd October 2005. Domestically, this was a result of the establishment political and economic stability in the aftermath of post-2001 crisis under AKP government, and the subsequent improvement of key macroeconomic parameters and further steps for democratization in line with Copenhagen criteria. Externally, the proactive foreign policies, diplomatic efforts and lobbying activities of Turkish government along with business and industrial groups as well as the NGO's bear its fruits. Another important factor that required further emphasis was the role of the Greek policy. It is very important to note that the change of Greek foreign policy was crucial in Turkey's ability to start the negotiations since the decision of the EU was neither rejected by Greek nor the Cyprus side despite the fact that both of them put reservations on Cyprus conflict.

3.9 CONCLUDING REMARKS

When the historical developments between Greek – Turkish relations over a long time span are analyzed, it can be asserted that the major problems between Greece and Turkey are largely concentrated on border-crossing issues. Further, the issues that divide both countries except Cyprus issue are not major. Yet if the problems are taken as a set of package, they produce mutual suspicions on the roadmap for resolution of conflicts. (Chipman, 1988: 77) In this respect, Karaosmanoglu noted “Disagreements over Cyprus and the Aegean are at the basis of present hostility. Although both parties usually formulate their claims in precise terms, the disputes are essentially political and the issues are often dominated by nationalistic perceptions and historically defined attitudes”. (Karaosmanoglu, 1988: 339)

Concerning the role of the EU in the bilateral relations, it can be argued that since the inception of the Europeanization journey of Greece and Turkey back in late 1950s, the EEC / EC / EU has been powerful actor that influenced Greek-Turkish relations in a multitude of ways. While contributing to the economic development, political stability, social coherence and democratization processes of both countries, the EC/EU has been able to successfully transform Greece and Turkey. However, it is very important to note that its attitude has not been unilateral, nor has retained its parallelism to both countries. Throughout the historical discourse, the EU, especially after later 1970s, has shown great variation and asymmetry towards Greece and Turkey. Thus, it has also contributed wider resentment and discontent between both countries, especially when the historical context of Cyprus and the role of EU regarding the conflict have been taken into account. In specific, following the decision of Copenhagen Summit in December 2002, which allowed Cyprus to gain full membership status before actually solving its disputes has constituted one of the major fault lines of the EU. Accompanied by the reluctance of the EU to support Annan Plan and pressurize RoC for acceptance of the plan has enhanced the asymmetry towards both countries.

Nonetheless, the EU-Greece-Turkey relations gained an impetus with the decision of European Council on 17th December 2004, when it made its long-awaited decision on beginning negotiations with Turkey regarding its full membership. Along with the start of accession negotiations on October 3rd, 2005, it would be highly likely that his process would affect the future discourse of Greek – Turkish relations where two main possibilities are prevalent. First, the negotiation process may reinforce the resolution Aegean disputes and Cyprus problem by using diplomatic channels instead of traditionally applied military means. Through European mediation, diplomacy and lobbying activities, a common ground between Greece and Turkey for overcoming the disputes can be created which can foster solid opportunities for resolution. However, this definitely requires an insistent, strong and committed government in both countries with supportive public opinion. The second major possibility may arise when either EU or Turkey would choose to slow down the negotiation process mainly due to domestic and internal considerations. The consequence would be the prolongation of the disputes and further complications of the resolution. In both cases, few can expect the return to military actions, or escalations of further crisis except the ones in the domestic political as well as the economic field.

CHAPTER 4
EUROPEANIZATION OF GREECE AND TURKEY
IN COMPARATIVE PERSPECTIVE

4.1 BACKGROUND

Europeanization as a term has applied across a variety of contexts and to describe different phenomena in the recent decades. In its broadest meaning, Europeanization often appears to be used synonymously with European integration. It almost became a common denominator to refer Europeanization as a description of the EU's own processes and impacts especially when the deepening and widening of the EU integration processes are taken into account. Albeit there is relative truth in this assumption and conceptualization, EU-wide integration constitutes only a small piece of the greater puzzle of Europeanization.

In specific, most of the analyses of Europeanization concentrate on the top-down approach which emphasizes the processes of adaptation and underlines the significance of socialization. The transmittance of the EU-level policies, politics and polity into the domestic level has been the key elements of the top-down approach. Eventually, top-down approach asserts that this transmittance leads to penetration and internalization of EU norms and practices into the national structures and systems due to adaptational pressures. According to the constructivist thought, top-down approach of Europeanization should not be limited to simply adaptation or socialization, nor must it be gauged as integration. Remarkably, constructivists note that the gradual formation of collective identity shall be given great emphasis, which is applicable to country-specific foreign policies within European foreign policy as it is in the domestic context. (Economides, 2005: 472)

The other broadly identifiable facet of Europeanization is commonly referred to as the 'bottom-up' approach. Here national interests and policy preferences are neither seized nor transformed by a European foreign policy agenda but rather are projected onto it. States use the

vehicle of the EU and its weight in the international arena to promote their national objectives and foreign policy priorities. In this case, the impact of membership in the form of Europeanization comes about through belonging to a particular institution of like-minded states, which collectively could be a more successful vehicle for the attainment of specific goals.

It is very important to distinguish between the forces and impacts of top-down and bottom-up Europeanization; however, it should also be noted that there exists a dynamic interplay between the processes of these two approaches. On the one hand, top-down Europeanization analyzes the adaptation process on a systemic level, and focuses more closely on the pressures that arise as a result of institutional and policy misfit of European policies, rules and regulations at the national fora. On the other hand, bottom-up approach begins from a micro level perspective and concentrates on individuals and institutions to a large extent. While assessing their impact on national polity and policies given the transformation induced by the forces of Europeanization, bottom-up approach aims to find out how and why changes come into existence in a circular fashion. While the EU applies pressure to nation states for harmonizing domestic rules and regulations with the European *acquis* as well as setting up the institutional framework that is compatible with European systems from above, it also facilitates the emergence of new actors towards pluralist democratization from below by providing financial assistance, credibility and legitimacy. Hence, both approaches in fact are existent simultaneously which makes it difficult to separate one from another. Given these, a key emphasis will be given to top-down Europeanization in Chapter 4, whereas the primary focus will be shed on bottom-up Europeanization in the forthcoming chapter. In both chapters, the interactive structure of the forces of Europeanization will be taken into consideration while elaborating on the transformation of Greece and Turkey from above as well as from bottom.

To begin with, the impact of Europeanization can be conceptualized in three different perspectives. Firstly, it corresponds to the increase and expansion of institutionalization at the

EU level such as the development of the EU's competence and coordination in foreign and security policy. Secondly, Europeanization is the adjustment that is evident in the institutional setting. It incorporates norms, rules, identities and interests of actors within a structured relationship. Thirdly, Europeanization is not only a process that affects or is affected by the European dynamics only. Similarly, it does not only shape member or candidate states, nor is affected by the pressures of them. Rather, Europeanization is a larger concept that is increasingly affecting non-European, non-member states as well through different means which shall be taken into consideration. (Featherstone and Kazamias, 2001: 6)

The empirical case studies stress the aspects of Europeanization as dynamism, asymmetry and fragmentation. On behalf of dynamism, the terms of EU accession has evolved into a very complex structure especially after the Maastricht Treaty. For instance, when Greece joined the EC in 1981, there was little reason to predict the magnitude of the later commitment to a single European market or a single European currency. Moreover, individual programs, like EMU, can undergo significant evolution in the implementation process not least because of changing bargaining strengths between key players. Therefore, the impact may be uncertain and irreversible. Furthermore, the effects of Europeanization are asymmetrical. It varies across regions, countries, sectors and locations and the convergence criteria for Europeanization is not uniform. Finally, Europeanization is an involving process that has profound fragmentation effects on domestic society, creating or strengthening social cleavages, based on competing economic interests. The restructured cleavages set new constraints, revise opportunities and stimulate a redefinition of both preferences and interests for the actors involved. During the process of Europeanization, advocacy coalitions are likely to compete for power and re-allocation of power is likely to occur which will eventually distort existing power and interest groups. Indeed, the re-shuffling of power and interest in domestic structures stimulate the differentiated responses of actors.

Noticeably, the forces of Europeanization also affect the power structure and shift the power bases of moderates and hardliners alike. As the cases in Greece and Turkey exemplified, the support and resistance bases have switched over a long time span when the processes of Europeanization would be closely scrutinized. To illustrate, the left, especially under PASOK in Greece moved from anti-EC rhetoric while it was in the opposition to a more pro-European stance when it became the governing party in the post-1981 era. It abandoned its hard-liner and Euroskeptical perspective to a large extent, and instead started to question how to maximize the benefits of accession by preserving the national unity and security objectives within the European framework. Unlike the Greek case, the left and especially Republicans in Turkey, represented politically by CHP, shifted its stand from a pro-European perspective to a more Euroskeptical view in light of the political and economic developments in the post-Helsinki era. On the contrary to the left in Turkey, the conservatives and the right politics under AKP underwent a dramatic change in its attitude towards European integration and democratization after it won a landslide victory in November 2002, and turned out to be one of the most ardent supporters of Europeanization in Turkey.

On the discourse of Europeanization of Greece and Turkey, there has been a similar pattern with the emergence of two camps which can be denoted as the pro-EU and anti-EU. On the one hand, there are more positive such as reformers which constitute the pro-EU camp and on the other hand, there arises more resistant groups to EU policies like traditionalist which are generally labeled as Euro-skeptics. It is also possible that epistemic communities may emerge which will bring national and European technocrats together, since engagement in the EU notably advantages certain actors. (Haas, 1992:13) In Greece and Turkey, these actors are traditionally technocratic reformers, business associations, conglomerates and private initiatives that involve with external trade when compared to those which continuously seek state intervention and protectionism in the economic activities. This restructuring of power, preferences and interests of sets of actors constitutes the fragmentation effect of

Europeanization. Thus, Europeanization creates and reinforces domestic cleavages based on competing notions of reform, economic interest and identity. The impact is felt in social, cultural, economic and political terms as change and continuity are juxtaposed as domestic fault lines across the domestic system.

Moreover, the EU might be visualized as a penetrative agent, participating in the domestic political processes of states and affecting the level of acceptance of its policies. In this perspective, the EU participates in the selection of goals, the allocation of costs and the mobilization of resources and capabilities in the domestic policies process. (Siegel and Weinberg, 1977: 46) It is observed that the influence of Southern periphery is relatively low vis-à-vis Franco-German axis, and divergence from the core is great. (Featherstone and Kazamias, 2001: 12) Therefore, the periphery state actors may prefer acceptance of EU policies in a calculation of externalities involved in the choice before them. Moreover, the EU itself is not a separate, unitary actor over and above member states. Rather, Europeanization denotes an interactive, iterative process between actors, domestic and European where EU level policies are occupied by varied and competitive actors.

Given these, this chapter aims to scrutinize the top-down Europeanization in Greece and Turkey from an analytical as well as historical perspective. To a large extent, it will focus on political Europeanization which will take the state structure, national political actors, the underlying dynamics and factors towards convergence and divergence into account. It will debate the repercussions of Europeanization on domestic politics and the driving forces for the inclination of national political domain towards Europeanization. While taking a closer look at the interplay between domestic actors, policy agenda and the cost-benefit structure of the Europeanization, it will eventually attempt to explain the common and diverse paths of Europeanization in Greece and Turkey through a critical perspective.

4.2 EUROPEANIZATION AS WESTERNIZATION and MODERNIZATION

In the case of Europeanization of Greece and Turkey, the process of Europeanization means more than the attainment of 'Europeanness' or being considered 'pro-European' or 'European-oriented'. Quite similarly, the notions of both Westernization and modernization have been prevalent in the Europeanization of Greece and Turkey which has not come about solely due to the impact of EU membership. In historical perspective, Economides puts forth that the origins of the Europeanization of Greek foreign policy are rooted in the impulse to join the European Community (EC) in the late 1970s, rather than stemming from the impact of joining. (Economides, 2005: 473) A parallel view is also observed in the historical discourse of the EU-Turkey relations where Turkish policymakers have been trying to utilize the EU membership to mobilize mass support and send signals to their electorates. Thus, the EU membership was asserted as a means rather than an end in Turkey and eventually less importance was given to membership impact such as economic and political stability, democratization and human rights at least until very recently. However, the controversy of Greek and Turkish discourse of EU membership primarily evolves on the issues of national sovereignty and security. From Greek perspective, there is a common view that the primary rationale for the Greek application for full membership, and the desire to achieve it so rapidly after the fall of the colonels' junta in 1974, was in fact not democratic consolidation or economic growth, but rather security. The EC was viewed primarily as a 'system of political solidarity', which could guarantee the external security of Greece especially in relation to its regional tension with Turkey. (Valinakis, 1994: 200) The longevity of this view had been reinforced by the pronouncements of the Greek Prime Minister Mitsotakis, a decade after accession, stating that 'Europe offers us security' and when reaffirming that the political rationale for EC membership superseded the economic one, whereby Greek frontiers will henceforth be defended by the united Europe. (Valinakis, 1994: 208) For the Turkish political as well as military elites, EU membership was the natural corollary of the modernization and Westernization movement pioneered by Atatürk

in the 1920s. Indeed, the Republican regime has inherited Atatürk's vision of transforming Turkey above the level of contemporary civilizations whose grounds were to be found in western countries. Therefore, the fortune of the EU project in Turkey has a very key architecture, Mustafa Kemal Atatürk, who had provided the direction and objective of Turkey which was then repeatedly leaned by several political parties from different perspectives and political stances. Unlike Greek experience however, it is important to note that the attempts for Turkish accession to the EU was not primarily based upon on security considerations, but the Turkish foreign policymakers have overwhelmingly tried to keep on track with Atatürk's trajectory of Westernization of Turkey. The objectives for full membership also included to keep a parallel stance towards Greece, benefiting from EU's economic and social funds and provision long-term stability. National sovereignty was another important subject that created further retention and unrest within the political environment in Turkey. Especially, the nationalist axis coupled with extreme rightists, religious parties and some military elites have opposed the Turkish accession perspective on the basis of losing national sovereignty and emphasized the fading away of independence of the membership impact. Despite keen reservations by the military and political elites, 1987 application for membership and the lip-service paid by virtually all actors within the Turkish establishment to the desirability of EU accession. However, in expressing a strong and persistent aspiration to become an EU member state, Turkey had to commit itself to the criteria for entry, that is, the Copenhagen criteria. In particular the fulfillment of the Copenhagen political criteria, necessary for an initiation of Turkey's accession negotiations, entailed a radical departure from the status quo in the country. (Tocci: 2005, 76) The necessity to pass laws that included reforms affecting human, cultural and minority rights are viewed by many domestic actors as too costly to enact for the sake of an externally imposed condition. The problem is exacerbated by what is commonly referred to as the 'Sevrés syndrome' in Turkey, that is, the belief that in the legacy of the 1920 Treaty of Sevrés, western powers are inclined to sponsor hostile neighbors like Greece or ethnic

minorities such as the Kurds to dismember Turkey. In other words, the cost of compliance is perceived to be excessively high because reforms are demanded externally by EU member states and institutions. According to several actors in Turkey, Europe, rather than acting as a 'security provider', has used a human rights discourse to threaten Turkey's security.

As far as the linkage of Europeanization with modernization is concerned, it can be argued that the modernization impact is quite vital for relatively smaller states of the European Union. In this respect, Tsoukalis argued that membership for the peripheral countries has meant opening up to the rest of Europe and the world in more than an economic sense; in other words, greater exposure to modernity. (Tsoukalis, 2003: 55) Europeanization has resulted from the increased perception of and need to pursue devolution of authority from the center, the promotion and establishment of varied levels of governance in the public and private sectors and what Tsoukalis referred to as 'benchmarking'. (Tsoukalis, 2003: 56) But it is a neat corollary to the Westernization argument presented above in that Europeanization as modernization predates the impact of EU membership and indeed can be seen as yet another impulse for accession rather than only a product of it. (Tsoukalis 1979; Ioakimidis 2001: 74) In terms of the Greek pursuit of accession, and very similar to the Turkish case, to modernize was to Westernize, and to Westernize was to achieve accession and thus to Europeanize. (Economides, 2005: 474) This of course does not in any way reduce the argument that the effects or impact of EU membership are the real manifestations of Europeanization. What it does indicate is that there are a variety of means through which to address the concept of Europeanization in the case of Greece and Turkey, which may also have a wider application.

To the relationship between modernization and Europeanization in the Greek and Turkish context, the differentiation between 'responsive' and 'intended' Europeanization plays an instrumental role. According to Ioakimidis, responsive Europeanization refers to cases where no or little conscious effort is being made by the political actors to introduce into the political system the logic, norms and dynamics of the EU. Europeanization in these cases

comes somehow spontaneously, as a response to pressures and penetrative impact of European integration upon the political system. Europeanization does not, in other words, form a substitute for modernization and change and is not projected as such by the political actors. Thus, Europeanization results from the interactive osmosis between the national political system, institutions and various political and administrative elites on the one hand and the EU system and processes on the other. Europeanization does not represent an alternative model for the organization and functional arrangement of the political system; nor does it offer a source of legitimization for political, social and economic change. Responsive Europeanization is in a sense a political process, in so far as it is not being embraced by political actors and is not embedded into a political and ideological design for political change.

The case of intended Europeanization is clearly different. It apparently represents modernization with a strong intention and thus a purposefully framed scheme by the political actors to transfer their political systems the logic, dynamics, organizational traits, behavioral and regulatory patterns associated with European integration. This is because they aim at means European. As a result, in addition to responsive Europeanization, which operates practically in all EU member states and beyond, there is the purposeful action by the political elites to copy the European model. Consequently, Europeanization becomes a political or even ideological program for change, a slogan for political reform. In contrast to responsive Europeanization, intended Europeanization is much broader in scope of its implications in terms both of its territorial and thematic penetration. (Iokamidis, 2001: 74-75)

In practice, the cases of Greece and Turkey as well as those of southern and eastern European countries seem to conform to the model of intended Europeanization. Indeed, the Copenhagen Criteria for accession can be seen as a well-prepared program for the governance reflecting the values, norms and principles upon which the EU system and those of its member states are constructed. (Friiss and Murphy, 1999: 218-219)

4.3 EUROPEANIZATION of GREECE: FROM ‘LIMITED ALLY’ of THE EU TO ‘RELIABLE PARTNER’

Greece signed the first Association Agreement with the European Community (EC) in 1961, aiming at the acquisition of full membership status within 22 years. But at the Commission’s initiative, the ‘accession process’ was partly frozen between 1967-1974 as a reaction to the military junta. Immediately after its collapse, however, the Karamanlis administration crowned its novel political project ‘bourgeois modernization’ which included the country’s entry into the Community. (Kouveliotis, 2003: 7) Constantine Karamanlis, who filed the application for accession in 1975, the then Prime Minister, saw EC membership as the paramount factor for achieving political stability, consolidating democracy, strengthening external security as well as securing the conditions for the modernization of the Greek socioeconomic system. (Tsoukalis, 1979) In this vein, Ioakimidis interpreted modernization to mean westernization, or more precisely Europeanization. (Ioakimidis, 2001: 76) In strategic terms, Karamanlis aimed to utilize the accession negotiations to normalize Greek relations in the Balkans and strengthen the ties with the Franco-German axis. The other aspect of the strategy was the weakening of ties with the US and the temporary withdrawal from the military command structure of NATO following the Cyprus crisis. (Lavdas, 1997: 138)

The application for accession caused increased unrest and led to the formation of political rivalries in Greece. Being for or against Europe became an instrument in the internal competition among Greek parties. On the one hand, conservative New Democracy Party, small center groups and the Eurocommunists gave support to the Greek objective of becoming a full member whereas rapidly growing political force in Greek politics, PASOK and Greek Communist Party (KKE) fiercely objected this objective on the other hand. According to them, the Community was rhetorically a welcome scapegoat for the leftists or populists among the Socialists for nearly the whole decade. Major parties of the broad left raised the question of

membership and its impacts which was manifested during the discussion on the ratification of the Accession Treaty in 1979. (Kouveliotis, 2003: 8) While Karamanlis often appeared to concentrate on foreign policy, PASOK was working on the development of a modern catch-all party with centralized leadership and considerable popular mobilization potential. (Clogg, 1987: 212-213) But Karamanlis' consummate statesmanship was decisive and instrumental in the success of the Greek application in 1981. In Karamanlis' own words, Greece could consolidate its national security with EC membership since it could relieve the ever-present nightmare of contemporary Greece which in the past compelled it to seek strong protectors to the detriment of its independence. The Europeanization of Greece could become the nation's New Great Idea. (Tsakaloyannis, 1983: 122) Thus, the accession was not only a net benefit in economic terms and an added assurance for the country's democratic institutions, but above all, it also enhanced Greece's feeling of security and independence. It has been referred to as the greatest achievement of Greek foreign policy since independence, as important as independence itself. (Kitromilides, 1992: 60)

Along with the accession of Greece to the EC, Kazakos and Ioakimidis argued there is no doubt Greece stood as a unique case among the member states of the European Community/European Union in practically every respect. (Kazakos and Ioakimidis, 1994: 13) They have listed the reasons for the special status of Greece within the EC and pinned out that Greece, in its very essence, is a peripheral country since it has no common borders with any other EC/EU states in geographical perspective. The uniqueness of Greek case is also exemplified in its sociopolitical situation where it is located in a turbulent region and spending 7% of its GDP on military expenditures. From the identity perspective, they claimed that Greece has a different historical and political development pattern vis-à-vis mainstream European patterns and has a Christian Orthodox religion and culture. Most strikingly, they underlined economic underdevelopment of Greece and highlighted the premature accession of Greece from the political economy point of view. With a special emphasis on the uniqueness

of Greece's membership, both Kazakos and Ioakimidis agreed that Greece is the member state which, by virtue of its classical cultural heritage, feels that it is entitled more than anyone else to the name 'European'. After all, the name Europe is a Greek one. (Kazakos and Ioakimidis, 1994: 15)

Ironically, as Greece concluded the accession negotiations and became member of the EC in January 1981, the Panhellenic Socialist Movement (PASOK) won the national elections in October 1981. This irony brought into power a party that was elected on a ticket to withdraw from the EC. It did not take very long for Greece to become the 'odd man out' of the Community under the new political leadership or 'a limited ally'. As a result, the country entered a stage of 'diplomatic isolation' from its European partners. In fact, PASOK's years in government from 1981 to 1988 went through a number of phases. Initially, the leadership of the party was caught in a north-south paradigm that almost naturally resulted to the rejection of the 'Community solution' to national economic problems. The pillars of PASOK's electoral manifesto were based on national independence, popular sovereignty and social engulfment. Thus, membership to the EC was seen as conflicting with the ideal of preserving national independence. Electoral considerations aside, the dogma of national independence has acted as a major obstacle to changing PASOK's European policy. The second phase was marked with the memorandum of March 1982 on the special problems facing the Greek economy after the accession. This document was a clear sign that the Greek government was contemplating the idea of staying in the EC on the terms of the Accession Treaty, rather than seeking alternative routes of action. It also projected the framework of future Greek-EC relations by requesting temporary deviations from the rules of both the Rome Treaty and the Accession Treaty. Finally, it called for a redistribution of costs and benefits resulting from the Common Market. The third phase came with the government's support of the Single European Act (SEA) in 1985. What seemed to encapsulate the mood of this phase was that the central question asked by party members was no more whether Greece should stay in the EC, but how to improve the

conditions of membership. The inclusion in the SEA of the social and economic cohesion provisions was regarded by many ‘moderate socialists’ as an important European social conquest - the first ever to be reported as such in the EC. (Kouveliotis, 2003: 9) Whether a ‘breakthrough’ or not, for those that were largely to bear the burden of this policy, these provisions became the ‘carrot’ for PASOK’s acceptable European behavior. Essentially, they had been in favor of the European Community just as much as the Conservatives since the middle of the 1980s. The ‘stick’, however, took the form of various threats on the part of the Commission about the management of European financial resources by Greek governmental authorities. The Greek attitude towards the EU, was characterized by a lack of confidence, whereas, the source of all problems seemed to be deeply rooted misconceptions and ignorance of the real character of the EU. These inadequacies, in certain cases continued to shape the quality of Greek-EU relations.

Moreover, the state’s predominant position in the Greek socioeconomic system manifested itself in the over-centralization of powers, functions and competencies in the state apparatus in Athens. In early 1980s, Greece was considered as the most centralized unitary state in Europe. Accompanied by the unstable regional environment, the hegemonic position of the Greek state left little room for democratization and repressed the development of an articulate civil society in Greece. (Iokamidis, 2001: 79) From the political economy perspective, Greece, under the PASOK government, pursued a wild expansionary fiscal policy in order to satisfy the pressing social demands as well as demands of its electorate in 1980s. As a result, the total volume of public expenditure increased from 30 per cent of GNP in 1980 to 42 per cent in 1985 while employment in the public sector had also expanded dramatically. Such policy was clearly at odds with the contractionary fiscal policies of the rest of Europe and until 1985, Greece simply ignored the guidelines of other European member states. Because of the rapidly worsening fiscal position, Greece was forced in 1985 to seek the EU’s assistance to face the consequences of this situation. The EC responded positively to Greek request,

however imposed a tough program for economic stabilization and reform involving a drastic reduction for reversing the trend. Although the program was abandoned in 1987 due to the soaring social pressures, it nevertheless contributed to raising political awareness of the need to carry out widespread economic reforms and also indicated apparently the cost of compliance. (Iokamidis, 2001: 80)

In terms of Europeanization of the foreign policy, it was clear in the case of Greece that the integration with the EU occurred in a gradual manner over a number of years. During 1981–1985, there was no sign of Europeanization in Greek foreign policy. Rather, it would be more accurate to see Greece's membership of the EU as a means to counter unwelcome changes to its foreign policy behavior. They also argued that Greek policy prevented the emergence of a common European stance on quite a number of international policy matters and thus undermined European cohesion which EPC was intended to avoid. (Tsardanidis and Stavridis, 2005: 228-232)

One of the historical turning points in the Europeanization of Greece has come into existence with the acceptance of Maastricht Treaty which pledged the Union and its member states to put into effect the Common Foreign and Security Policy. (Kouveliotis, 2003: 14) The Treaty set out the convergence criteria along with the multilateral surveillance mechanisms for supervising the economies bent on joining Economic and Monetary Union. (Iokamidis, 2001: 81) Greece expected its participation in a politically united Europe to act as a deterrent against expansionist neighbors and as a platform for the Europeanization of its security problem. (Kouveliotis, 2003: 15) Moreover, if deterrence failed, the EU would certainly help through political and military support and put economic sanctions against the aggressor, and perhaps even through the dispatch of a future EU/WEU Rapid Reaction Force. Thus, the inclusion of the security/defense dimension into European integration was seen necessary towards the establishment of the European Union, and the membership composition of the EC rendered it politically more attractive to Greece in comparison with other security institutions.

Considering the collapse of Soviet Russia and the subsequent emergence of border, identity and ethnic conflicts in the post-communist era, it was believed that an EC common security policy would guarantee Greece's territorial integrity. In specific, the foundation of Greece's EC strategy in relation to security affairs had traditionally rested on perceived advantages involving a European framework with regard to external challenges and most particularly in relation to the perceived 'Turkish threat'. The New Democracy administration, therefore, pursued the goal of WEU accession as a top priority. It dexterously put forward its credentials as an EC member as a basis for a differentiated treatment vis-à-vis Turkey. The motto 'Security first, economy second', which was the strategy of Karamanlis in the 1970s, was internalized by Mitsotakis Government when negotiations concentrated on Political Union, especially in 1991. The difference was, however, that security considerations in the 1970s were not only external, but also internal and concerned the stabilization of the democratic system revitalized in 1974. For Greece, internal security challenges ceased to exist in the late 1970s, whereas the external ones had two dimensions in the early 1990s: the traditional one concerning Turkey and emerging turbulence in the Balkan region. Following the decision of EC member states to accept Greece to join the WEU was conceived as a great benefit and Mitsotakis Government referred the accession as a 'victory for Greece'. (Kouveliotis, 2003: 17)

On the economic side, the EMU played an instrumental role in the transformation of Greek economy and paved the way for the convergence of Greece with the economic norms and regulations of the wider European market. At first, the EMU was perceived as a threat to the *status quo* in Greece yet any delay was translated into the postponement of the 'catch-up' and increase in the cost of adjustment. (Featherstone, 2003: 924) Inclusion and cohesion were key interests of Greek policymakers; however, the EMU was more a imposed choice than a negotiated one. Politically weak and financially dependent, Greece was in no position to make significant contribution into the EMU debate. Accompanied with major opportunities of the

EMU, Greece identified three priorities by joining the EMU. First of all, Greece inclined to be a part of the EMU rather than distancing itself and avoiding isolation. Secondly, Greece joined others in seeking a new cohesion fund to be established in parallel to EMU to help poorer states qualify for entry. Finally, it saw agreement on EMU as a potential lever to make security gains in the other IGC, on political union, against Turkey. (Featherstone, 2003: 925) The EMU contained in the Maastricht Treaty set the conditions for Greece which would eventually lead to either reform or marginalization. Although there was no sudden cause and effect between Maastricht Treaty and domestic reform, the convergence criteria was the harbinger of a critical juncture in Greek politics and economic policy. As structural reforms were needed and stark choices were set for the public finance and macroeconomic policies, Greece was undermined to face a major dilemma: To try to continue the vast state intervention in economic activities or to cope with the EMU rules and regulations. Greece, eager to join the EMU, but without any real hope of doing so under prevailing economic conditions in the Greek economy, submitted its convergence program to the EU in 1993. The aim of the program was to meet the convergence criteria by reducing public deficit, public debt, interest rates and achieving monetary and fiscal stability. (Ioakimidis, 2001: 81) The inclusion of the EU to supervise the implementation of the program and the penalties imposed for failure to carry out the reforms and structural adjustments made possible the Greek economic policy to comply with the Europeanized norms and regulations especially with the Simitis government in 1996 and onwards.

Similar to the fashion of economic convergence, the dynamics of European integration finally seem to influence Greek foreign policy especially after 1991, which was characterized mainly harmonization and adaptation. (Verney, 1993: 145–147) Indeed, EU membership started to be perceived not contradictory to the nationalistic position in Greece, but as a means that is enforcing compliance and convergence which would serve to the pursuit and accomplishment of national objectives. (Couloumbis, 1994: 191–192) Ioakimidis denoted this

transformation as the metamorphosis of PASOK from fiercely anti-European movement in the 1970s and early 1980s into a pro-federalist, integrationist force in the 1990s. (Ioakimidis 2001: 90) In this respect, the membership impact has extremely been instrumental when the poor state of the Greek economy is taken into consideration. With the realization that only the European dimension had the will and capability of altering it, the Greek foreign policy has started to align its domestic policy in line with European objectives. Greece recognized that it can vastly benefit through the influx of European funds such as cohesion and development and regional funds. (Stavridis, 2003: 14) Likewise, Greece has also realized that the EPC had strengthened the capabilities of Greece's diplomacy especially after 1986 when Turkey decided to try and improve its relations with the EU. Athens concluded that Greek membership enhanced its negotiating capacity with Turkey. (Ioakimidis, 2003: 545) As new tensions in Greek-Turkish relations appeared, such an advantage became all the more apparent. Finally, thanks to the transformation of EPC into a CFSP with a security and defense dimension, the Greeks realized that the EU could strengthen their own security. (Stavridis, 2003: 15)

While Papandreou's policies had a significant restraining impact on the Europeanization of Greek foreign policy, two major external developments would intensify Greece's marginalization in EU terms: the collapse of communism in Eastern Europe and, more importantly, Greece's reactions to the initial break-up of Yugoslavia. It was this marginalization, in conjunction with the assumption of the premiership by Simitis, which would result in the biggest surge of Europeanization of Greek foreign policy. This Europeanization would take the general form of a Greek rehabilitation in the eyes of the EU partners, and protracted efforts to normalize, denationalize and multilateralize Greek foreign policy. (Economides, 2005: 480) Apparently, the certainties afforded Greek foreign policy during the Cold War were lost after the collapse of communist regime. Post-communist Central and Eastern Europe rapidly became the dominant factor in European international politics. Therefore, it was expected that the focus of economic development and democratic

consolidation objectives of the EU would shift dramatically away from Greece, Spain and Portugal to Eastern and Central Europe. As a consequence, this would limit the flow of EU funds which would affect domestic growth and politics in general. Likewise, it would mean an end to preferential treatment and in the Greek case a lot worse. Whereas EU membership was intended to defend Greek foreign and security interests – the Europeanization of Greek foreign policy – Greece’s first major post-Cold War threat was treated in such an ‘un-Europeanized’ manner both in formulation and implementation that its very membership of the EU was in question. Europeanization, at least in the foreign policy field, had been shattered. (Economides, 2005: 481 - 482)

As compared to Andreas Papandreou’s determined radicalism and his generally inflexible stance towards Turkey, Greek Prime Minister Costas Simitis’ policies and operational code have crystallized some distinct features. These features included to exhibit the persistent avoidance of conflict with Turkey; the search of the utilization of the United Nations support for Cyprus; repetition of peace-making initiatives in the Balkans and the Middle East; the progressive Europeanization of the Cyprus problem and Greece’s relations with Turkey; participation of Greek armed forces in peacekeeping and peace-building operations from the Balkans to Afghanistan; and the assumption of entirely new commitments to support numerous NGOs and various foreign-aid campaigns. (Melakopides, 2002: 5-6) Of special interest for Greece’s bilateral relations with Turkey and by implication for the resolution of the Cyprus conundrum, is the Simitis-Papandreou cultivation of the principles and practice of a “citizens’ diplomacy, established after the spontaneous eruption of the Greco-Turkish “seismic diplomacy”, in the aftermath of the 1999 earthquakes. Both forms of diplomacy have helped substantially the Greco-Turkish rapprochement. They also constitute a decisive test of Turkey’s preparedness to join Europe. In contradiction to this assertion one should recall the outpouring of concern, caring, and affection by ordinary Greeks and Turks in response to the earthquakes. There followed sustained exhibition of humanity, solidarity and friendship, as if

both sides were eager to prove that the end of the Greco-Turkish Cold War was long overdue. Beyond the ordinary people, this sea change in emotions and mentality keeps being affirmed by countless non-governmental organizations, by mayors and other local governors, by artists, intellectuals, academics, journalists, businessmen, and athletes. If all this could occur spontaneously between the two neighbors across the Aegean, no argument can show that it cannot follow, if only allowed, between the two communities in Cyprus.

Especially, in the post-1996 period, the degree of Europeanization of Greek FP has increased as never before and most Greek FP issues are started to be dealt through the EU prism. (Stavridis, 2003: 17) To exemplify, on issues of national interest such as the Cyprus Problem, EU relations with Turkey, South Eastern states, or Mediterranean countries, Greek foreign policy increasingly reflected the wider EU positions which it has itself contributed to formulate. Greater in pace, Greek foreign policy absorbed the logic of European unification and any international issue is immediately seen through the lens of the EU, bearing in mind the views of all the other member states. In that respect it has been argued, for instance, that the 1999 Kosovo crisis would not have been dealt with in the same manner if Greece had not accepted this logic of Europeanization and its membership of the CFSP. (Stavridis, 2003: 18) A nationalistic and opportunistic policy was thus avoided. (Kavakas, 2000: 148) Ioakimidis stressed that the transformation of Greek domestic as well as foreign policy has not been a painless process, nor that it means an abandonment of national causes but rather downgrading their importance. He referred to the 'awkward partner' label that was commonplace in the early 1980s, and to how it has been gradually replaced by that of a 'good pro-European' state. In this vein, he assigned the success of the Europeanization of Greek foreign policy to a number of factors. (Ioakimidis 2000: 368-9) First of all, he underlined the impact of a pro-European government since the arrival to power of Prime Minister Simitis in 1996 which has been quite vital in fostering Europeanization efforts of Greece in almost every aspect of political, economic, military and social adaptation and harmonization process with the EU. Then, he

pinned the substantial economic benefits of EU membership through the regional and cohesion funds that were the key instruments in eliminating successive state control in domestic economic activities. Accompanied with the accession to the EMU, Greece was forced to reform drastically its practices in labor market, encourage competition and enact open market rules among economic actors and privatize state subsidiaries. (Featherstone, 2003: 931) Ioakimidis further highlighted the importance of the end of the Cold War and the demise of the USSR; thus, removing an alternative camp temptation for the Left in domestic politics. Finally, he emphasized the significance of the Eastern enlargement of the EU which reaffirmed the need to belong to a club and to play by the rules rather than try and be a free rider from Greek perspective.

4.4 EUROPEANIZATION of TURKEY: STILL AN IMPORTANT OUTSIDER, or SIGNIFICANT INSIDER?

In the process of pursuing reforms beginning in the late nineteenth century especially in the military structure of Ottoman army, and continuing in the economic, political, social and civic structures, the encounter of Ottoman–Turkish modernization project to Europeanization dates back prior to Turkish Republic in 1923. In the aftermath of the collapse of the Ottoman Empire and the subsequent foundation of the nascent Turkish Republic, Mustafa Kemal Atatürk embarked on an ambitious project of modernization of Turkish society, polity and economy within which European modernity was a key reference. The modernization project in the republican era was overwhelmingly inspired by the Western ideals of parliamentary system of democracy, secularism, economic liberalism. To achieve this, the new Kemalist bureaucratic-military elites had devised a vigorous reform project. (Sofos, 2001: 244) In view of the modernization project of Turkey, Atatürk explicitly indicated that Turkey’s future lay with Europe and the West. (Müftüler-Baç, 1997: 17) A major distinction however arises in the mindset of policymakers whether the process of modernization in early Republican years

should be set equal to Europeanization. Although there is no doubt that Kemalist regime was impressed and greatly influenced by the achievements of French Revolution and the Jacobins, Turkey adapted Soviet economic experiences and model in the development and growth plans in line with its modernization project. This seemingly contradictory stance towards the European tendencies in Turkey is in fact in compliance with the modernization project. Since the foundation of the Turkish Republic, the republican elite envisaged Turkey developing into a modern, yet not necessarily a Western European state, which is able to resist external military or economic threats. Among the top issues of the agenda were, and which still are, is catch up with contemporary civilization and being treated respectfully and equally by other modern nations in contrast to the Ottoman Empire. (Ugur, 2001: 230; Sofos, 2001: 245) Indeed, the political reforms in the early years of the Republic, from 1923 to 1938, were adopted in order to make a break with the Ottoman past and to create a 'modern' European state. Parallel to this objective, the state elite formulated the recognition of Turkey as a European state as one of its official foreign policy objectives. (Müftüler-Baç, 2005: 17)

In the post-war period and during the process of the reconstruction of the world order, Turkey positioned itself within the Western coalition and integrated itself into the Atlantic political and military international networks through NATO membership which was realized in 1952. On the economic front, Turkey incorporated itself successfully into the Truman Doctrine and gained access to the Marshall Aid, which eventually increased its political and economic dependency to the US in 1950s. However, feeling disappointed of American behavior in various stages of Cyprus crisis which topped the hike along with Johnson Letter in 1964 and the arms embargo in 1975 successively and the neglect of Turkish security interests by the United States, Ankara turned its focus to the Western Europe. (Kramer, 2000: 182) Coupled with the competitive character of Turkish-Greek relations, Turkey applied to the EEC for associate membership 16 days after Greece had submitted its application. Turkey's bureaucratic elite considered the country's EEC application as a means of its Western

orientation and as an act that would anchor it more securely in the institutional network of Western alliance. (Sofos, 2001: 246) Following the military takeover over civilian regime in 1960, the re-establishment of ties with the EEC and the subsequent negotiations concerning the associate agreement created a major rift in the Turkish politics. The elites in the State Planning Organization (SPO) advocated the state-centric economic planning for the development and growth prospectus of Turkey whereas Ministry of Foreign Affairs asserted the benefits of EEC associate agreement with special emphasis on increased trade volume, attraction of foreign direct investment and transition to economic liberalism. Further, the SPO disassociated Turkey's modernization project from the country's membership to the EEC and internalized a relatively autonomous economic policy. On the contrary, officials and policymakers in the Foreign Ministry projected Turkey's long-term interest lay in West in general and emphasized integration to the EEC's institutions, policies and processes in particular. They saw that EC integration will foster Turkey's economic development and political stability. (Müftüler-Baç, 1997: 55) Quite paradoxically, both camps justified their positions by referring to Kemalist ideals and his legacy as Turkey's decision to join the EEC, or not to be integrated by preserving national independence. (Sofos, 2001: 247) Thus, the main debate between the two camps focused on the question on how to Europeanize rather than to Europeanize or not. In other words, there appeared to be a relative consensus on the process of Europeanization among the political, administrative and military elites; however, they tended to emphasize different paths to achieving the standards of contemporary civilizations and the objective of Westernization. On a systemic level, this rift has created in-depth retention among the political elites and deeply rooted disputes between the two instrumental state institutions. This rift on the discourse of Europeanization was also reflected on a popular level in the 1970s and onwards along with the appeal of politicians to the masses. Eventually, the political rhetoric and the modernization project have taken divergent paths throughout the discourse of Europeanization of Turkey.

In general sense, modernization was defined as Westernization by the Turkish elites and closer association with Europe; above all meant a “civilizing mission” which would bring an increasing section of the Turkish population into contact with Western life styles, behavior and methods. Turkish elites believed that Europe and the West were main sources of economic development as well as models of social change. (Eralp, 2005: 6) Despite the seemingly compromise on the meaning and repercussions of these terms, Diez identified a major dilemma at the definitional level within which the terms Europeanization, westernization and modernization are interchangeably used. He argued that within traditional Kemalist thinking, these three processes were seen as intimately linked which led to further complications and noticed that there was little recognition of the differences between “the West” and “Europe”. (Diez, 2004: 8) The argument that Turkey should be rewarded with EU membership for its contribution to the defense of Europe as a NATO member during the Cold War is one example of this. EU membership in this context became a symbolic token for being recognized as a fully Western/European power, rather than a commitment to an integration project that would undermine notions of sovereign power. While many present member states display similar realist tendencies at times, and are currently engaged in complex discussions about the future of national sovereignty, the status of being recognized as a sovereign power seems to be even stronger amongst Kemalist elites than elsewhere. Thus, EU membership is a means to pursue Europeanization that would give Turkey the deserved recognition as a major European power and ensure its path towards a secular society within the republic of one Turkish nation. However, such a rendering of EU membership becomes problematic especially with the evolution of concept of ‘Europeanness’ from the 1980s onwards that gave a special emphasis on democracy, human rights, liberal market economy, political stability which became binding conditions for ensuring membership. Accompanied by the institutionalization of common denominators for the membership with the Copenhagen criteria, it was no surprise that Turkey had to encounter major breakthroughs in the path towards Europeanization due to its

intertwined civil-military relations and domestic structures. Especially, the stipulations of the EC/EU over the role of military in Turkish politics and the request to lift civilian power over military and the stress on minority rights and democratization which can counterweight the domestic emphasis on secularism and national unity were seen highly problematic to realize. There was consequently not a clear-cut realization of the diverse paths of modernization, and the differences within Europe and the West. (Diez, 2004: 9)

Political modernization, combined with the economic modernization in 1960s and onwards that Turkey has undergone, has not led to the development of individual autonomy or legal rights. (Keyder: 1997: 41) In addition, the military forces have intervened in Turkish politics in 1960, 1971 and 1980 in cases of imminent threats against the Kemalist principles, indivisibility of the state, political stability and civic order. Thus, the transition to liberal democracy turned out to be a short-lived. The subsequent and but temporary elimination of civil rights in the aftermath of military takeovers have suspended civic interaction with the state apparatus and gave rise to the depoliticization of the society especially following the 1980 coup d'état. The military interventions increased not only the probability of further interruptions in the democratization process, but also the military's dominance over the civilian wing of the Turkish state. It is ironic to observe that this dominance has become even more institutionalized as Turkey tried to revive its relations with the EU since the second half of the 1980s. (Ugur: 2001, 230) It is however not ironic to trace the Kemalist concept of Europeanization in the role of the military as safeguards of the republic. (Jung and Piccoli, 2001: 202) While elsewhere, military coups are most often executed in order to safeguard the influence and power of the military, or a particular elite within the military, in modern Turkey, the military has normally intervened to safeguard the secular, republican democracy. (Heper, 2005: 37) Such coups therefore led to the relatively quick reinstatement of a civilian government that had the trust of the military to lead Turkey back onto the path of Europeanization. (Diez, 2004: 10)

Following the military take-over in Turkey in 1980, the EC issued a declaration, stating that it expected to turn to civilian rule as soon as possible. Subsequent to the suspension of the Fourth Financial Protocol in 1981, the Community froze its Association with Turkey in 1982 in the light of no political change and attempts to return to democracy. Right after the Mediterranean Enlargement of the EC was completed, Turkey applied for full membership to the EC in 1987. Turgut Özal who engineered the membership application stated that the application will eliminate any ambiguity by anchoring once and for all the destiny of Turkish people with that of Western Europe. (Ugur, 2001: 217) In view of problems centered on competing definitions of democracy and human rights issues in Turkey, the Turkish applications was seen as a big surprise to many observers inside and outside Turkey. While the EC regarded democracy as a *sine qua non* for inclusion in the community, Turkish leaders saw the transition to democracy as a gradual process. (Eralp, 2003: 69) The EC presented its opinion in 1989 and rejected Turkish membership due to its state of democracy, relative economic backwardness, the Kurdish problem, disputes with Greece, Cyprus problem and lack of respect for human rights. (Müftüler-Baç: 2000, 162) The Commission also acknowledged Turkey's immature economic condition to cope with adjustment problems and gave weight to revitalization of the Customs Union objective until 1995. Consequently, reviving the Customs Union proposal, a target which was set in any case by the original Ankara Agreement, became the focal point and the principal mechanism, on the Union's part, for expanding relations with Turkey in the context of the 1990s. (Onis, 2001: 10) As a result of this objective, the Commission adopted a Package for Turkey – Matutes Package – that suggested technical, political and financial assistance and the start of Customs Union negotiations. Thus, the reforms introduced in the 1990s were clearly related to pressure from the EU, but successive Turkish governments made a tremendous effort to prove that this was not the case.

A significant shift occurred in the 1990s with the emergence of Greece as an important player in the EU-Turkey relations. As Turkey sought to develop closer institutional relations

with the EU first through a Customs Union agreement, and later by seeking candidacy, the EU repeatedly reminded Turkey that strengthening of its links with the EU depended on the resolution of its disputes with Greece. (Rumelili, 2004: 7) Firstly, Greek approval of the Customs Union in March 1995 became conditional upon the acceptance of Southern Cyprus or the Republic of Cyprus as a candidate country for the European Union. Secondly, the Greek veto prevented Turkey from capitalizing on financial aid promised as part of the entry to the Customs Union which effectively started at the beginning of 1996 after Imia-Kardak Crisis (Onis, 2001: 10; Rumelili, 2004: 7) Thus, the Customs Union between the EU and Turkey, which came into effect on January 1, 1996, started troublesome and quite problematic. With high hopes for fundamental changes in Turkish trade, competition, legislation and economic policies, Turkey felt enormously disillusioned with the consequences of the Agreement. The blockage of Special aid assigned for the Customs Union, worth 375 million euros, and a special European Investment Bank (EIB) loan of 750 million euros, created retention among both political and economic elites in Turkey. This caused a lack of political dialogue between the parties, the end result being that the Customs Union fell short of acting as a tool for further integration. (Tsakonas, 2001: 17) Another illusion of the CU in fact was putting Turkey into an exceptional case status. For the first time in the history of EEC/EC/EU, Turkey was the only country that had realized Customs Union before full accession to the EU. This signaled Turkish policymakers that full membership was to be achieved soon. (Müftüler-Baç, 2000: 4) However, historical developments have proved that the discourse had proceeded far from expected.

When the European Council in Luxemburg Summit of December 1997 decided not to include Turkey among the list of candidate countries and not to start negotiations with Turkey, relations between EU and Turkey entered into another thorny era. In its “Agenda 2000”, the Commission recommended to start accession negotiation with Central and Eastern European countries and Cyprus. In short, Turkey was left out whilst letting Cyprus in. The Turkish

government regarded the Luxemburg Summit as discriminatory and politicized, and made under the influence of Greece. Since Cyprus was given not a merely candidate status, but was placed a first rank candidates, Turkey thought that the EU taking the Greek side on the Cyprus issue. This outcome created widespread resentment in Ankara which eventually led Turkey to distance itself from the EU which was supported by both coalition government and opposition parties. (Eralp, 2003: 71) Given the anti-European tendency in Turkish elites and the disappointment of “betrayal by the EU”, the government suspended the political dialogue with the EU and decided not to participate in the European conference in the following year. Accompanied by downgrading the relations with the EU, Turkish officials claimed that the EU was not an obsession for Turkey’s long term strategic choices.

While the EU failed to provide necessary incentives to initiate a major transformation process in Turkey’s domestic and political economy through the Customs Union, the decision to accept Turkey as a candidate country within the existing enlargement process in 1999 at Helsinki Summit marked an historical turning point in the Europeanization of Turkey. As a result of the Helsinki Summit, Turkey became part of the same accession-partnerships as the other candidate countries which reflected the willingness of the EU to provide financial and technical supports to prepare Turkey for membership as for the other candidate countries. On this issue, there was a major difference between Luxembourg Summit and Helsinki Summit. While Turkey was treated separately from other candidate countries and put in an ambiguous European Strategy in Luxembourg, in Helsinki Turkey was offered an accession-partnership. The EU also manifested a clear attitude to treat Turkey according to the same “Copenhagen Criteria” as the other candidate countries. These resolutions regarding Turkey were drastically different from Luxembourg: they were more open, inclusive and less discriminatory. As a consequence, the Helsinki resolutions were perceived quite positively by the Turkish elites, as resolutions correcting the “mistakes” of Luxembourg. (Eralp, 2005: 8) However, Tocci mentioned that the formal as well as the effective gap between Turkey and the other candidate

states remained at Helsinki. While all other candidates had a roadmap for accession and clear indications of their future roles in EU institutions, Turkey had neither. Furthermore, although it gained the formal title of ‘EU candidate’, in practice its integration with the Union was not immediately and significantly enhanced. Hence, the decision formally to include Turkey in the accession process in 1999 has turned out to be mainly a symbolic, albeit important, gesture. (Tocci, 2005: 77)

The Helsinki framework required a major mental shift of orientation in the attitudes of both the EU and Turkish officials to create a more cooperative relationship. (Öniş, 2003: 12) This mental shift was not easy, primarily because Turkish and EU officials have long been used to an adversarial relationship and treated each other in bilateral “us-them” terms. It should, however be mentioned that the Helsinki Summit pressured for major political and economic reforms in Turkey. The EU actively stimulated these reforms through the publication of its “Accession Partnership” (AP) document, which was announced in November 2000. This announcement was important because it led to the inclusion of Turkey in the accession-partnership relationship with the EU as with other candidate countries. The political measures in the document aimed at creating a more liberal and pluralistic order and the economic measures focused on the achievement of macro-economic stability and an effective regulatory economic structure. In response, to the AP, the Turkish government prepared the “Turkish National Program for the Adoption of the Acquis” which was submitted to the EU Commission in March 2001. The National Program was a major attempt to meet the political and economic expectations of the EU. From the EU perspective, the National Program was a significant progress, yet, EU officials emphasized that the state of reforms in the report fell rather short of expectations primarily in the political field. (Eralp, 2005: 9)

Turkish authorities focused on the implementation of the National Program in order to meet the political expectations of the EU in the latter part of 2001 and 2002. The government used two main instruments in the implementation of the political reform process: amendment

of the constitution and “harmonization laws”. First, 34 amendments to the Constitution were accomplished primarily in the area of human rights, freedom of expression and freedom of organization. After the constitutional amendments, the Turkish Parliament also adopted a new Civil Code and introduced improvements notably on the fields of freedom of association and the right to assembly, as well as gender equality and child protection. These constitutional amendments were followed by “harmonization laws” designed to translate the constitutional amendments into concrete action by bringing Turkish laws in line with the *acquis*.

Clearly, these reform measures were quite dramatic compared to previous efforts and they were engineered by a relatively weak coalition government of three different political orientations, including a nationalist-rightist party (MHP), a nationalist-leftist party (DSP) and a liberal center-right party (ANAP). While dramatic in Turkish terms, critical areas were still left contested between the EU and Turkey, such as the abolishment of the death penalty, extension of cultural rights of “minority groups”, the role of the military and the Cyprus question.

These areas remained thorny not only between the EU and Turkey but they were also at the center of domestic debate in Turkey. Actually, EU issues have been increasingly at the center of political debate in the aftermath of the Helsinki Summit. While all of the major political parties in Turkey displayed a vague commitment on the issue of EU membership, when it came to the sensitive issues, there was a lack of consensus. The coalition was clearly fragmented on these issues. MHP, the nationalist-rightist party opposed the abolition of the death penalty, as well as the extension of cultural rights and took a hard-line on Cyprus. DSP, the nationalist-leftist party, was more favorable on the abolition of death penalty, but had serious reservations on other sensitive matters. It was only the liberal Motherland Party (ANAP) which had a clear “pro-EU” attitude.

It is important to note that it was not the Turkish politics itself that was fragmented and diverged in either aligning at the anti-EU or pro-EU camp, but also the Turkish society was divided sharply in its attitude of perceived costs and the value of the benefits of EU

membership. Even though it is a commonplace to depict these two groups as diametrically opposed to one another and to ascribe all EU-oriented Turkish policies to the relative influence of the pro-EU circles in Turkey, it would be unfair to designate the Euroskeptic circles in Turkey as responsible for all the non-European policies. (Kibaroglu, 2003) Therefore, it is suggested that one should mention some fundamental points around which these two circles converge. Before doing this, it would be appropriate to point out that both the pro-EU and Euroskeptic circles favor Turkey's EU membership, though their logics rest on different rationales. Clearly, they constitute the majority of the political forces in Turkey so, one should not fall into the trap of believing that Euroskeptics are totally against Turkey's EU membership as some of the political figures on the Far Right appear to be.

However, they share a common dilemma: how to strike a balance between Turkey's growing penchant for EU membership and the EU's growing reluctance to admit Turkey in the near future. Both have been distressed by the prospect that the ambiguity over the true intentions of the EU members on Turkey might paralyze the success of Europeanization process in Turkey. The main reason for this is their common skepticism: what if the EU does not agree to Turkey's accession even though Turkey has undertaken all the radical reforms on the way to a liberal-pluralist democracy, as part of the general efforts to comply with the accession criteria. (Manisali, 2001)

Gradually, both Euroskeptic and pro-EU circles in Turkey have come to view the modern EU as something radically different to the EC of the cold war years. To both, the new EU is more supranational, more post-modern, more multicultural and more demanding. It asks them to organize their domestic and foreign policies on the premises of liberal-pluralistic democracy. It has a power of attraction stemming from its normative ability to determine the confines of appropriate state behavior in the European theater. (Christou, 2002; Manners, 2002) However, for the positive and identity-transforming effects of the EU's 'power of

attraction' to take place, the conditionality policy of the EU should be credible and backed up with detailed packages of rewards and punishments.

Given that, the Euroskeptics traditionally comprises the Turkish armed forces, the high level bureaucrats in the state apparatus and some conservative political figures in right-of-center parties. In general, these people do not oppose of Turkey's attempts to join the EU but are critical to the Europeans. They are mainly concerned in security issues of Turkey and suspicious about the prospects of Turkey's application to the EU if the EU does not offer workable integration timetable for Turkey's accession. The open-ended discussion scheme, the issue of free movement of labor from Turkey to EU, and pre-conditionality of Cyprus are some of the premises of Euroskeptic arguments. (Safak, 2004) In general, they are content with Turkey's integration with the EU but problematize the unequal and hierarchical characteristics of the EU accession process. (Kopecky and Mude, 2002) They want to bargain with the EU over the terms of the accession criteria, rather than strictly comply with the EU's instructions. To them, a European-oriented foreign policy should only be followed so long as it serves Turkey's national security interests as usually defined by the Turkish armed forces. Therefore, the EU accession process should not automatically include Turkish foreign policy outcomes being in total harmony with the foreign policies of the EU.

On the other hand, pro-EU circles constitute the majority of Turkish society, 68% of people, according to the statistics of Eurobarometer which included the political figures located in the center-right and center-left parties. (Kardas, 2002) Unlike the Euroskeptics, pro-EU circles believe that Turkey's modernization and democratic reforms should not be totally dependent on the quality of her relationship with the EU because these policies do not need to run totally parallel to the process of Europeanization. It is to the benefit of the Turkish people that the Copenhagen criteria are fulfilled properly. However, these people are of the view that Turkey's EU accession process constitutes the most important and healthiest external dynamic of the agenda of Turkish foreign policy. They suggest that Turkey should not adopt

confrontational, stubborn and uncompromising attitudes towards foreign policy issues, especially those pertaining to Turkey–EU relations. In this vein, Turkey should not create unbridgeable obstacles over Cyprus and should accept the possibility that a solution might be better reached within the framework of the EU. (Barlas, 2004) These people seem to be aware of the fact that the relationship between the EU and Turkey is not symmetrical. (Sarıkaya, 2004) From a political economy perspective it can be argued that the twin economic crisis in 2000 and 2001, coupled with EU membership prospect in the post-Helsinki era contributed to the empowerment of the pro-EU stance. Increasingly, the transnational coalition of business and international political community conceived of the EU anchor as a necessary double anchor from the point of view of consolidating the economic reforms pushed by the IMF. (Öniş, 2003: 21)

In light of the intra-societal and intra-political rifts in 2002 and the consequence of economic crises, it became much apparent that the existing political climate was no more sustainable in Turkish politics. As a consequence of political polarization and the burden of economic crisis to provide credibility to the international economic and political elites caused further contention within the coalition government. It became increasingly difficult to hold the coalition government together and these tensions resulted in the disintegration of the coalition government and the subsequent call for early elections. In this election climate, the Turkish Grand National Assembly on August 3, 2002 took some historical decisions in its third package on the political reform process in order to show Turkey's willingness to join the EU. It abolished the long contested death penalty as well as granted the rights to broadcast and learn mother tongue.

The early elections on October 3, 2002 ended the coalition government and led to a change of government with a landslide victory of the religious-rightist Justice and Development Party (AKP). Promptly after its election, The AKP government prepared harmonization packages to bring Turkish legislation in line with the EU legislation. The

reforms included the removal of all the legal impediments for the prosecution of public officials who resort to torture and ill treatment, elimination of the legal restrictions on the freedom of expression, freedom of association, freedom of press and assembly and the most disputed civilian-military relationship which changed the character of the National Security Council and made it an advisory body.

It is clear that the AKP government, in spite of his religious character and conservative background, adopted a clear European stance and has tried to accelerate the reform process in Turkey which differentiated the party from its predecessors. In the 1970s, religious-rightist parties such as National Salvation Party depicted the EC as a Christian Community organized to undermine the Islamic world and suggested the creation of an alternative Islamic Common Market. This attitude has continued in the cases of Welfare Party as well as of Virtue Party in the 1980s and the 1990's. With the Justice and Development Party, there is a diametrically opposed new approach to the EU. The EU integration is perceived as a process of democratization and the issues of religious right and freedoms are seen within the context of the processes of democratization of the EU. (Öniş and Keyman, 2003; Ozel, 2003: 80–94). With this change, a major transformation of the religious-right in Turkey is observed in which it became more moderate as it adopted a more pro-EU stance. (Eralp, 2005: 7) Thus, yesterday's conservatives have evolved into today's modernizers. (Müftüler-Baç, 2005: 29) Interestingly, opposition to the democratizing moves came from the secular, Kemalist elite, on the grounds that these reforms might open Turkey to the divisive cleavages of Islamic fundamentalism and Kurdish separatism.

In her analysis concerning the linkage between transformative capacity of the EU and AKP, Tocci put forward that the AKP government's commitment to political reforms and EU accession has both important interest and ideology-related explanations. A commitment to reform and EU accession is viewed as the most effective means for the AKP to raise its legitimacy and shed its Islamist past vis-à-vis the international community and the secular

establishment in Turkey. Furthermore, democratic reform and EU accession is considered to be the best guarantee for the AKP's political survival. (Tocci, 2005: 38)

Undoubtedly, the decision of the EC to start accession negotiation with Turkey on October 3rd, 2005 had displayed a major success of the AKP foreign policy, yet it is very important to note that the progress made by the post-2002 Turkish governments in Europeanization and fulfilling the EU's Copenhagen criteria has been remarkable. All in all, in the last two years, the prospective EU membership has provided a very strong incentive for adopting major political change in Turkey, and one can confidently claim that without the EU incentive, those changes would have been much harder to adopt. (Müftüler-Baç, 2005: 30)

4.5 EUROPEANIZATION of GREECE and TURKEY IN COMPARISON

In comparative perspective, it can be argued that the processes of Europeanization in Greek and Turkish cases followed divergent paths although significant similarities remained. First of all, Greece preceded the adoption to Europeanization much earlier than Turkey. Having applied for membership in 1975 and completed the negotiations in 1981, Greece had advanced more rapidly in the transformation of its politics, economic structures, state-military and state-business relations in line with the European norms and regulation vis-à-vis Turkey. This important time gap concerning the Europeanization of Greece and Turkey constituted a significant rift in the study of the Greek-Turkish relations whose ramifications should be taken into greater account. Whereas Greece internalized the pressures for adaptation while it became a member, Turkey encountered with the forces of Europeanization and the subsequent problems arising from misfit while it has the membership prospects yet not the membership status. Therefore, the momentum for Europeanization has not been equivalent in both cases within which the cost of adaptation is evidently higher in Turkey vis-à-vis Greece. This created a wider vacuum in the comparative analysis of both countries whose repercussions on the

development of democratic governance, political structures, development of the robust civil society and business sector have been analyzed in greater detail in the forthcoming chapter.

Furthermore, the incentives and mix of conditions of the EU have played an instrumental role in the Europeanization of Greece and Turkey despite the fact that dynamics greatly differed. On the one hand, the EU acted reluctantly to provide necessary political and economic signals to foster Europeanization process of Turkey which paved the way for the increase of anti-EU sentiment and doubtful assessment of EU policies with special reference to social unity, indivisibility of the country and national sovereignty. As the emphasis is on conditions or ‘negative incentives’, this will tend to slow down the process of domestic political change of the country. (Öniş, 2003: 9) On the contrary, the EU asserted a natural insider role to Greece and gave way to the emergence of the asymmetry in Greek-Turkish relations in general and in Cyprus problem in particular. The EU positively reacted to the Greek attempts to in shaping the backward economic composition in Greece in 1980s and providing political stability, economic sustainability and creation of a sound fiscal system in which it gave accession to generous social and cohesion funds, direct loans and cheap credits. However, it hasn’t been that eager to give the same incentives to Turkey during its Europeanization process, neither politically and economically, so that it rather preserved a symbolic meaning for the Turkish foreign policy objectives.

What made a difference in the Europeanization of Greece were the accession to the WEU and the membership to the EMU, in which the former enabled the Greek’s presence in the political decision making systems, whereas the latter has made possible for Greece to take part in the convergence criteria of the Maastricht Treaty which had profound repercussions on suiting long-term economic and financial stability in Greece. In Turkish case, one of the most important turning points in the 47 years of EEC/EC/EU-Turkey relations was the historical decision of Helsinki Summit to include Turkey into the list of candidate countries. In the aftermath of the Helsinki Summit, Turkey entered into a new phase of democratization and

transformation through the harmonization packages it enacted by both the former DSP-MHP-ANAP coalition and recent AKP government. It is remarkable that both governments, in spite of enormous variation among their composition, background and objectives, have gripped the reform process in the Europeanization of Turkey and enthusiastically continued the transformation especially in the post-2002 era. Mainly complying with the top-down Europeanization model, the transformation of Turkey and the incorporation of European values, norms, rules and institutions into the domestic political and administrative structures have yielded success although the Commission Progress Report highlighted that there are still problematic issues in application of the harmonization laws. Nevertheless, the efforts of reform process bear its fruits in December 17th decision which set the beginning of the accession negotiation on October 3rd, 2005. The historical discourse of Europeanization of Greece overwhelmingly tends to confirm to top-down approach in 1980s, and yet in the 1990s, with the ardent Greek attempt to conduct the domestic reforms in political and economic policies and take part in the European decision making policies also implied the bottom-up approach of Europeanization.

Another distinction in the Europeanization of Greece and Turkey prevails in the primary objective of the countries for assessing the membership impact. On the one hand, Greece's motives were concentrated in 'security-first' approach in which the EU was a reliable partner and security umbrella that could provide a shield against the instability in the Balkans and turbulence with Turkey over Aegean and Cyprus. The economic influence was given a secondary place, at least at the negotiation and the immediate membership process. However, economic transformation in early 1990s became an impetus to Europeanize Greek's foreign and economic policies which also resulted in the evolution of Greece from 'limited ally' to a 'success case' from the EU perspective. In Turkey, Kemalist elites saw the EU membership as a national objective and a complete set of package of cost and benefits. Instead of slicing the membership impact into key issues and areas, EU membership was mainly contemplated as

Turkey's long-term strategic objective. Economic motives and expectations were also key driving forces of Turkey's Europeanization efforts which could provide stability and enable capital inflow and foreign direct investment to promote sustainable growth and development. Democratization process, therefore, has been a relative latecomer which turned out to be one of the most disputed issues in the post-Helsinki era in the EU-Turkey relations.

Another significant outcome of comparative analysis of Europeanization of Greece and Turkey is embodied in their similarities. Both countries comply with the notion of 'intended Europeanization' which represents top-down modernization, skillfully framed and engineered by political elites, to associate domestic dynamics, organizations and regulations with European integration. (Ioakimidis, 2001: 75)

Hence, Europeanization is an elite-driven project to transform the country's backward political, economic and social infrastructure and a means to achieve higher standards through a breath-taking reform process. Undoubtedly, the leading political figure, or the party system became key elements to conduct the Europeanization project. Noted as policy entrepreneurs in both cases, Constantine Karamanlis and his New Democracy Party, the architect of the EC membership of Greece, has been a prominent figure in pushing the country's membership and orienting the country's long-term strategic incentives in line with Europe. In Turkish case, there is evidently more than one figure that has involved in the Europeanization of Turkey. Historically, the beginning of the Europeanization in Turkish Republic can be easily tracked to Mustafa Kemal Atatürk, the founder of the Republic, who has purposefully set Westernization as the project of the Republic. In contemporary Turkey, the AKP government, although paradoxically to its pro-religious sentiments, has put great emphasis in the EU membership of Turkey, took the necessary steps towards implementation of new harmonization packages for transforming the country in line with EU. As a result of these efforts, Turkey started the long awaited accession negotiations on October 3rd, 2005. It must be noted however that in both

cases it would be misleading to neglect or to overlook the valuable efforts and the contributions of past governments and figures for the Europeanization of both countries.

Another similarity in the Europeanization of Greece and Turkey has been the establishment of two camps: Pro-EU and Anti-EU. In Greece and Turkey, business associations as well as interest groups that are looking forward to establishing external ties and foreign relations for their own agenda have traditionally were ardent supporters of pro-EU camp. In this line, reformists, center-rightist parties and groups of civil activists with various objectives were included. On the anti-EU camp, or the Euroskeptics, religious groups, nationalists, labor unions, extreme leftists and communists were *per se* standing in both cases. Finally, and most astonishingly, these camps are neither static, nor stable which exemplifies the transformative capacity of the EU.

In both countries, the processes of Europeanization contributed to the transformation of party politics to a great extent in which yesterday's conservatives turned out to become today's modernizers as they moved to a stance to advocate the long-benefits of accession. In the Greek case, the impact of Europeanization has been a powerful force for redefining the role, functions and powers of state and altering the balance of power between the state, on the one hand, and society and regions on the other. The transformation of PASOK years in opposition prior to membership and its stance in government in the aftermath of membership apparently indicates the normative power of Europe. PASOK has undergone a series of changes in its policies and attitude toward to EC/EU over a long time span. As the emphasis of PASOK before 1981 and in the immediate election was the protection of national independence, preservation of popular sovereignty and resist against the pressures of EC. In the forthcoming years, the objective of PASOK governments was diverted from seeking an alternate rout of EC membership to minimize the cost of adjustment and maximize the benefits of accession while stressing the distributional impact within the society. Looking for means in the European Union to protect its security, benefit from its long-term strategic plans, Greece increasingly aligned to forces of

Europeanization under PASOK governments. Especially, the Simitis Administration successfully maneuvered in the incorporation of Cyprus issue into the enlargement agenda of the EU and the containment of Turkey in which the main assertion has turned out to be that a European Turkey would be less hostile and more co-operative in overcoming the long disputed Aegean problems and Cyprus vis-à-vis a marginalized Turkey that is looking forward to embarking on safe harbors in the international context or returning to military rule.

In Turkish experience, it became quite evident that as Turkey has entered a new period of democratization after the Helsinki Summit; the political reform process has accelerated as the EU adapted a more inclusionary approach to Turkey. In this process, the general project of Westernization is increasingly turning into one of a concrete project of Europeanization – a more complex process of not only adapting of common values but also of transformation of political and economic structures and governance systems. In the post-Helsinki era, Turkey is changing its political practices and institutions as well as its approach to political problems, which require a major mentality shift to think and act within the larger context of the European Union. This is a slow and a contested process, but there has been an immense progress as mentioned in the more recent reports of the European Commission. In the political side, it seems that the EU accession process in Turkey is creating an environment conducive to the transformation of the religious-rightist political tendencies, of which Justice and Development Party (AKP) is the best concrete example. The predecessors of the AKP were the strongest opposition against the EU objectives on Turkey. However, the changing international climate, the intertwined structure of policy-making in the globalization era, and most important of all, with the apparent incentives provided by the EU for membership, the AKP has chosen a different path than its forerunning ideologies and as mentioned previously, yesterday's conservatives became today's modernizers.

CHAPTER 5

EUROPEANIZATION FROM BELOW: THE ROLE OF BUSINESS ASSOCIATIONS AND CIVIL SOCIETY ORGANIZATIONS IN COMPARATIVE PERSPECTIVE

5.1 BACKGROUND

This chapter aims to draw the framework of the bottom-up Europeanization in Greece and Turkey in general and to assess the role of the business associations and civil society organizations in comparative perspective in particular. The reasons for this attempt are multi-layered. First of all, as acknowledged in Chapter 2 from a theoretical point of view and gauged in Chapter 4 through a comparative perspective, Europeanization in fact is a bilateral process, in which the external dynamics are affecting the local and national systems, and European values, rules and regulations are internalized at the domestic structures. Flipping the coin over is also possible and becoming extremely significant where domestic actors, politics, structures and systems are proactively exerting pressure through decision-making mechanisms and bargaining processes at European level to become regionalized and further institutionalized. Therefore, it is instrumental to find out how different actors exert their influence on domestic politics, policies and polity, which mechanisms they use, how they mediate their interests at national, regional and international level, what kind of international and domestic linkages they utilize and what kind of roles the EU undertakes in the process of articulation of domestic interests at the European level.

Secondly, by the forces of Europeanization, not only party politics, institutional structures, domestic systems were affected, but also the prime movers of 'low politics', business associations and civil society organizations, are empowered to take an active role in the Europeanization process, express their interests, and influence policy-making mechanisms.

In fact, the circular structure of the processes of Europeanization will be the primary guideline in this chapter. On the one hand, Europeanization necessitates and also requires the emergence of a solid and articulate civil society and robust business communities that are capable of participating, negotiating and bargaining in policy-making processes at the domestic level. For this goal, the EU utilizes direct and indirect mechanisms to contribute democratization of member and candidate countries. The EU actively designs programmes and implements projects in which it provides financial aid to civil society associations through systems of check-and-balances at the local and national levels. It also emphasizes democratic values, human rights and the merits pluralist society which are embedded in the Maastricht criteria as a benchmark for accession. Further, the EU is also positioned as a legitimizer not only of civil society and business but also of politicians who refer to the acts, rules, regulations and laws for adaptation of EU norms. Therefore, Europeanization facilitates the penetration of the interests of civil institutions into the policy structures and thus contributing to the democratization of a particular country. On the other hand, as civil society organizations and business associations become centers of interest mediation, policy formation and active lobbying, they transform themselves into power groups which in turn start to impact on the processes of Europeanization with respect to their own agenda. They individually or jointly express their interest at the EU-level and give shape to the discourses of Europeanization. Indeed, Europeanization turns out to be a dynamic process which influences the domestic structures at large, and is greatly influenced by the interaction of different local, national and regional actors at the European axis.

Thirdly, Europeanization has been generally viewed as a political process and its impact on democratization and institutional adaptation at the domestic level has been analyzed. Yet, Europeanization shall not be seen as a politically-driven project by the state elites or officials; on the contrary, it is a larger phenomenon which validates the very existence of various interest groups such as business associations and civil society organizations. Since these groups

prevailed as key actors that reinforce the domestic and institutional transformation at both the domestic and EU-wide level, it became important to analyze them more carefully and in a detailed manner.

Fourthly, the EU was attributed to act as an external anchor and powerful player to transform the member and candidate states in order to attain a sustainable market economy, respect human and minority rights, and achieve a desirable quality of democracy. Significantly, Greece and Turkey were not exceptions for these goals of the EU despite the fact that timing, conditions and incentives greatly varied. Nevertheless, the emphasis of the contemporary Greek-Turkish studies had been on the top-down Europeanization where the impact of organized interest groups was often overlooked or under-estimated. As the activities and the influence of these groups started to play a larger role in the domestic policy-making processes during and after the accession process, it became unavoidable to take a closer look at their transformative capacity and internal dynamics from the bottom-up approach.

Then, as Diez et al mentioned, since the accession negotiations have only recently been initiated, problems arising from misfit and divergence between Turkey and the Union in specific policy areas and institutions have not come to occupy a pivotal position in the relevant scholarship. (Diez et. al, 2005: 7) A similar tendency of adaptational pressures was also observed in the aftermath of Greek accession into the EU in which the emergence of civic society emerged relatively too late. The lack of appropriate research constitutes a major challenge to both EU-Turkey studies while it requires a rupture in the mentality and assessment of Greek-Turkish relations.

In bilateral perspective, most of the comparative studies have extensively focused on the security dimension of Greek-Turkish relations until recent times and less importance was given to the domestic processes on the Europeanization of both countries. It has been a widespread notion among scholars that conflict studies had been dominant in Greek-Turkish relations especially when the historical discourse between Greece and Turkey is taken into greater

consideration. However, accompanied by the revitalization of the EU-Turkey relations in post-Helsinki era and the incorporation of democratization perspective into the relations, the Europeanization process had gained an impetus more than ever and it eventually became a focal point in the studies. Consequently, the political as well as economic and social dynamics of Turkey has increasingly started to include a European dimension. Thus, the agenda remarkably moved from Turkey's macro-political deficiencies in meeting the Copenhagen criteria to issues such as democratization, human rights and rule of law. (Diez et. al, 2005: 7) In this process, the importance of bottom-up Europeanization of Turkey has immensely increased.

Further, as Piccoli argued, the Copenhagen criteria was gauged through Sevrés prism by some political and military elites who conceptualized the post-Helsinki era not as a process of contributing to the democratization of Turkey, but as serving to the interests of 'divide-and-rule' politics of malevolent forces. (Piccoli, 2005: 6) Undoubtedly, with the opening of a new era in the EU-Turkey relations after Helsinki Summit and the subsequent enactment of numerous Harmonization Laws, Turkey entered into a new phase. In this new era, Turkish state delegated a larger role to civil society and gave wider recognition to the minority and human rights which were previously inconceivable without the EU anchor.

Finally, having been listed as a candidate country for EU membership, and having increasingly received positive incentives from the EU functioned as a powerful engine of democratization and economic transformation in Turkey. (Öniş, 2002: 2) This created a vacuum in which old and traditional coalitions for European integration and Euro-skepticism are abolished and several new camps were established. Both in Greece and Turkey, pro-EU and anti-EU coalitions emerged as a consequence of processes of Europeanization which were acting as vivid and dynamic entities. It has ultimately become an indispensable part of the research that EU- and Europeanization studies scrutinize the composition, dynamics and

motives of these coalitions with respect to their relative and absolute impact on the Europeanization process.

Bearing these in mind, I will try to find out the linkages between the Europeanization and development of civil and business society at domestic level, how Europeanization affects the domestic political structure in this regard, the contribution of actors of low politics to Europeanization of Greece and Turkey in general, and Greek-Turkish rapprochement in particular and finally draw the limits of bottom-up Europeanization in a comparative perspective.

5.2 CIVIL SOCIETY and DEMOCRATIZATION

By definition, civil society organizations have been considered as an indispensable element of the process of democratization, and an important element of the modernization and the liberalization of the state, so that it transforms itself into a political organization whose power and activities are accountable to society. In addition, civil society is a formidable entity that creates stability and bridges the relations between a country and the European Union in democratizing countries. Hence, it can be argued that civil society has the potential to play an important role for the possibility of democratic governance, by providing a space of deliberation for societal forces to transfer their interests and demands to political society. In this sense, as an area of political activity ‘from below’, civil society constitutes a necessary condition for democratizing the state-centric world. This role has to be supported both politically and normatively, not only in terms of global politics, but also with respect to national and local political units. (Keyman & İçduygu, 2003: 232)

In assessing the mechanisms of interactions between global and regional players on the one hand, and the domestic institutional structures and civil society on the other, Akman distinguished in two models of internalization to explore the processes of democratization. Firstly, he pointed out on spontaneous internalization in which the EU has been acting without

any improvisations. Thus, the sheer existence of EU anchor is sufficient to activate the domestic actors. In this vein, the EU process helps to set the agenda and provides for interest linkage among the domestic actors in the market of democratization. Indeed, linking the domestic political processes to the EU reference is used as leverage by public and private institutions to challenge the *status quo*. As a result, the EU facilitated the interest accumulation and incorporation of civil societies in the decision-making processes and raised the possibility to enact rules and regulation which otherwise seemed impossible. Secondly, he referred to contrived internalization that is engineered by the EU to stimulate the domestic dynamism for democratization. The pro-active stance of the EU therefore is gauged as a prerequisite for the establishment and the subsequent flourishing of civil society. In the process of democratization from below, the role of the EU is critical in a sense that it disseminates the ideas for participatory democracy, emphasizes the significance of human rights and underscores liberal and civil values and thus reducing the marginal cost of lobbying for domestic actors. As a result of the encouragement of several NGOs, civic groups and associations through EU technical and financial assistance not only provides an overall increase in the level of awareness, but also lowers the cost of participation, association and coordination. (Akman, 2005: 98-99)

In practice, a mixed set of what Akman defined as spontaneous and contrived internalization can be observed in both Greek and Turkish cases. The EU, though not spontaneously, acted as a referee to stimulate the growth of democratization camp in Greece and Turkey. As an exogenous actor, the EU incentives have been instrumental to flourish the domestic interest and its eventual expression in the domestic politics. Democratization packages would have not been conceivable without the support of different political groups that converged around a shared ideal of promotion of democratic rights. Hence, the EU process constituted a locus of interest linkage for civil societies. Besides its support to the democratization, the EU also designed various programmes to encourage the development of

civil society in which it funded the projects by strict selection criteria. By providing financial aid packages in addition to legitimacy to the objectives of civil society, the EU promoted the internalization of its core values at the domestic spheres through activities of civil society organizations and ongoing projects with regard to deeper democratization.

Another aspect to be taken into account is the interplay between the political will and the development of civil society within the EU framework. Therefore, the analysis of the emergence and the role of the civil society in Greece and Turkey require a multi-dimensional framework which should take the domestic interactions and international linkages into account. It is important to underline the fact that the democratization process and empowerment of civil society in Greece and Turkey were not resulted due to pressures from below although there had been attempts for enhancing human and minority rights over a long time span. The national governments on both sides of the Aegean, either for the sake of their own political agenda or due to their lack of interest on providing space for the activities of civil society organizations, had been reluctant to accept civil society as a means of policy-making processes. However, initiated as a pre-condition by the EU to raise the standards of democracy like other candidate states, and then reflected on the quantitative and qualitative activities of civil society organizations during and after the accession negotiations, the democratization process eventually has been accelerated in both countries. Thus, similar in Greek and Turkish cases, the EU anchor has been a common denominator in which the EU has both actively or normatively been shaping the democratic structures and emphasizing the very existence of the robust civil society. Indeed, it should be admitted that the reforms that augmented the working space and facilitated the activities of civil societies also indicate that the sources of democratization are no longer only national, but also regional/global, and therefore that the EU plays an important role in the changing nature of the state–society relations and functions as a powerful actor generating system-transforming impacts on national politics. (Keyman & İçduygu, 2003: 225) In addition to external linkages, internal impacts between Greece and

Turkey as well as the national dynamics have been instrumental in the emergence of a vivid, well-articulate civil society. Most practically, this can be exemplified in the activities of search and rescue teams of both countries following the earthquakes in 1999 which catalyzed the political dialogue and undoubtedly contributed to the rapprochement process. As a result of the vibrant civil dialogue between Greece and Turkey in the aftermath of twin earthquakes, the political circumstances were deeply affected and dialogue as well as cooperation in other areas such as trade, tourism and security was highly promoted. To wrap up, it is fair to say at this juncture that Europeanization undoubtedly contributed to the development of civil society in the Greek and Turkish cases at large. However, without the presence of strong signals of EU membership prospects and thus an appetite towards the Europeanization, civil society in Greece and Turkey have found common ground to collaborate in emergency cases such as the earthquakes which implied that cooperation without major deepening is still possible in between civil society organizations.

5.3 EUROPEANIZATION and CIVIL SOCIETY IN GREECE

Greece had been widely considered as a poor country in social capital and consequently in strength of civil society, characterized primarily by a centralized and simultaneously weak central state structure. The role of the state in Greece was often described as a ‘colossus with feet of clay’ (Sotiropoulos, 1993) which denoted a large, ill-coordinated, inefficient state administrative apparatus. (Tsinisizelis, 1996; Sotiropoulos, 2004) This combination of a centralized state structure and weak civil society, a typical case of the so called Southern European paradigm, created conditions favorable for hierarchical clientelistic networks in public policy-making that inhibit rather than encourage the long-standing process of institution building. (Putnam, 1993) As a result of the state’s position of Greek socioeconomic system, which manifested itself in the over-centralization of powers, functions and competencies in the

state apparatus with very little regional powers and autonomy, it became inevitable that the cost of adaptation in the post-membership era was high.

These features are considered major impediments to the adaptation and Europeanization processes and hence the major adaptational pressures facing Greece since its accession into the EC/EU in 1981 that have led to what may be called “half-way Europeanization”. (Lyberaki & Paraskevopoulos, 2002: 7) Thus, the Greek state has long suffered from problems affecting its institutional capability – clientelism and bureaucratic inefficiency, but since at least the early 1990s these problems have been made more acute by a combination of reform pressures involving both domestic and European Union stimuli. (Featherstone, 2005: 223) In addition to the problems emanating from domestic structure of politics, the role of the state in governing societal affairs and costs of adaptation, it is also important to underline that security perceptions played a significant role in tackling the efforts for Europeanization in Greece. Given the premise that the main threat against Greek security arises from the turbulence in Balkans and moreover from the Aegean, the hegemonic position of the Greek state left little room for the development of an articulate civil society in Greece. (Ioakimidis, 2001: 79)

In this framework, whilst facing pressure for adaptation to European norms of democracy and political accountability from above, Greece encountered a problem of governance both politically and socially that is being redefined by processes of Europeanization. The political tensions attested to the institutional capacity of the state, the nature of leadership strategies, patterns of interest mediation, and the inclusiveness of existing structures of political participation. (Featherstone, 2005: 224) In analyzing the underlying factors towards transforming Greek state structure and democracy, Diamandouros referred to the EU as ‘a potent agent of rationalization and reform in the Greek economy and polity’. Indeed, it is ‘the single most important force’ in this regard. (Diamandouros, 1994: 39) Similarly, Ioakimidis highlighted the breadth and depth of EU impact on politics, polity and policy in Greece. (Ioakimidis, 1998) Moreover, Featherstone stressed the importance of actors

and decisiveness of policymakers for ensuring transformation in the Europeanization processes, or better expressed, in the Europeanization project.

In retrospect, the politics of the Karamanlis (1974–80), Rallis (1980–81), and the first Papandreou (1981–89) premierships displayed an adaptation to contemporary European liberal democracy, albeit mixed with the social foundations of clientelism, populism and charismatic leadership, and the inefficiencies of the state structure and the new conflicts of labor relations. Eventually, the government of Constantine Mitsotakis (1990–93) had been over-optimistic in believing that it could establish a rapid convergence especially in the entry of the EMU. In reality, it failed to meet the conditions for the EU aid provisionally allocated to Greece. It had also been thwarted by strong union opposition to its neo-liberal reforms. (Featherstone, 2005: 227-228) The case of EMU thus illustrated that the transformative power of the EU is important, yet is solely not capable to induce the necessary changes at the domestic level. A pro-EU coalition is necessitated to ensure the convergence to take place which requires a set of the social coherence, political will and European pressure for a successful transformation. Therefore, a harmonized interplay between external factors and domestic actors has been instrumental for democratization and Europeanization that facilitates the penetration of European polity to be internalized without major resistance and opposition.

It was not until 1996 when the state-public consensus along with EU anchor was institutionalized. This consensus was primarily a result of the efforts of Prime Minister Simitis who came into power in 1996 and re-defined Greek interests in the long-term with respect to changing local, national, regional and international political and economic circumstances. By assessing the cost of adaptation and benefits of convergence, Simitis' government initiated a renewed phase of Europeanization in which Greece eagerly looked forward to converting from the 'unreliable ally' of European foreign policy and 'black sheep' of European economy to of a more consensual partner. In interpreting Simitis' Europeanization policy, Tziampiris argued that "Europeanization has now gone well above and beyond mere socialization. Greece's

national interests are better served via multilateral efforts, mainly in the EU, rather than unilateral or bilateral ones". (Tziampiris, 2000) Eventually, Simitis' leadership identified the significance of the external imperative, stressed on a certain time frame affecting choices and interpreted how EU pressures and domestic needs could be made compatible with each other. (Pagoulatos, 2003) In establishing a domestic block of state and society for reforms, the role of the EU has been vital. Instead of dictating the reforms, the EU normatively shaped the domestic politics and supported Simitis's modernization project. Thus, observing the political commitment at the domestic level and supporting the transformation towards convergence at European core, the EU has legitimized the Simitis' reform process instead of mandating a certain package.

While giving importance to become a 'stabilization state' at home, Simitis's government aimed to overcome the democratic deficits at the state level and phase out the clientelistic networks that have been predominant in affecting state-society relations. Despite the fact that this was not an easy task to achieve, the project turned out to be a major step for accomplishing this goal. Accompanied by a series of privatization, labor and pension reform packages, Simitis tried to get the support of organized interest groups for the modernization project. The packages were built such that they could have formed the cement for societal consensus for the reforms. While not giving away the state's authority in framing the policies, the reforms were enabling the civil society organizations to take part in the policy making. With the establishment of new social organizations and interests groups, gradual opening of national policy-making processes to society began to take place. In fact, Greek state was forced as a consequence of EU pressures to invite social institutions and interest groups to participate in the process of elaborating the developmental and structural policy to be supported by the EU. With the inclusion of labor unions, universities, economic associations and civil society organizations in the negotiation processes, they turned out to become the key actors of foreign

policy as well as the domestic policy domain since the EU repeatedly held them accountable in the policy-making processes. (Ioakimidis, 2001: 89)

Thus, as the societal actors have found the grounds to exert their interests not only by propagating, nor by protesting, but also by participating proactively in decision-making process within the EU framework, a change of mentality was inevitable. Given the empowerment of interest groups as an accountable and responsible entity to society, they have been engaging in policy making by using means of interest mediation and lobbying to gain public support and recognition. An important shift in state-society relations occurred as a result of the legitimacy and funds the EU provided in which civil society became less dependent to state resources for survival. Moreover, as labor unions, civil society groups and organized interests were capable of diffusing their objectives through a structured bargaining process with their state relations, the compromise that is yielded became far more enduring and sustainable in public and foreign policies. As it became increasingly natural for the civil society to contribute to and affect the policy outputs, a wider range of actors at the domestic field started to exert influence. In consequence, the policy making processes have been de-externalized in Greece such that the bureaucrats and technocrats had to take into account wider interest of various actors.

The results of Simitis's modernization project were somehow ambiguous. Whereas remarkable achievements in liberalizing the economic structure, diminishing the role of state and democratization were gained, traditional state-business and state-society relations did not get resolved. Greek policy shift has been slow with a limited adjustment of statist philosophy. (Featherstone, 2005: 236) Clientelism persisted to continue; however, with the emergence of new market and societal actors, its impact has lessened considerably.

In conclusion, the Greek case suggests that the Europeanization process and the EU membership in general can play a decisive role in strengthening democratic institutions and widening the scope of the democratic process by bringing into it new social and political

actors. In specific, the democratization process in Greece especially from 1990s and onwards took place on a bilateral way. One is that the state had set the key objective to get rid of unstable and weak institutions that were incapable of coping with the democratic standards of the EC. Therefore, Greece actively sought EU accession as a means of consolidating its newly established democratic institutions. The accession was thus conceptualized as a leverage for fostering political, social and economic stability in Greece. Remarkably, the EC itself also undertook an important role in contributing to the democratization process not only in Greece, but also extensively in the Southern Enlargement along with Spain and Portugal. By assuming a pivotal role in democratizing the institutional infrastructure in Greece, the EC undeniably contributed to the establishment of a solid and vibrant democracy in Greece and it moreover exported the institutions from a top-down perspective. (Ioakimidis, 2001: 87) This argument blends well with Akman's conceptualization of spontaneous and contrived democratization in which the EU is shown as a reference to catalyze the domestic interests and actors in the Europeanization process in the former, whereas the EU actively involves in domestic process in the later. (Akman, 2005: 101)

5.4 TURKEY ENCOUNTERS EUROPEANIZATION: DEMOCRACY and CIVIL SOCIETY

One of the important sites in Turkey where the impact of democratization and the manifestations of EU integration process observed is that of civil society, which has been growing since the 1980s, especially during the 1990s, in terms of its qualitative and quantitative importance for making Turkish society more liberal and democratic than before. It should be pointed out, however, that the emergence of 'an autonomous societal sphere' in Turkish politics as an outcome of the increasing activities and importance of civil society organizations should not be taken as a purely positive development. Instead, while recognizing

the importance of this development for democratization, it should also be noted that the possibility of the use and the abuse of civil society. (Keyman & İçduygu, 2003: 229)

In other words, it is instrumental to distinguish between the civil society organizations that support and align with democratization from those that prevent the penetration of Europeanization and democratization into the domestic sphere due to their own policy agendas. Undoubtedly, an increasing credibility of Turkey's EU accession process is serving to raise the credibility of civil society actors who have been pushing for democratic change. Therefore, civil society is and has been both a subject and an object in the reform process. (Tocci, 2005: 81) Different civil society groups in Turkey have been active in a wide array of activities and have come from very different political persuasions. They have included liberal, left-wing as well as religion-inspired groups. These organizations have been pursuing both different and overlapping agendas, ranging from civil and socio-political rights, to collective and individual human rights, to religious rights and freedoms, gender issues, environmental concerns and so on. The method of work of civil society actors has been both through dialogue with, and opposition to, the official establishment. As well as aspiring to be subjects in the reform process, civil society actors have also been objects of the reform agenda, particularly as far as reforms in the areas of freedom of expression and of association are concerned. (Tocci, 2005: 82) In light of these, the emergence of civil society involves not only the possibility of democratization, but also serious problems, insofar as it constitutes a 'discursive space' both for democratic forces and for religious and the ethno-nationalist political strategies to voice their essentialist and anti-democratic claims in Turkey.

For this reason, Keyman and İçduygu emphasized that civil society in Turkey involves a serious 'boundary problem', since it functions not only as a necessary condition for democratization, but also as 'an important site' for the activities of anti-democratic forces to put their identity politics in practice. As an element of politics from below, civil society in fact creates pluralism in a society, which has been constructed discursively as organic and

nationally homogenous. However, it must be reserved that there is actually no causal link between pluralism and democracy. Since pluralism can also be articulated by religious and ethnic fundamentalism, which denounces democracy from the outset, the distinction of the quality of civil society plays a significant role in the evaluation of their role democratization and Europeanization. (Keyman & İçduygu, 2003: 222)

In retrospect, the process of democratization in Turkey and the emergence of civil society relates to the crisis of patrimonial state tradition which occurred in 1980s as a series of events. Up until 1980s, strong-state acted completely independent from civil society and responded indifferently to repetitious calls for democratization. State constituted ‘the primary context of politics’ that governed the civil life in Turkey. However, since the 1980s, the emergence of new actors, new mentalities and the new language of modernization, as well as democracy as a global point of reference in politics, civil society became an important variable of democratization in domestic politics.

In 1990s, Turkey encountered serious challenges from below as well as from above for democratization. As a result of the Kurdish question, minority rights problems, and human rights violations, Turkey was criticized harshly both domestically and internationally. Foreign actors, among which the EU has been the most important one, pushed for reform to democratize on the one hand, whereas societal actors which include business associations, economic organizations and human rights activists were advocating the need for transformation to reach the European level of democracy on the other. During 1990s, Turkish state reacted reluctantly to claims of democratization for its own political agenda and the attempts for enacting democratization packages thus remained rather limited in terms of their scope and effect. In addition to the lack of enthusiasm at political sphere, the lack of a set of positive incentives from the EU resulted in Turkey’s disorientation from investing in democratization. Especially, with the hike of tensions of the EU-Turkey relations in the aftermath of Luxemburg Summit in 1997 which renounced Turkey as a candidate country but

included Cyprus into the fast track for full membership constituted the major setbacks for democratization. In consequence, the normative power of the EU was lessened, nationalist sentiments at the domestic political structure were arisen and these negatively affected the fieldworks of civil society organizations that have been gauged through a prism of cynicism.

In light of increased concerns that Turkey is diverging from the West and turning its face to East since Turkey unilaterally had suspended the talks with the EU after Luxemburg Summit, two important developments played a major role in Turkey's rebound for democratization. One of developments had been the failure of strong-state tradition after the Marmara earthquakes in 1999 and the success of civil society in getting tremendous public support as a consequence of its activities. The other development has been the decision at Helsinki Summit to list Turkey as a candidate country whose repercussions greatly contributed to the democratization and Europeanization at later stages.

To begin with, the importance of civil society manifested itself in the earthquakes in August and November 1999. The incapability of the state to cope with the inquiries of 'crisis management' on the one hand and the works of search and rescue teams, charity foundations and civil service associations on a voluntary basis on the other hand, have opened up a new era in the attitude towards to civil society. As a great shock to the mentality of both the policymakers and grassroots organizations, the activities of civil society in the immediate aftermath of earthquakes ensured the credibility of the organizations at the wider range of society. Further, the failure of the state to provide the means of rescue, shelter, food and security created a vacuum in the mindset of people, whereas the merits of civil society organizations have been greatly appreciated in the public opinion. This gave a new opportunity to civil society to attract public support, financial assistance and legitimacy among the society which were previously either absent, or reluctant.

Moreover, the decision of Helsinki Summit of 1999 to list a candidate country for full membership definitely played an important role and marked a historical turning point in

Turkey's Europeanization. Most significantly, Turkey-EU relations have gained 'certainty' along with the Helsinki Summit that politically reinforced the emergence of the vivid civil society. Democracy became a pre-condition for accession since the candidate country status was requiring Turkey to fulfill the Copenhagen political criteria. Subsequently, considerable political attention has been given to the necessary reforms to meet the political sides of the Copenhagen criteria. While accepting Turkey as a full member, the EU demonstrated that the process of European integration and its enlargement operates on the basis of universal norms such as democracy and human rights. As a result, the project of Europeanization in Turkey made a significant contribution to the process of democratic consolidation and societal modernization. It is within this context that in 2001, the government created the 'National Programme' which was designed to elevate the structure and quality of Turkish democracy to the level of European democracy by creating a legal foundation for the full protection of the individual rights and freedoms, the freedom of thought and expression, the freedom of association and peaceful assembly, and the enlargement of the space of civil society in Turkey. These reforms, which were made in accordance with the Copenhagen political criteria, are of utmost importance in the creation of a strong language of rights in Turkey, which has a positive impact on the democratization of the state and the enlargement of the space of civil society. (Keyman & İçduygu, 2003: 225)

In the democratization process of Turkey, the presence of a credible anchor such as the EU has been substantial that values civil society, emphasizes human and minority rights, and underlines the importance of the quality of democracy. However, as the Greek experience has also shown, the presence of the EU is not sufficient enough to provide the stimuli for change. In addition to EU incentives, political commitment and public support should also prevail to induce reforms and initiate a programme for major transformation. In the case of Turkey, to mobilize the mass support and empower reformist elements in the Turkish society, a consistent policy of conditionality by the international and regional organizations is necessitated. In

Turkey, the adoption costs of the transformation on the path to eventual accession still seem to be perceived as high, particularly by the military/security establishment, those at the extreme left and right of the political spectrum, and even for a majority of social democrats. (Schimmelfennig, 2003) The costs are perceived to arise from the pooling of sovereignty, decentralization and increased recognition of multiple identities, which comprise the defining traits of European integration. These processes lead the members of the anti-EU coalition to regard major political reform along these lines as a major threat to the unity of the nation. (Aydın & Keyman, 2004: 73) Therefore, the only means for the EU to bring about change are through direct democracy promotion and mobilization at both elite and the mass level in cases where the incentive of membership offered by the EU requires the adoption of principles perceived as threatening for the ruling elite. In addition, the EU also needs to continue offering aid and assistance to pro-democratic forces in Turkish society and to build transnational networks for change. Close and direct links with civil society and the reformist elite are essential for further change to occur.

In addition to pressure for democratization from above, significant steps for democratization from below in Turkey occurred with the Helsinki process. The importance of democratization seemed to be well perceived by the economic actors and echoed on the business environment on the path of full membership to the EU. Strong economic actors, such as the Turkish Industrialists and Businessman Organization (TÜSİAD), and the Economic Development Foundation (IKV), or organizations run by liberal intellectuals, such as the Turkish Economic and Social Studies Foundation (TESEV) enthusiastically supported Turkish democratization and EU-integration project. IKV has been instrumental in the creation of an unprecedented civil movement in Turkey under the umbrella of “Movement for Europe 2002”. “Movement for Europe 2002” constituted a broad platform that mobilized 175 civil society organizations to take collective action in favor of Turkey’s accession to the EU in June 2002. Moreover, state bureaucracy and officials have also joined to the emerging pro-EU coalition

which broadened the base of support for Europeanization in general and democratization in particular. (Keyman & Öniş, 2004: 19) Furthermore, the private initiatives have also started a set of lobbying activities in domestic and abroad, they have voiced the need for more democracy in Turkey and recognized the role of the EU as international anchor for democratization. Civil society thus has become an important element of Turkish politics not only through its discourse of democratization but also by its associational activities. However, it must be noted that pressures from and support by civil society for EU-related reforms have remained extensively confined either to the organizations related to big business and the private sector. (Diez *et al*, 2005: 11) Furthermore, Öniş argued that not all business associations are equally enthusiastic about the EU-induced reform process. (Öniş, 2002: 21)

To sum up, the central question in the aftermath of the earthquake in Turkey had been whether Turkish civil society organizations could sustain their momentum and consolidate themselves as a formidable force in the struggle to open and democratize the state. Paul Kubicek observed that the role of the civil society organizations in the democratization process of Turkey should not be exaggerated, nor should its role underestimated. It is true that civil society organizations exist and their activities are not a reflection of a mirage; they are real and effective. More than ever before, civil society is making demands on the state and challenged aspects of statist tendencies of the system. Its emergence coincided not only due to state's incapacity in governing societal relations very properly, but also the rise of civic enthusiasm to take a larger role in state-society affairs. (Kubicek: 2002, 770) The consolidation of the EU integration process in Turkey and the subsequent empowerment of civil society as an 'accountable entity' in the accession negotiations are paving the way for a renewed phase of democratization both from above and bottom; however, in the Turkish case, one should bear in mind that the quality of democracy and the robustness of civil society matter and these make a genuine difference.

5.5 THE ROLE OF THE EU: EUROPEANIZATION and CIVIL SOCIETY in COMPARATIVE PERSPECTIVE

It is important to scrutinize the function of the EU on the development of civil society in a two level analysis. The first level deals with the linkage between Europeanization and civil society in a circular fashion. Both in the Greek and Turkish cases, the processes of Europeanization have been a catalyst that promoted the emergence of civil society and facilitated democratization through direct and indirect mechanisms. Therefore, it is significant to find out the means the EU utilizes and to assess the results of these mechanisms. Further, the interaction between civil society and Europeanization makes possible that civil society becomes not a passive recipient of the norms delegated by the processes of Europeanization, rather it actively engages in affecting Europeanization. In this, as the civil society gains greater recognition and support at the domestic level, it does not only exert pressures to national policy making, but also impacts the agenda of the European policy making by using means of lobbying, bargaining and negotiating that in turn give shape the discourse of Europeanization. In addition to the investigation of the dynamic structure between civil society and Europeanization, the second level of analysis examines the role of the EU on the Greek-Turkish rapprochement. In doing so, the EU empowers the civil society and promotes democratization on the one hand, and facilitates the political and civil dialogue on the other. Moreover, it must be noted that the intertwined nature of both levels results to run the processes parallel to each other so that it sometimes becomes difficult to identify the level of analysis.

Given these, the role that the EU undertakes to facilitate change in member and candidate countries and promotes the means to spread democratic notions has been widely contested. In this respect, the primary asset of the EU to induce reform and transformation has been generally conceptualized as its direct financial aid to civil society organizations that are

conducting projects to foster EU norms and values at domestic level such as gender and human rights, democratization, environment protection and so on. This assumption however is partly true for two reasons. Firstly, financial inflows are only one aspect of the practical support provided by the EU to assist the process of adaptation, learning and policy change. Secondly, it is no doubt that the EU provides financial assistance to contribute to the development of civil society; however, the assistance is bound to a conditional basis.

At first, other dimensions of EU support include ideational output and the transfer of know-how. In this respect, EU-funded programs can provide opportunities for networking and twinning since they encourage the design and implementation of joint projects with current members. As a result, accession process alters the allocation of resources, by providing new channels of access not only to finance but also to knowledge and contacts. (Verney, 2005: 83) One of my interviewees commented that the penetration of the EU at the civil society structures and its indirect role to supporting these entities can be epitomized in the INTERREG III A policy. Being an active member of pro-EU ARI group in Turkey that designs, develops and implements projects for raising the standards of human rights within the legal and social framework and working as the co-ordinator of EU studies at Bahçeşehir University in Istanbul, she elaborated that 19 organizations were entitled to be eligible to participate in the cross-border relations programme INTERREG III A. The list of participants were ranging from high schools, universities and civil society organizations to state institutions to develop joint projects with a selected partner from a member country. The selection of the partner process was completely left on the consent of the eligible institutions. As a result of the selection process, the twinning provided the opportunity to eliminate prejudices of the participants, share experiences between establishments, find a common ground for future projects and enable exchange of information and ideas on a reciprocal basis. Thus, the EU encourages the development of civil society not only at the national but also at the regional level that is capable to cooperate with similar entities from member countries alike.

The second role that the EU fulfills is bringing conditionality to the financial assistance it provides. What makes a remarkable difference from the EU perspective to support projects is the proximity of the applicant country to membership. This is probably best exemplified in the Turkish case in which the EU funds were viewed as part of the positive incentives in the post-Helsinki era. Specifically, the grants the EU provided in order to contribute to the democratization process in Turkey have increased significantly following the Helsinki Summit, and especially since 2002. Prior to the Helsinki summit in 1999, Turkish NGOs received grants only from the EU's MEDA I programmes. However after this summit, pre-accession orientation was introduced to the financial assistance strategy for Turkey. In 2000, annual financial assistance averaged 177 million euros. In 2001, a figure of 214 million euros was earmarked as assistance. Finally, the Copenhagen Conclusions confirmed that from 2004 onwards, assistance would be financed under the 'pre-accession expenditure' heading of the 2002–2006 financial perspectives. (Göksel & Güneş, 2005: 67) The other condition, which the EU stipulates, arises at the subject of project finance. On the contrary of the belief that the EU funds the projects and gives financial assistance on a common level, the financial aid of the EU is only fractional and conditional. That's why, in many projects, a certain percentage of the budget is financed by the EU while the remainder needs to be raised by the NGOs from alternative sources. This has given an incentive to NGOs to develop their fundraising capability. (Göksel & Güneş, 2005: 68) Because of the partial aid, NGOs are inclined to find support from business circles for the projects they're implementing. Although companies have initially been reluctant to allocate financial and human resources for the NGOs, a donor culture has started to thrive with the Europeanization of Greece and Turkey so that NGOs increasingly can rely on the private funds for the projects. Thus, the EU funding and its conditionality affected the business-society through increased interactions and availability of projects for democratization and human development. In this framework, business associations and individual companies can support projects that are implemented under EU supervision. In

addition, this EU policy also provides confidence to business circles that their contributions will be utilized in an accountable fashion.

In light of these, a key function the EU fulfils for the emergence of a robust civil society appears in its credibility and legitimacy. Tocci argued that the EU accession process has had two mutually supporting effects on civil society the double role as subjects and objects. First, it has increased the credibility and legitimacy of the claims of these domestic actors. On the one hand, the EU acts as an 'external ally' in push for democratization. Therefore, the state is positioned under cross-fire, one of which comes from above such as the EU level and from below such as well-articulated civil society. On the other hand, the political will should be present for undertaking the cost of adaptation and assessing the benefits of accession. In the democratization process of the Turkish case, Aydın and Keyman argued that the more Turkey has attempted to meet the Copenhagen criteria, the more it has consolidated its democracy and made its modernity liberal, plural and multi-cultural. (Aydın & Keyman, 2004: 69) Indeed, without a deliberative policy of the government, the EU-sponsored reform process and democratization in Turkey would not occurring neither in its pace nor in its scope. Furthermore, a credible EU accession process allowed actors pushing for democratic change including civil society to defend and justify their proposed reforms. The resonance of the arguments advanced by domestic critiques, who appealed to the risks involved in democratic change, was reduced as the EU engaged in a more substantial integration project in Turkey. (Tocci, 2005: 82) Thus, as a result of the EU's potential role as a legitimizing factor in Turkish politics, Turkish civil society has shown signs of activation of social spaces on the adoption of a discourse of Europeanization and the Turkish political landscape is being slowly reconfigured. (Sofos, 2001: 253-254) Then, the reform process is gauged as a leverage to empower civil society actors. The more freedoms are extended, the more civil society groups are able to work without being stifled by repressive laws and bureaucratic procedures and in turn, the greater the flourishing of civil society. (Tocci, 2005: 86) There has certainly been an

acknowledged difference in the freedom and status of several civil society groups. However, the groups that have benefited most have been those closer to the state and that have traditionally opted for dialogue with official institutions. Those civil society groups and movements whose demands have been more far-reaching and have chosen the path of (non-violent) opposition to the establishment, have not benefited to the same extent from the reforms. (Göksel & Güneş, 2005: 63)

The Europeanization process also had a big impact on Greek-Turkish relations in general and on Greek-Turkish rapprochement in particular. Rumelili argued that have always been political and civil society leaders in both countries who realized the futility of the ongoing conflicts, but their cooperative efforts always stumbled on new crises and were disrupted before they have had a chance to flourish. However, their efforts fell short to bear its fruits, most probably due to the lack of credible anchor for both sides. Accelerated by the twin earthquakes on Aegean and accompanied by the historical Helsinki Summit in 1999, Greece-Turkey relations entered into a new orbit, denoted as rapprochement, in which the EU effectively utilized its role to acting as a key reference in shaping the relations. In my interview, a prominent figure in the academia and professor at Sabancı University told that the EU channeled credibility and availability of funds which became the working capital, or the equity of the civil society organizations especially in Turkey. The EU thus has played a major role in democratizing Turkey directly and indirectly through which it consistently tried to preserve the delicate balance between Greece and Turkey. In this respect, Rumelili pointed out that the EU has become the common denominator around which political and civil society actors have coalesced. (Rumelili, 2005: 46) She also pinpointed the EU functionality of providing the funds necessary for cooperation to resolve border conflicts and initiate dialogue. For this, the EU allocated 8 million euros under Civil Society Development Programme (CSDP) in 2002 to contribute to the capacity of civil society organizations that work at a grassroots level on issues such as gender, youth, the disabled, human rights, development,

children and culture. (Göksel & Güneş: 2005: 67) Under this programme, macro-grants and micro-grants were arranged, reciprocal workshops were organized, exchanges from both sides were achieved and a website under the domain www.stgp.org is designed and hosted to enhance the competence of the NGOs in Turkey. She further explained that the second form of funding directed specifically at Greek–Turkish cooperation had been the 35 million euro package to support cross-border cooperation between Greece and Turkey for 2004–2006. This package was approved by the European Commission in February 2004 and is to be financed by INTERREG 3 and from the pre-accession funding for Turkey.

Given the abandonment of predominantly hostile environment in Greece and Turkey and the eventual establishment of civil cooperation between both countries through EU-led coordination, concrete developments occurred within the context of Greek-Turkish rapprochement. As my interviewee acknowledged, the twinning process of eligible 19 Turkish institutions under INTERREG III A framework has exemplified the shift of Greek-Turkish rapprochement from rhetoric into reality. In this, 5 out of 19 associations chose their partners from Greece despite the fact that Turkish associations were able to choose a partner from any given EC-25 country. Surely, this consequence did not arise as a coincidence; on the contrary, it has been a clear remark which symbolizes and also endorses the rapprochement between Greece and Turkey. Without the EU framework, it would hardly be possible that the civil society organizations on both sides of the Aegean would find the means to cooperate on a joint basis. As a sign of deepening of rapprochement from political field into the societal field, the EU facilitated the cooperation both financially and ideationally. In consequence, an operational framework is provided to the civil society in Greece and Turkey to communicate, collaborate and involve in joint projects under INTERREG III A.

It is also important to highlight the role of civil initiatives within the context of Greek-Turkish rapprochement. For example, the Lozan Mübadilleri Vakfı (the Foundation for Lausanne Immigrants) was founded in 2001 in Turkey to conduct research into the history and

culture of the Greek and Turkish people subjected to compulsory population exchange as agreed to by Turkey and Greece in the 1923 Lausanne Treaty. The organization pursues a collaborative project with the Research Centre for Minority Groups (KEMO) in Greece. (Rumelili: 2005: 48) LMV has also initiated a project with the primary goal of developing a common understanding and tolerance for the preservation of architectural heritage, which brought several civil society organizations from Greece and Turkey together. They implemented a project to renovate and modernize 16th century Omeriye Ottoman Baths in Nicosia. While the construction and restoration have greatly contributed to upgrading the building environment and to preserving and promoting the multicultural character of the city, the joint project has also been awarded for its achievement by the Commission's Culture 2000 Programme in 2006. (Europa Nostra, 2006)

In assessing the Greek-Turkish rapprochement, a serious qualification needs to be made. Whereas the EU has been active in converting dialogue into action, non-EU factors have also been greatly influential in facilitating civic diplomacy. As a milestone, the twin earthquakes of Izmit and Athens respectively in 1999 historically impacted on the Greek-Turkish relations as it also catalyzed the rapprochement. (Gündoğdu, 2001) The special envoy of Greek rescue team and its efforts to save human lives under demolished buildings and provide humanitarian aid were not only instrumental in recognizing the significance of domestic and international civil societies, but it was also facilitating the ongoing rapprochement process between Greece and Turkey. In this vein, a senior lecturer at Bilgi University in my interview commented that the earthquakes were vital in eliminating the inferior images at both sides and disseminating the idea to Greek and Turkish policymakers that it is possible to work together even under such circumstances of emergency. He further asserted that the diplomacy in the aftermath earthquake ensured the continuity of the political dialogue and gave a vast chance for civic dialogue.

Besides its tangible functions on promoting democratization in Greece and Turkey and facilitating rapprochement in Greek-Turkish relations, the EU indirectly fulfils an important role. As the circular structure of the Europeanization and civil society suggested, the EU not only facilitates the emergence of civil society, it also holds the civil society accountable in which it listens to their demands, assesses their requirements and provides legitimacy to their activities. My interview with the director of Imroz Foundation clearly indicated the effect of the EU, which went far beyond the national borders and even government policies. To concretize, the Greek-origin residents of Imroz, a Turkish island on the Aegean and Turkey's geo-strategic West end, were forced to leave due to the nationalization policy of the Turkish government in 1960s. As a result of the policy, the number of Greek-origin inhabitants, most of whom were occupied in agriculture and trading, was radically decreased from thousands to hundreds. However, the issue of their property right remained unresolved and highly disputed. Along with Greek accession into the EC/EU, the ex-dwellers of the island, now living in Greece, have founded a civil society organization to defend their property rights within the legal framework of the EU rules and regulations. Greek Ministry of Culture and Foreign Affairs reacted reluctantly to the inquiries of the Imroz Foundation and so did the successive Turkish governments alike. With the opportunity structure of the EU which provided the space to voice their case, the Imroz Foundation prepared, filed and reported their needs at the EU Commission. After thorough review, the Commission decided to incorporate the requests of the Foundation into the Annual Progress Report of Turkey in 2003 so that their case gained a legal title which was previously overlooked by both Greek and Turkish governments. On this quite unexpected, yet astonishing outcome, the director of the Foundation commented: "We had never lost our hope in defending our rights. The impact of the EU was helpful in expressing our inquiries. The insertion of property rights on Imroz into the report has been so effective that we were invited to the Ministry in Greece and even had a chance to meet with the Prime Minister Erdoğan during his visit to Imroz."

In addition to the facilitating role that EU plays in the Greek-Turkish context, there are also doubts and alternate suggestion which are critical and should be taken into account. For instance, when I talked to the Dean of the Science-Literature Faculty and the Professor of Sociology at Mimar Sinan University, who made an extensive research on the demographic distribution of Imroz Island, she underlined the fact that the history on both sides of the Aegean includes weeps, pains and suffers, and it is a must to preserve the reminiscences of people who once dwelled in cosmopolitan regions such as Imroz. Joint projects is a tool that is used frequently by the EU to facilitate dialogue and foster cultural exchanges, she said, and emphasized that the EU is not the sole contributor of re-construction of identities, buildings, monuments, or places. On the contrary, foundations such as Imroz or projects to protect historical heritages can apply to UNICEF for financial aid and technical expertise.

Furthermore, a major critique and cynicism is embedded in the EU-funded projects. As the availability of the EU-funding provides an enlarged working space for the activities of the EU, it also poses a threat to the existing domestic structures as well. As explained, the EU funding is generally used as an instrument to orchestrate the activities of civil society. However, the lack of alternative funding options such as state institutions or other international foundations and the reluctance of private funding by business circles to promote civil society for democratization results in dependency to EU-led funds. As a consequence, most of the projects are devised according to the funds on the terms which they believe will be attractive to the EU. In this respect, competition between NGOs to obtain these funds has at times been reduced to destructive rivalry in which NGOs carry out negative propaganda about each other in order to harm credibility in the eyes of the respective EU institutions. Cases like this point to the fact that maturity has not sufficiently developed in the civil society sector and the benefits of cooperation, as opposed to a zero sum approach, have not yet been consolidated. (Göksel & Güneş, 2005: 67) A Jean Monnet professor at Sabanci University explained that civil society organizations are being manipulated by the EU to ensure the existence of public opinion to

promote pro-EU policies in Turkey. Further, he argued that there are some agencies and consultancy companies that are established on the sole purpose to attract funds for their own material expectations. He exemplified that the break-even point of EU funding for civil society occurred on the Annan Plan. According to him, the EU clandestinely delegated huge amount of funds to support ‘Yes’ vote for the Annan Plan on TRNC and RoC. There, the Union hoped to be able to solve the Cyprus question before the accession of the RoC by the activities of civil society associations. The professor mentioned that ‘manipulated’ civil society is a danger against national unity and it is a common practice of the EU to utilize the associations as political means to achieve their goals.

In spite of the critiques, the democratization in Greek and Turkish context and encouragement of civil society would have not been conceivable, at least at such rapid pace, without a strong EU anchor. Through means of funding and facilitating, the EU undeniably contributed democratization in Greece and Turkey in general and the recent rapprochement in particular. The EU anchor fostered the development of civil society and its impact on the process of re-making Greek and Turkish democracy. Domestic actors benefited from the Europeanization of Greece and Turkey in which they have gained access to funds, legitimacy, effectiveness and policy-making processes as an ‘internal ally’. Moreover, as referred in Kirişçi’s democratic peace argument of rapprochement, the EU has been a key player in promoting stability, encouraging dialogue and facilitating to eliminate border conflicts on Aegean. (Kirişçi, 2002: 12) It is more than difficult to imagine that a democratized Greece and Turkey dare to declare war in critical instances as the latest airplane crash in Aegean illustrated. Coupled with the EU dimension, both countries have internationalized their domestic and foreign policies which made possible to harmonize their actions in line with the EU.

5.6 EUROPEANIZATION and BUSINESS ASSOCIATIONS: THE IMPORTANCE of EXTERNAL-INTERNAL LINKAGES

Given the possibility by the processes of Europeanization to engage in the policy-making processes at domestic level, business associations like civil society organizations are empowered to take a greater role in agenda-setting of the states. In assessing the role of the business sector and its relevance with Europeanization, it is vital to check the external-internal linkages to demonstrate its impact on domestic politics, regional policy-making processes and state-business-society relations.

In this vein, business sector gained globally a vital role in 1980s and onwards as the role of the state in economy has lessened considerably along with the liberalization of national economies and soaring pressures for privatization and market reform. As economies became de-nationalized, and companies were transnationalized and further globalized, state-business relations changed dramatically. To cope with the changing dynamics of business culture and challenges emanating from new environment of global business, a rapid transformation came into being. In the context of Europeanization, two important dynamics were observed.

At first, regional actors like the EU devised projects to foster sustainable growth of business sector which was thought to reinforce the region-wide development within EC-25. To achieve a robust business sector within the region, the EU has been keenly investing to develop programmes for infrastructure, know-how, scientific research, education, job-training and cultural exchanges that would strengthen economic development and promote growth. With elevated concerns of the EU to keep its economic competitiveness not only at a regional but also at a global level, the push for transformation and structural re-organization of economic activities were being prioritized at the EU context. One of the most remarkable policies of the EU to achieve this goal was epitomized in the Lisbon Process in 2000. Whilst assessing the opportunities and threats of the globalization, the EU embarked an ambitious project for the

revitalization of competitive business sector within the EU territory. For this goal, the EU launched the Lisbon Process by aiming to preserve global competitiveness and create robust economic structures as critical objectives for the next decade. As a consequence, the Lisbon European Council endeavored to issue guidelines for exploiting the potential offered by the new economy, in order to eradicate the scourge of unemployment, amongst other aims. Through the strategy of adapting and strengthening the potential for economic growth, job creation and social cohesion, Lisbon Process targeted to make the EU the most competitive and dynamic knowledge-driven economy by 2010. (Euractiv, 2004) Moreover, the programmes were designed to include enterprises, economic associations, universities and civil society organizations among member and candidate countries at large, but the repercussions were not limited to these only due to the inclusiveness of global business into the European region. As a result, the impact of EU-led programmes went beyond the borders of the EU.

Secondly, enterprises largely benefited from the EU programmes which gave them valuable sources of finance, expertise, human resources, and access to IT- and telecom-infrastructure. The incentives provided by the EU gave the business sector the opportunity to invest in more value-added jobs and involve in costly R&D activities so that they contributed to the transformation of business to move from low-output works to job creating, value-added segments. Additionally, by using means of business-politics networks and utilizing the legitimacy provided by the EU, business sector have found the grounds to voice its needs more openly. By relying on the public space provided by the processes of Europeanization, business sector started to express its requirements and interests in a multilateral manner where it capitalized the increased importance of state-business relations on national and international fora. In that respect, business sector, same like civil society sector, articulated its interest in a much organized and effective way.

In light of these, the analysis of the role of business associations on the Europeanization of Greece and Turkey should take the external and internal linkages into account. Globalization

as well as Europeanization provided enterprises and associations new opportunities to review and restructure their operations in line with changing business trends. The EU, not only normatively and discursively, but also directly have developed the means to encourage cooperation at the state and firm levels to attain its goals as projected in the Lisbon Process. Undoubtedly, Greek and Turkish companies have also been affected by this rapid change of global business climate and the incentives provided by the EU. In spite of the challenges mainly stemming from political reasons, the enterprises in Greece and Turkey acted enthusiastically to develop new businesses not only on the Aegean but also at a regional level. Although there has been significant variation among the characteristics of trade and investment activities between Greece and Turkey, they actively pursued the goal to widen as well as to deepen bilateral economic relations. Given the complimentary structure of economies in which Greece tends to have a comparative advantage in service-sector jobs such as tourism, fishing, maritime and shipping, banking and insurance, and Turkey in manufacturing like iron-steel, automobiles and machinery, there are numerous grounds for collaboration. In addition, by taking Europeanization of Greece and Turkey into account and observing the political stability in them which became a pre-requisite for developing economic ties between countries, one can assert that the business associations and enterprises have still a long list of joint incentives to develop projects, establish strong business ties and invest on a mutual basis in Greece and Turkey.

5.7 GREEK-TURKISH ECONOMIC RELATIONS in RETROSPECT: THE IMPACT of THE EU

The relations between Greece and Turkey are traditionally characterized by repetitious tension and instability. Friction and conflict in bilateral relations of the two countries have not allowed until very recently an effective utilization of the advantages of economic geography. (Petrakos & Kotios, 2003: 103) Although two countries are bound by geography, they have not managed to promote economic integration until very recently. Indeed, Greece and Turkey failed to

benefit from the advantages of cross-border trade relations such as commerce, investment, tourism, infrastructure, international networks, energy and transportation, missing the opportunity to integrate and develop economies of scale and specialization.

Unlike the common practice that border adjacency fosters cross-border trade and investment environment and very similar to the Balkan experience where border-countries notably compete rather than cooperate in economic relations, Greece and Turkey on a bilateral basis have not built a solid framework to coordinate their activities in which both of them can be better-off in economic terms. (Kazakos & Liargovas, 2001)

While the processes of Europeanization and the eventual convergence to European norms indicate strong economic relations in neighboring countries like growing investment links, common or interconnected infrastructure networks, enhanced schemes of regional economic cooperation and integration, in the case of Greece and Turkey the situation is quite different. An estimate in 2002 has shown that actual level of Greek-Turkish trade is only a fraction of the potential level that geographic proximity would justify. To explain this outcome, it is instrumental to underline the political risk in between Greece and Turkey which has been perceived as the critical drawback for the establishment of vivid economic partnership. Despite the fact that domestic and transnational markets for joint operations seemed to be attractive for investors from both countries, enterprises acted reluctantly to the opportunities because of the uncertainty in political affairs.

In retrospect, the encouragement of Greek-Turkish business relations was always combined with political initiatives. (Liargovas, 2003: 133) As the Davos Process in 1988 illustrated, the political dialogue initiated by Papandreou and Özal was transformed on the business circles along with the establishment of Greek-Turkish Business Council. However, the efforts fell short to comply with the expectations due to the discontinued political rapprochement and increased security threats in early 1990s. Therefore, economic relations have undoubtedly been affected by the bilateral economic problems which create a climate of

tensions and uncertainty between the two countries. The political climate has worked negatively to the development of bilateral economic relations, as this is reflected on the poor conventional framework between the two countries. In the Greek-Turkish business context, the EU anchor and the effects of Europeanization have turned out to be an effective mechanism in diminishing the political risk that would not have been accomplished by the efforts of national policy-makers. The EU not only supported democratization from above, assisted the development of solid and accountable institutions, and contributed to political and macroeconomic stability; but also indirectly facilitated the dialogue between business communities of both countries which eventually resulted in increased trade and investment activities.

Specifically, in the Greek case, the state was characterized with its gigantic apparatus and the over-centralized nature of the state and political system in general. Dating back to the 1960s and even continued until the country's entrance to the EC, public sector kept growing irrespective to the ideological attitude of governing party. Particularly after 1974, the process of nationalist economic tendencies gained an important impetus in Greece which was followed by a series of etatist policies. As a result, the conservative government of ND began a massive process of state expansion in public domain and most strikingly ended up in nationalizing some public-private enterprises such as Olympic Airways and Commercial Banks. (Iokamidis, 2001: 78) Keridis indicated that the takeover of Olympic Airways by the state which is seemingly very contradictory with the common practices of the EC at that time presented as the epitome of the lack of Europeanization in internal affairs. (Keridis 2003, 305–306) As the state continued to invest in public funding, state-led economic activities, tough regulation and tight entry system for private initiatives, Greek state turned into the greatest employer and entrepreneur at its entry to the EC. (Iokamidis, 2001: 78-79)

As a result of expansionary fiscal policy and macroeconomic imbalances, Greece was caught in a stagflationist trap in the late 1980s and early 1990s. Budget deficits and public debt

expanded to a worrying extent. Easy money coming from the EU kept the exchange rate high and inflation up, thus putting the rest of the economy under additional pressure. The result was the growth in Greece was among the lowest in the EU and OECD which ended up in de-industrialization. (Kazakos, 2004: 904) With the establishment of the Maastricht criteria for EMU entry (low inflation, deficit reduction, currency stability), ‘nominal convergence’ became an immediate target of successive Greek governments. EMU was gauged as the internalization of the external economic imperatives represented by globalization as a force for disciplinary neo-liberalism. (Gill, 1995) Accordingly, the adoption of domestic market-conforming policies of neo-liberalism is consistent with a view of EMU reinforcing globalization’s characteristics of free capital movement, open trading, and threats of exit from mobile transnational businesses unless domestic tax and regulatory costs are reduced. (Dyson, 2002: 16) In Greek context, a broad programmatic consensus developed to cope with the forces of globalization and benefit from the EMU among the major political forces. The government set the task that Greece should join EMU at the earliest possible date – a difficult task given that the country was far behind all the other member states. The political leadership was convinced that only through EMU participation could the country enhance national security and have a say in important EU policy sectors ‘on an equal footing’ with the other member states. (Ioakimidis, 2001; Featherstone and Kazamias, 2001)

The first attempt in 1991–93 to cope with the new challenges aimed at restoring macroeconomic balance and initiating deep structural adjustments. The center-right government under Prime Minister Constantine Mitsotakis and its economic policy core envisaged, as they put it, an ambitious ‘de-nationalization of the economy’. However, the government encountered widespread and entrenched opposition from organized interests in and around the giant state apparatus (Pagoulatos, 2001) and from a public opinion still swayed by the populist promises of the 1980s. This first stabilization plan in the 1990s failed, although the government had succeeded in halting the slippery road to bankruptcy. (IMF, 1999) On the

reform front, progress remained unsatisfactory. The broader public sector posed particular problems for the economy. The government succeeded in privatizing one major cement producer (AGET), but the whole programme of de-nationalization came to a halt as early as 1993. The etatist tradition had deep roots and was sustained by multiple institutional arrangements and informal practices. (Kazakos, 2004: 906)

The push for transformation along with the EU was pursued and overlapped with the modernization project of Simitis' Government. Along with the reinvigoration of reformist policies in Greece under Simitis and the pressure from EU for continuous liberalization, Simitis' government initiated a far-reaching plan to cope with the contemporary economic challenges. The reform package included enthusiastic plans for privatization, labor market and pension reform. Under the plan, Greece privatized more than 30 state enterprises since 1998. However, the labor reforms did not redeem the expectations due to the disjointed corporatism, vested interest of state-business relations, lack of political will to implement a radical reform to stabilize the market, social costs of policy-making given the high unemployment rate and the influx of immigrants in the market. A similarity to labor market reform emerged in the attempts for revitalization of pension reform. Supported only by the youngsters and socially excluded circles, the support for reform remained too costly both within the financial and social framework. (Featherstone, 2003: 936) From a political economy perspective however, Simitis stabilization program resulted in lessening of state's role in economy, creating more flexible markets and tackling the limitations and gross inequities of social welfare provision. By the end of 1999, Greece had re-established macro economic balance and fulfilled the Maastricht criteria. On the way to the single currency, the legislation and statute of the national central bank were amended to comply with the Treaty requirements. For the first time in the post-war era, the bank obtained independent status. Finally, in June 2000, Greece became a full member of the Eurozone. (Kazakos, 2004: 907)

In comparative perspective to the Greek case, Turkish experience followed a diverse trajectory in its economic transformation of complying with the forces of globalization and requirements of European convergence in macroeconomic policies. The scrutiny of Turkish economic history in the last two decades demonstrates the prevalence of the IMF over the EU in shaping up the key infrastructure for reforms. As an international actor, the IMF not only acted as the lender of last resort in the Turkish crisis but also bounded its credit facilities to conditions. These conditions included market reform, privatization, labor and pension reforms, pursuit of anti-inflationary policies along with tight fiscal and contractionary monetary policies, an ambitious budget surplus and provision of independency to Central Bank. Despite the fact that the goals set by IMF and EU in Turkish and Greek cases resemble each other to a large extent, the sources to reinforce the reforms are quite very different. In the Greek case, the EU in general and the EMU in particular had been instrumental in convergence process of economic policies. The EU, both financially and politically, facilitated the convergence of Greece towards European norms and standards. In the Turkish case however, the EU strategically refrained itself in committing a transformative plan for Turkish economy and acted reluctant in providing positive incentives for market reforms. So, it eventually stayed aside, whereas IMF took up the lead and intervened in the Turkish public policy discourse proactively by providing credits in the aftermath of crisis and restructuring period. In spite of different actors, both countries noticeably necessitated the presence of an external anchor in transforming their institutions and policies and conducting their reform programs.

On the role of the EU in Turkish context, Uğur argued that Turkey's economic convergence towards the EU has remained too little and occurred too late. While macroeconomic policy has been totally divergent from that of the EU, microeconomic policy has converged partly. Government's excessive role in regulating the markets, involving in economic matters, and interfering in decision-making processes on its behalf created a major burden in the efficiency of Turkish economy. This brought low policy output and innovation

due to the heavy investment in control technology of the state. As a result, the public sector was generating %53.2 of total output and %56.2 of the total value added in the light industrial sectors. Etatism has turned out to become a national economic phenomenon which pursued to exist in the post-1980 economic environment as well. Despite the fact that major steps were taken for the liberalization of economic activities, state's share in total fixed capital formation remained still high at the level of % 45 by 1992. (Uğur, 2001: 220)

On the political front, Turkey officially applied to the EC for full membership in 1987; however, the Commission Opinion, which was published in 1989, considered that Turkey was not yet capable of 'bearing the constraints and disciplines' applying to members states, nor was the community ready to cope with the problems that Turkey's integration would bring. (Rumford, 2001: 96) In its argumentation, the Opinion had crystallized the EC's economic and political concerns and implied its efforts to keep Turkey within the orbit of the EC but not allow full integration. In consequence of this view, the Opinion proposed the intensification of cooperation within the framework of the Association Agreement to complete the Customs Union by 1995, while postponing full membership. On this subject, in a public lecture at Bilgi University on November 28th, 2005, Prof. Loukas Tsoukalis from University of Athens and President of ELIAMEP commented that Turkey was seen rather problematic from the European perspective that Turkey was too big, too poor and too different to be easily assimilated. The problems stemming from Turkish uniqueness are still valid in the prospects of Turkey's full membership to the EU, Prof. Tsoukalis argued; however, in a rapidly changing global context of security, identity, policy and preferences, Turkey should be located within the European Union.

A major shift in the EU-Turkish relations occurred with the agreement on Customs Union in 1995 which envisaged an improved market access to the EU and a one billion ECU aid package, in return for which Turkey would remove its high import barriers to EU goods. The agreement also endeavored to implement a far-reaching structural reform in regulating

sectors such as energy and banking through its autonomous institutions and advisory bodies that were going to be set up. Amidst the high expectations for attracting foreign direct investments, stabilizing key macroeconomic indicators and achieving high-growth economy, the Customs Union Decision was represented as political triumph in domestic politics and is underlined as the key element for paving the road to full membership. The reality and the aftermath however proved the adverse effects of the agreement. (Erdoğan, 2002) Most critically, the Fourth Financial Protocol, amounting to 600 million ECU of aid, didn't come into force due to Greek veto on the grounds that Turkish government had failed to meet its human rights promises. Then, Turkey's export performance remained far from projections and highly-expected Foreign Direct Investments to boost economic facilities didn't realize. In addition, the dismantlement of trade barriers in favor of the EU led to a surge in imports from Europe, culminating in a steep rise in Turkey's trade deficit with the EU in 1996. In spite of the negative effects of the Customs Union, it has been helpful in transforming the Turkish industrial and service sectors to cope with the challenges and as a result it has not caused insurmountable difficulties. Over the long run, Turkish industry has demonstrated resilience to compete with its EU rivals. (Erdoğan, 2002)

The disillusionment of Turkish political elites in light of repercussions of the Customs Union on trade volume, soaring current account deficit, lack of foreign investments and direct aid from the EU peaked with the decision of the Luxembourg Summit in 1997. While outlining the future of Europe, the Summit excluded Turkey from Agenda 2000 and included RoC on fast-track candidate countries. The report repeated political and economic arguments against Turkey and made no reference to Turkey's full membership objective. The decisions of the Luxembourg Summit reflected by and large the contents of the Commission's Agenda 2000. In Luxembourg, the EU decided not only to set up a special strategy to prepare Turkey for accession but also to create a special procedure to review the developments to be made. The Turkish Government found the Commission's approach discriminatory and underlined the

contrast between the pre-accession strategy devised for other candidates and the "European Strategy" for Turkey, which consisted simply of a set of ideas whose financing remained uncertain. Therefore, it declared, on December 14, 1997, that Turkey would not discuss with the EU issues remaining outside the contractual context of the bilateral relations as long as the EU did not change its attitude. Turkey suspended all political dialogue with the EU. (Erdoğan, 2002)

When the Turkish prime minister didn't show up for the first European Conference in London in March 1998 but instead visited some Central Asian republics, the Europeans began to consider that they should present something concrete to Turkey so as not to lose their influence or leverage there. Accompanied by a significant change of foreign policy of Greece towards Turkish membership by Simitis government and Chancellor Kohl's electoral loss to Schroeder in Germany, the answer was to give Turkey a candidate status without a timetable for accession. Thus, at the Helsinki European Council in December 1999, the EU agreed to accept Turkey as a candidate for EU membership.

5.8 HELSINKI and BEYOND: THE BUSINESS RAPPROCHEMENT BETWEEN GREECE and TURKEY

The historical Helsinki Summit was not only a historical milestone in political sense which reinforced reform and transformation; it was also an important step towards stabilization of Turkish political system which delegated greater confidence for the Europeanization of Turkish business and economic sector. The critical role of Greece in Helsinki is also noteworthy to scrutinize since the 'archenemy' of Turkey's Europeanization had turned out one of the ardent supporters of Turkey's membership process. Of course, the reasons for Greek's policy change were in-depth discussed in the previous chapter. However, it is important to underline that Greece's relations with Turkey in the post-Helsinki era included political rapprochement, but was not limited to this. In addition to facilitating increased

political cooperation, civic dialogue and down-listing of Aegean problems on the agenda, the stability and the enthusiastic reform process in the aftermath of Helsinki Summit had also triggered the long-awaited business rapprochement among associations and economic circles of both sides.

In this respect, Andreas Loverdos, member of Parliament for the 2nd constituency from Athens and Professor of Constitutional Law, put forth that the landmark of positive Greek-Turkish business relations had been the meeting between Ismail Cem and George Papandreou in New York in 1999. Soft policy issues such as financial and commercial relations were among the issues discussed that were not related to priority issues like Cyprus. (Loverdos, 2003) The cooperative environment between the two countries in the Post-Helsinki era boosted trade and investment. Especially, the efforts by co-chairman of Turkish-Hellenic Business Council, Şarık Tara and President of the Greek-Turkish BSEC Business Council, Panayiotis Koutsikos have been critical to widen and deepen business cooperation between Greece and Turkey. The eventual signature of Memorandum of Understanding in bilateral economic and commercial relations has been a historical turning point. It led to the agreement on ‘Prevention of the Double Taxation Treaty’ in 2003, which was awaited for a long period of time by the investors of both sides.

As a result of the combined political and private initiative at both sides, the bilateral trade relationship has grown from 521.5 million USD in 1996 to 1842.8 billion USD in 2005- more than a three fold increase within less than a decade. As Table 2 reveals, Turkish exports soared from 236.5 million USD to 1122.1 million USD in 2005, noticing a fivefold increase within the last decade. In a comparative perspective, the Greek exports have raised from 285.0 million USD to 720.7 million USD, denoting 2.5 times increase in the same time period. In specific, there has been a consistent trade surplus for Turkey since 1998 and this figure amounted 401.4 million dollars in 2005. Thus, Greece turned out one of the few countries with which Turkey enjoyed a positive trade balance. The table also illustrates that the trade volume

increased breathlessly since 1999 except the year 2001 when Turkey experienced the greatest economic fallout in its history. The steepest rise occurred in 2003 when the agreement for double-prevention treaty has been concurred. At that year, the trade volume increased from 902.9 million of the previous year to 1348.1 million dollars and this denoted a historical rise of 49%. In the same year, the EX/IM ratio for Turkey had been 2.2, underlining the fact that Turkey sold more than twice than it bought from Greece.

Table 2: Bilateral Trade Volume Between Greece and Turkey

Years	Export (million \$)	Import (million \$)	Total Volume (million \$)	EX/IM
1996	236.5	285.0	521.5	0.8
1997	298.2	430.8	729.0	0.7
1998	370.0	319.8	689.9	1.2
1999	406.8	287.6	694.4	1.4
2000	437.7	430.8	868.5	1.0
2001	476.1	266.3	742.4	1.8
2002	590.4	312.5	902.9	1.9
2003	920.4	427.7	1348.1	2.2
2004	1170.8	594.4	1765.2	2.0
2005	1122.1	720.7	1842.8	1.6

Indeed, the entrance of Turkey into European orbit in the post-Helsinki era resulted in the boost of bilateral trade volume. Accompanied by a series of business meetings and association activities, the political dialogue and signs of rapprochement led to the long-awaited business volume between Greece and Turkey. Without doubt, Turkey is a genuine winner of increased trade volume not only because of its increasing exports but also of the trade surplus it enjoys. This table also illustrates that political rapprochement has significant repercussions on state-society and state-business relations as well. On the one hand, given the diminishing political risk and positive business incentives both from the EU and bilateral agreements, business sector effectively started to utilize the trade and investment opportunities of both countries. In contrast to the unavailability of the past experience, the political environment promoted growth of business relations between Greek and Turkish industrialists and businessmen on association or individual basis. This led to the abolishment of inferior images at the business level, a very similar impact which was experienced in the aftermath of the twin earthquakes on the societal level. Moreover, one of my interviewee who was the managing director of NBG's Istanbul liaison office before the acquisition of Finansbank took place

acknowledged that as economic ties between countries have strengthened, business associations became active diplomats which advocate the sustainability of rapprochement and emphasize the concrete benefits of the process vis-à-vis its costs. Therefore, they exert pressure on the domestic politics to endure the warm political climate between Greece and Turkey. A critical question however remains untouched. It is ambiguous to what extent increased business activities contribute to the resolution of bilateral conflicts in Aegean and especially in Cyprus; however, it is straightforward that the business community in Greece and Turkey has started to capitalize the opportunities long before political dialogue reached a compromise on the resolution of the conflicts. In this, the EU has been an external anchor which facilitated dialogue and stability which in turn impacted the growth and business ties between countries.

On the structural level, it is also instrumental to check the composition of the trade volume of a chapter basis. As Table 3 has shown, main products of trade for Turkish exports had been automobiles, iron-steel products, and boillery and machinery whereas the imports had been cotton, plastic materials and mineral fuel.

Table 3: Greek-Turkish Trade in 2003

Turkish Exports			Turkish Imports		
Chapter	Amount (million \$)	Percent age (%)	Chapter	Amount (million \$)	Percent age (%)
Automobiles	131.588.541	14.29	Cotton	136.208.937	32.34
Iron-Steel	125.580.635	13.64	Plastics	72.601.711	17.24
Boilery, Machinery	55.123.310	5.99	Mineral Fuels	70.693.589	16.79
Articles of Iron and Steel	46.819.056	5.09	Boilery, Machinery	19.137.839	4.54
Electrical Machinery	45.753.582	4.97	Raw Hides	14.451.991	3.43
Mineral Fuels	38.931.907	4.23	Aluminium and articles thereof	13.159.418	3.12
Furniture	26.462.621	2.88	Paper-Paperback	12.041.846	2.86
Cotton	24.264.620	2.64	Electrical Machines	6.458.093	1.53
Articles of Apparel	23.073.541	2.51	Dyeing Extracts	5.973.823	1.42
Edible Fruits	22.181.872	2.41	Articles of Apparel	5.265.867	1.25
Others	380.637.450	41.36	Others	65.156.307	15.47
Final	920.367.135	100	Final	421.149.421	100

Source: Turkish State Statistics Institute

The table illustrates the fact that trade chapters are complimentary in terms of their composition. Considerably, Turkey's export chapters turn out to be elements of hard-industry, in which automobiles, iron-steel and machinery are taking the lead. On the contrary, Greece exports unprocessed items like hides, raw materials such as cottons and fuels, or semi-industrial goods like plastics. The intermediary structure of Greek exports to Turkey implies that Turkey doesn't purchase consumer goods from its neighbor; rather, the chapters are used in the manufacturing that are processed further and finalized as the value-added product such as automobiles. Further, there is an observable long-term shift whereby there are declining

trends in Greece in the sectors of textiles, clothing, footwear, iron and steel, non-ferrous metals, manufacturing of metal products and metal transport equipment in the period 1985-97. In reverse, there is a growing trend in the Turkish economy in some of these same sectors, such as clothing, other chemical products, electrical equipment and transport equipment. As the table has shown, Greece generally exports low value added commodities to Turkey while Turkey exports manufactured goods with a higher value added component to Greece. (Kamaras, 2003)

5.9 FROM RHETORIC INTO REALITY: GREEK-TURKISH RELATIONS in THE ERA of INVESTMENTS

The most astonishing outcome in the Greek-Turkish business rapprochement has been gratified in the investment rather than trade. Even though this may seem unfamiliar compared to historical discourses in Greece and Turkey, and even paradoxical since the keystone like Cyprus issue for a genuine political rapprochement remained unresolved, the trend in investment vis-à-vis trade followed up a different trajectory. Seeded within the last five years, accelerated remarkably after 2002 and reached a historical peak in 2006, the volume of investment has turned out to be one of the best indicators of the changing picture of Greek-Turkish relations in general and the business climate in particular. The volume and the structure of bilateral investments also represent the fact that the political rapprochement has transformed into business rapprochement and the relations went beyond rhetoric into reality.

First, a very significant tendency which has been found and noteworthy to emphasize is that the volume of investment surpassed the volume of trade in Greek-Turkish business relations. To exemplify as well as to underline, National Bank of Greece's (NBG) deal of Finansbank to purchase 46% stake for 2.8 billion USD in April 2006 outnumbers the expected trade volume in 2006 which is projected around 2 billion USD.

Secondly, an important note can be made at this juncture. There is a considerable asymmetry in the business sectors between Greece and Turkey. Although Turkey enjoys a positive trade balance over Greece in trading activities, the performance of investment is quite on the contrary. As of May 2006, whereas more than 229 Greek companies have invested in Turkey, only 10 Turkish companies have invested in Greece. Greek investments in Turkey rallied especially from 2003 and onwards that brought around 3 billion USD until very recently whereas Turkish investment remained highly marginal and quite limited. Further, in terms of investment sectors, Greek companies are remarkably service-sector oriented and Turkish companies are production-oriented as mentioned previously. Specifically, Greek companies operate in banking and finance, information technologies, food, agriculture and fashion design sectors whereas their Turkish counterparts are active in furniture, dining and international logistics.

Thirdly, the analysis of the structure of investment reveals that most of the transactions occurred as the share acquisition. Joint investments until very recently remained weak or almost non-existent. In addition, there has not been any noticeable attempt for merger. Private equity investments in a similar fashion did not capitalize the potential of the market although relatively small transactions of Commercial Bank of Greece were prevalent in Turkey. As the final remark, the picture of bilateral investment trend displays that Greek companies predominantly acted as bidders and Turkish companies reacted as sellers.

In analytical terms, the first wave of capital investments occurred with the acquisition of Sitebank, which belonged to the Turkey's Savings Deposit Insurance Fund after 2001-crisis, by the Novabank SA for about 50 million Euro in 2002. In the follow-up of the acquisition, Sitebank was renamed as BankEuropa, a member Banco Comercial Portugues (BCP) Group which is originally owned by the Novabank SA. In the same year, two market-leading Greek IT companies invested in Turkish market, one of which, Intracom acquired 20% of Turkish technology ventures Meteksan-Gantek. The second investment took place on a joint basis

when Greek IT leader Intracom and Turkish telecom giant Turkcell united their marketing and infrastructure channels for online and offline sport lottery in Turkey. (Invest in Greece, 2006)

A common characteristic of the first wave investments has been that they remained quite limited in number and in volume. The role of the Greek and Turkish states was constrained in continuing the political dialogue. In the first wave, business associations have been quite active in achieving concrete outcomes from the proximity talks and therefore the investments have been mostly initiated by the private enterprises and have been sector-specific.

The second wave started in 2003 when a historical agreement for building a natural gas pipeline between Greece and Turkey was signed. The contract envisaged the construction of the pipeline from Azerbaijan to Turkey and the transmittance of the gas via Turkey to Greece. The line was designed to consist of 175 miles, of which 125 miles are located in Turkey and 50 miles in Greece. The project cost was calculated roughly 300million USD and the estimated deadline for finalizing the construction set as early 2007. The project will connect Ankara to Alexandroupolis. Both countries reached a consensus that the natural gas can be transported to Europe via Bulgaria or to Italy via an underline pipeline which will eventually constitute the strategic East-West energy corridor. The agreement, aside of its economic value and material benefits, clearly marked a significant rebound in historical discourse of Greek-Turkish relations. Given the positive investment climate established in the aftermath of the post-Helsinki era along with the membership prospects of Turkey, and the stabilization of economy in Turkey in post-2001 crisis under AKP government, the efforts for transforming political rapprochement into business world has bear its fruits. As one of my interviewees commented, the agreement was a blueprint in replacing the abstract dreamline of Greek-Turkish relations into the concrete pipeline. The pipeline project is indeed the outcome of the business cooperation that is headed by governing parties, political elites and state bureaucrats at both sides. With this agreement, they have not only assumed that the stability in both countries will continue, but also asserted that the cooperation will enhance regardless of future political

circumstances in the Aegean. Undoubtedly, the prospects of Turkey's European integration and the Europeanization process have been a significant catalyst in promoting collaboration and cooperation in the region which have facilitated investing in joint projects such as the gas pipeline. Further, in light of the energy abundance of the unstable Caucasus in terms of oil and natural gas, and dependency of South and Eastern Europe for development and growth, Greece and Turkey jointly took the initiative and decided to act as an energy bridge in between these two regions. Given the premises of the Agreement, both countries can decide to transport the gas to third parties either by a secondary pipeline over Bulgaria to South Eastern Balkans, or via underwater line to Italy and Continental Europe. Such an act would not only increase the geostrategic importance of Greece and Turkey, but also entitle them critical energy partners in greater Balkans.

What I will refer as the third wave of investment between Greece and Turkey emerged in the beginning of 2005. A characteristic of the third wave of investments is that it is overwhelmingly intensified. In contrast to previous waves, the third wave has strategically focused on banking and finance sectors which provided a good appetite to foreign investments given the rapid recovery and high profitability ratio in the post-crisis environment. Another distinctive feature of the third wave is embedded in its volume. Turkey encountered an influx of Greek investments in its economic history at a volume it had never received before. In this wave, Greek companies, similar to big multinational players in the market, have been keen receiving a high market share either through acquisition or merger. The initial attempts of Greek business interests in Turkey's rapidly growing banking sector came into being with Eurobank EFG group's deal of HC Istanbul. Being the third largest bank in Greece, Eurobank acquired a leading brokerage house in Turkey. Despite the company's small market share (2.3%) in Istanbul Stock Exchange (ISE), HC Istanbul has been gauged as the leading company in foreigner's transactions and a reliable brokerage institution in the volatile Turkish market. On HC Istanbul market capitalization and its operations, the owner of a listed

brokerage company who is very active in attracting foreign direct investments as well as portfolio investments commented: “Turkey has been undergoing through a very different change which has never been like. We had seen such trends, or at least we thought we saw; however, this wave is much more than the Turkish economy has ever witnessed. HC Istanbul therefore has been a critical institution in foreigner’s transactions and a good opportunity for EFG to be a sound player in the market.”

5.10 A BREATH-TAKING MOMENT in GREEK-TURKISH RELATIONS: NBG ACQUIRES FINANSBANK

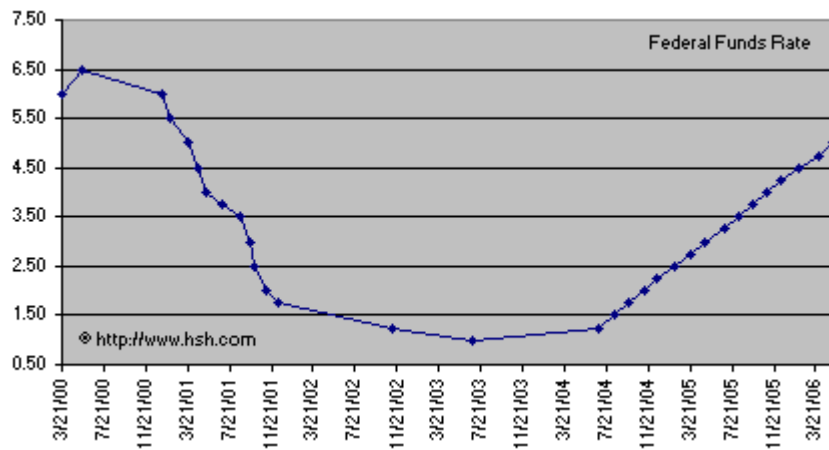
The peak of the Greek-Turkish business relations in general and the third wave investments in particular has been achieved with the acquisition of Turkish mid-size private Finansbank by National Bank of Greece (NBG). A long-awaited deal has been accomplished on April 3rd, 2006 with the sale of 46% stake of Finansbank to NBG at a value of 2.323 million USD. The agreement also included the purchase of 100% purchase share for 451 million USD so that the lump sum of the transaction is valued as 2.774 million USD. The total figure revealed the biggest financial acquisition in the banking history of Turkey.

At this spot, a thorough analysis should be made to cover up the underlying factors that made such a transaction possible which was hardly imaginable not long but only 5 years ago. The factors that facilitated the acquisition are multilayered and should be interpreted via the global-local nexus for the study.

First of all, there had been a consistent excess in global liquidity beginning from 2001 and onwards. In the aftermath of 9/11 plane crash and the tightening of regulatory controls on private and institutional accounts in the US, foreign capital placed in Wall Street in general and Petrodollars in particular had started to search for new safe heaven at the global context. Coupled with the diminishing interest rate and decreased rate of return on capital investment in the US, the flight of capital from the US towards alternate markets had remarkably

increased. As the graph below illustrates, the Federal Funds borrowing rate hit record-low level of 1% in Summer 2003 due to domestic considerations and macroeconomic indicators, emerging markets found new opportunities to attract capital by paying real interest on the foreign savings in domestic markets. Thus, the countries were able to finance their expenditures through portfolio investments to a large extent. In this context, Turkey has also benefited from the excess supply of foreign reserves to finance its debts and greatly capitalized global liquidity at its own national economic program.

Figure 2: The Interest Rates of FED



At the regional level, the approval of Turkey’s membership prospects with the Helsinki Summit in 1999 lifted the uncertainty of Turkey’s future in the eyes of international business community. Reinforced by a series of domestic reform process thereafter to cope with Copenhagen criteria also included market reforms which gave an impetus to epistemic business world in listing Turkey as a country that is worth to invest. As a result of Europeanization of Turkey both politically and socially, the global business interests started to analyze Turkey from a long-term perspective more than ever. Unlike the expectations along with Custom Union that projected a considerable amount of foreign investments but lacked a proper reform package for institutionalizing at the domestic field, the positive framework of the EU-Turkey relations in the post-Helsinki era enabled the foreign and institutional investors to consider Turkey as a place for their investments Further, the processes of Europeanization in

Turkey especially after December 17th decision facilitated the business world to gauge Turkey as a stable and developing country.

Thirdly, at the domestic level of analysis, the systemic confidence generated under AKP single party government after November 2002 elections and the stabilization programme implemented which is tightly bound to the IMF expectations have greatly facilitated foreign investments. Added to these, the keen efforts for Turkey's EU membership and the start of accession negotiations created a warm environment for the business circles to divert their interest towards Turkey as a distinguished emerging market.

Fourthly, on a bilateral basis, political rapprochement between Greece and Turkey played a significant role in making such a transaction possible. Dating back to the proximity talks between Papandreou and Cem in 1999, the change in Greek foreign policy under Simitis Government turned Greece one of the most ardent supporters of Turkish integration to the EU. Further,ismic dialogue was enhanced to civic dialogue in the aftermath of earthquakes which enabled lifting of emotional and ideological barriers at each side. The positive climate created by the warm messages of highest rank state officials, reciprocal visits of Prime Ministers from Greece and Turkey, and embodiment of joint projects such as the pipeline showed that the trajectory of Greek-Turkish relations in the post-Helsinki era is irreversible.

Finally, there is an obvious sector-specific interest of multinational actors and enterprises. The greatest economic tsunami that Turkey experienced in 2001 had brought irreparable damages to domestic businesses. In consequence of the interplay between political factors, economic mismanagement, reluctance of the IMF to intervene and supply foreign reserves led to the outbreak of the biggest economic crisis of Turkish history. As a result of this shock wave, many of the business segments including the banking sector were badly struck. After the tsunami, not much was left out of the banking sector. Saving Deposits Insurance Fund (SDIF) took control over 22 private banks and the sector eventually entered into a new phase of restructuring. (BDDK, 2003) While setting up capital adequacy ratio, new

regulatory environment and advisory bodies to track the solidity and transparency of the sector, the banking sector recovered in the post-crisis era. Witnessing a Phoenix-like rebirth of banking from their very ashes, the banking sector reached international accepted banking and accounting standards. In this process, the sector did not only gain a healthy business environment to operate, but also emerged as the primary target that was closely scrutinized by the foreign banking giants.

In this respect, a noteworthy trend of acquisitions in the banking sector since the 2001-crisis can be found. As Table 4 displays there has been a considerable interest on the banking sector in the last five years. Especially after early 2005, the takeovers have speeded up and tipped in 2006.

Table 4: Transactions in the Turkish Banking Sector in the post-2001 era

Acquirer	Target	Date	Transaction	Amount (US\$m)
HSBC	Demirbank	October 2001	100% (from SDIF)	350
Unicredito	Koc Financial Securities	October 2002	50%	240
BNP Paribas	TEB	February 2005	50%	217
Fortis	Dışbank	April 2005	89.3%, tender 10.7%	1,179
Koc – Unicredito	YKB	August 2005	57.4%	1,389
GE	Garanti Bank	August 2005	25.5%	1,556
C Bank	Bank Hapoalim	November 2005	58%	113
Total				5,030

Source: JP Morgan, UBS, Denizbank Research

The table clearly indicates the trend that it is not Greek companies that rushed to buy a stake in the Turkish banking sector; rather, a more complicated picture arises when the origin of the acquirers is taken into account. For instance, HSBC, which bought Demirbank from

SDIF, is a London-based international banking and finance organization that operate in more than 76 countries of the world. Likewise, Unicredito, the acquirer of Koç Securities, is an Italian bank that is specialized in corporate banking, private banking and asset management and had previously acquired national banks in Poland, Croatia, Slovakia, Romania and Czech Republic. In the similar fashion, BNP Paribas is a banking giant of French origin that showed a great interest to Turkish banking sector and joined a 50-50% agreement with Turkish mid-size Turkish Economy Bank (TEB). Fortis, again a European-based bank from Benelux, acquired Dışbank to enhance its markets and take part in the emerging banking sector in Turkey.

In late 2005, the mainstream interests of European banks were notably diversified with the entrance of acquirers into Turkish market outside of Europe. The sale of Garanti Bank to American General Electric Consumer Finance (GECF), a world leader in consumer banking, credit cards, structural finance and mortgage, has shown that foreign interests include Europe to a large extent but is not limited to that. Moreover, a less echoed but quite important acquisition has occurred by the sale of C Bank to Israeli Bank Hapoalim. C Bank has acted as a notable investment and corporate bank in Turkey and the purchase of 58% share of C Bank by Bank Hapoalim exemplified the business interest of Middle East towards the Turkish banking sector. These acquisitions demonstrated that Europeanization is not confined to Europe only. While providing customer and business confidence at the domestic level, it sets up the framework of long-term stability, sustainability and credibility which is eagerly sought by the investment companies at a global scale. Therefore, Turkish stabilization and reform process not only attracted European but also global capital ranging from America to Middle East at large.

To trace the global interests in Turkish banking sector much better, it may be instrumental to take a closer look at the transactions with the NBG-Finansbank deal and thereafter. The table below shows the acquisitions.

Table 5: Mergers & Acquisitions in the Turkish Banking Sector in 2006

Acquirer	Target	Date	Transaction	Amount (US\$m)
NBG	Finansbank	April 2006	46%	2.774
EFG Eurobank	Tekfenbank	May 2006	70%	182
Dexia	Denizbank	May 2006	75%	2.437
Bank TuranAlem	Şekerbank	June 2006	34%	425
Total				5.818

As demonstrated, NBG-Finansbank buyout is the largest transaction in terms of its amount. Further, the increased frequency of acquisitions implies the rush of foreign banks to take their shares in booming and profitable Turkish banking sector. It also shows that business interests are increasingly transnational from 2005 and onwards. In addition to American, European and Israeli banks which previously acquired Turkish national banks, the sale of Tekfenbank by Greek EFG Eurobank, Denizbank by Belgian Dexia, and Şekerbank by Kazak Bank Turan Alem demonstrated that the sector is attracting capital and considerable amount of interest worldwide. A final note can be made for Eurobank-Tekfenbank deal. It seems that NBG-Finansbank transaction acted as an ice-breaking event between Greek-Turkish business rapprochement. In this respect, just within one month of the completion of NBG-Finansbank acquisition, EFG Eurobank, the second largest Greek Bank and especially active in Southeastern Europe, decided to purchase 70% stake of Turkish Tekfenbank. In consequence, this became its second deal in Turkish finance sector after acquiring HC Istanbul in 2005.

Given these, the acquisition of Finansbank by NBG should be interpreted through an interplay of domestic-regional and global factors that is not solely limited or tightened to rapprochement between Greece and Turkey. NBG officially acknowledged that the penetration into the Turkish market has been a strategic imperative for its long-term business interests. As a matter of fact, the primary objective that made the acquisition possible for both sides can be found on the 'market share'. Both parties affirmed that the mutual agreement has taken market

share as the common denominator. According to the official announcement and argumentation by NBG, Finansbank was the right choice for entry into the Turkish market.

The analysis of the banking sector in Turkey as of 2006 puts forward that the market is generally controlled by 3 big state-controlled banks (Ziraat, Vakiflar, Halk), 4 large private banks (Isbank, Akbank, Koc-Yapi Kredi, Garanti) whose market share in lending amounts to over 10% each, 5 medium-sized banks (Finansbank, Deniz, Fortis, Oyak, HSBC) with lending market shares of 2-6%, and a big group of smaller banks whose market share of lending is less than 1%. NBG further elaborated that if they had chosen to enter the Turkish market by buying a smaller bank and aiming at organic growth, it would be hard to compete in a market where growth is rapid and smaller players look unlikely to survive. By acquiring Finansbank, the fifth largest private bank in Turkey, NBG aimed to secure a dynamic platform on which to build their growth in the Turkish market. Accordingly, the acquisition of Finansbank was consistent with NBG's overall strategy because it viewed Finansbank as offering a big potential to forge a dynamic and successful growth trajectory in a target market. (NBG, 2006)

When I had interviewed the Vice President of the Board of Finansbank and member of Banking Committee of TÜSİAD, I had asked him whether Turkey's EU membership prospect and political rapprochement between Greece and Turkey played a role in the acquisition. On this, he responded: "Certainly! But one should bear in mind that there are other dynamics which needs to be considered. Market share is undeniably what NBG was looking for, since there is no other Finansbank that has an even market share left over in the sector."⁴

In the aftermath of the completion of the acquisition, NBG's claimed that its investment in Finansbank was not a chance move; rather it was a strategic investment. Accordingly, in its valuation NBG had taken into account the real financials of Finansbank, the experience and dynamism of its management, its strong customer-focused mentality, and the productivity of

⁴ For the technical details of NBG-Finansbank deal, pls check the Appendix.

its human resources. NBG had also taken into account the attractive long-term outlook of the Turkish economy and the Turkish banking sector so as to form a comprehensive view of the current state and future growth prospects of Finansbank.

In the follow-up of the announcement of acquisition, National Bank Chief Executive Takis Arapoglou told analysts he was optimistic on the deal as Reuters reported. “It is fully in line with our strategic vision to enhance our footprint in the area,” he said. In regard to future prospects of the deal, National’s Chief Financial Officer Anthimos Thomopoulos told that NBG would support Finansbank’s growth in the local and regional market, expecting to see a boost from NBG’s experience in mortgage lending in a market which has just started to grow rapidly. In reciprocity, Finansbank executives pointed to potential entrepreneurial benefits for the combined group’s customers in the fields of tourism, shipping and industry. A senior Finansbank executive reportedly argued that the entrepreneurs in these two countries will become much closer. (Reuters, 2006)

On the accomplishment of the deal, both governments have reacted cautiously. On the Greek side, government spokesman Theodoros Roussopoulos said that Greek government encourages the efforts to Greek businesses to further enhance their presence in South Eastern Europe. In response to questions about the ‘geopolitical risk’ for National Bank, the spokesman stressed that there were international rules regulating ‘these relationships’ and that Turkey obeyed and was obliged to obey these rules. He noted that NBG had carried out other investments in South Eastern Europe in the past and that the government encouraged such initiatives. “Certain actions, such as earthquake diplomacy and now the acquisition of this Turkish bank can improve relations between the two countries”, he added. The main opposition on the Greek side stemmed from PASOK which acknowledged that the buyout is a significant outward-going move by National Bank. It was stated that the details of the purchase arrangement needed study as queries had been raised about angles including the price and a related share capital increase coupled with the final composition of ownership. (Greek

Embassy, 2006) Turkish deputy Prime Minister Abdulatif Sener from ruling AKP Government commented the entry of Greek capital into the national banking system for the first time indicated Greek confidence in Turkey's economy. He further asserted that the expansion of cooperation and cultivating of friendly ties were the main strategies of the government in which the primary aim is to develop the ties with the world, starting with near neighbors. (Banker, 2006: 70)

5.11 THE ROLE OF BUSINESS ASSOCIATIONS in COMPARATIVE PERSPECTIVE: THE CASE OF SEV and TÜSİAD

In the analysis of the Europeanization of Greece and Turkey, the attribution of business associations plays a significant role which needs to be scrutinized in further details. While Greek-Turkish rapprochement shifted from rhetoric into reality within the EU framework, business associations have undertaken a critical role in facilitating dialogue and establishing networks between state and business actors of both countries. State-business relations have been an indispensable part of the analysis in which business interests and state agenda tend to converge as well as to diverge in specific policy areas in Greece and Turkey. In both countries, business associations established themselves to take responses from the government policies. However, they proactively have also sought, and still seek, to forge their ties with the governments where they provide technical expertise, policy recommendation, lobbying activities at domestic and abroad. Europeanization in general and democratization in particular have been key references that business associations have repeatedly used and aligned with. In this regard, it is necessitated to take a closer look how the business associations have emerged, built their relations with respective governments, transformed themselves in the discourse of Europeanization and EC/EU-membership and turned into influential institutions that greatly affected national public and foreign policy making processes.

To begin with, a critical analysis of the major business associations in Greek and Turkey is essential. Firstly, the Federation of Greek Industrialists (SEV) was founded in 1907 in a context that was characterized by the emergence of a number of civil groupings, societies and voluntary associations. In early decades of the century, the Federation represented itself as an elite club of big business, very similar to Turkish Industrialist and Businessmen's Association (TÜSİAD), in which personal linkages and power played an extensive role in the decision-making processes. As the association evolved from state-led growth to openness and international competition, the parameters that determined its influence became associated with its capacity to mediate business interest at the state level. In post-1974 era, the association considered membership as a strategic choice and deeply analyzed the costs and benefits of the membership impact. As a result of its long-term objectives, the SEV became one the most enthusiastic supporters of Greek integration with the EC. In the Turkish context, the business community, well aware of the fact that it is to the state they owed not only their wealth but also their position in the society, seemed content with their position and preferred to establish personal contacts with bureaucracy. (Aydın, 2001:50) Therefore, until the late 1960s, the Turkish associational life was confined to Chambers with compulsory membership to Turkish Union of Chambers of Commerce (TOBB), which was founded as the quasi-governmental body representing the private sector symbolized the corporatist type of interest representation. This pattern changed in the 1950s and 1960s, since the development of the private sector has brought along a group of big businessmen whose social power was enhanced by the significance of their activities for the national economy. (Buğra, 1994:237) The 1970s and 1980s witnessed the formation of voluntary business associations as a result of the strengthening of the private sector with intensified liberal economic policies. Although the state still retained its autonomy vis-à-vis the business community, the private sector became increasingly active and influential in Turkish policy making. In 1971, a group of leading industrialists established TÜSİAD to consolidate the business community as a social class and

to establish the social position of its members as the vanguard of the business community. (Karaca, 2004: 50)

TÜSİAD, in its early years, tried to prove its existence and gain the confidence of the state elite and the general public. (Aydın, 2001:53) The key objective of the association was economic at large and it aimed to promote welfare through public enterprise. (Gülfidan, 1993:39) A major transformation occurred in TÜSİAD's perspective especially in the 1980s and onwards in which the association started to advocate European integration, and emphasized liberal economic policies and openness as key objectives in its publications and policies.

In terms of organizational structure, the SEV emerged as a mixed association that combined both smaller trade and commercial associations and individual companies as members. This type of membership and the lack of clear hierarchical links led SEV to turn into a *sui generis* federation albeit one with both comprehensive features and considerable political significance. (Moussis: 1969: 64) Further, the SEV maintained that there has always been an organizational deficit in Greek business representation and that the Federation should be encouraged to rectify this situation. Despite its objective, the SEV encounters profound challenges from within due to its complex and multi-layered organization structural that incapacitates the implementation of its goals on a homogenous basis. Today, the SEV incorporates roughly 560 private members, 70 sectoral and 7 regional associations. (Mouriki, 2003: 9) It represents approximately 50 percent of the country's regional associations. In comparative perspective, TÜSİAD has 525 members representing around 2000 companies. Its membership includes owners and managers of individual firms, groups of companies and holding companies operating in the Turkish manufacturing and service sector as of 2003. However, its membership tends to be heavily concentrated geographically in Istanbul and the adjacent Marmara region despite the fact that TÜSİAD is the major representative of business interests in terms of its overall weight in the economy. (Öniş & Türem, 2002: 19)

In historical outlook, the relatively secure position of the SEV as a leading business interest organization in 1950s and 1960s was greatly enjoyed. In the aftermath of the signature of Association Agreement in early 1960s, the SEV was constrained due to the policy implications of rising challenges to statist policies in general, and tariff disarmaments, public procurement laws and state subsidies in particular. In the follow-up of dismantlement of protectionist tendencies along with the Association Agreement, there had been a particular shift from import-substitution to export-led growth. (Tsoukalis, 1981) In 1970s, the SEV successfully utilized the opportunity structure created by the processes of Europeanization and increased its efforts in being recognized as a national as well as a regional business community. Using interest mediation at the domestic and regional level, the SEV proactively sought the penetration of the European wide norms, rules and regulation into the domestic sphere in which it keenly advocated the benefits of European integration and coordinated action. The SEV enthusiastically used the EEC Association as an argument for the need to strengthen the role of the voice of private enterprise in policy making. The demand for close cooperation with the government in economic and, more generally, European policy formation was almost immediately put to the military-civilian government that was formed as a result of the April 1967 coup. On the EEC axis, the SEV also increased its efforts to establish long-lasting links with Union of Industries of the European Community (UNICE) which bear its fruits in 1963. As a result, the SEV began to use the UNICE as a genuine channel for supranational lobbying. (Lavdas, 1997: 127)

In a similar manner, TÜSİAD promoted the membership impact in Turkey due to multiple reasons. Like the Greek business community, joining the EU from a purely business perspective meant having access to free European markets and creating more wealth and prosperity. According to Mustafa Koç, the EU is Turkey's most important peg for economic growth, prosperity and full integration with world markets. (Koç, 2003: 2) He further elaborated that almost 60 percent of Turkish exports revenues come from EU countries.

Secondly, TÜSİAD utilized Turkey's membership prospects in facilitating domestic political and institutional reforms. Repetitious references were made to eliminate the problems in human rights, the need for democratization, to eradicate bilateral problems with Greece and the request for good governance. In this respect, TÜSİAD argued that their efforts are not limited to the extensive economic activity between Turkey and the EU, but its focus on political and institutional reform is originating from the belief that these are critical for Turkey's progress towards EU membership and stability. Thirdly, TÜSİAD has deemed Turkey's full membership to the EU a 'major national project for Turkey' and called for a mutual cooperation between the government and the private sector. Unlike the case of the SEV, major domestic activities of the association involved preparing informative projects to overcome the lack of knowledge in public concerning the EU. By means of wide publicity campaigns, seminars and conferences, the Association endeavored to inform and educate the Turkish public on the implications of EU membership. Further, based on the critical analyses, TÜSİAD prepared policy recommendations to successive governments over a long time span in order to align the Turkish system with that of the EU. (Karaca, 2004: 63) Mustafa Koç acknowledged that more than 90 per cent of our recommendations regarding constitutional change were adopted by the Parliament in 2002 and TÜSİAD has been a credible institution putting forward policy recommendations and lobbying for change based on serious studies. (Koç, 2003: 3)

Concerning the policy formation and interest mediation, both associations have acted dynamically to cope with internal and external challenges. To illustrate, Greek business interests entered into a phase of uncertainty due to the oil shock and the shift to liberalism Karamanlis' New Democracy after 1974. ND gave precedence to democratization in which it increased bargaining power of syndicates over employers, which resulted in soaring labor costs. Encountering a significant drop in public support and legitimacy, the SEV found itself in the midst of moderation and transformation. (Lavdas, 1997: 91) Further, the attempts to nationalize major enterprises in shipping, trading, telecom sectors demonstrated the hard-line

position of the ND government which further constrained the role of the SEV. In light of these, the SEV underlined the need for immediate EC membership after 1974 and supported government's efforts for European integration. The SEV keenly lobbied by the UNICE to promote the government's rapid accession strategy which bear its fruits in the official statement of UNICE in September 1974. The statement acknowledged: "Based on the reports and the recommendation of SEV, that Greece's return to a democratic system of government created the necessary conditions for the continuation and the strengthening of EC-Greek relations and that the new reality of Greece should be supported by the EC. In view of this, UNICE recommends negotiations should commence immediately with the aim of full Greek accession to the EEC." (Lavdas, 1997: 127) Thus, using its bargaining power and external linkages abroad and its institutional power at domestic, the SEV catalyzed the Greek political project of full integration and strengthened its ties with the government. In exchange of its support, the SEV deliberately used the arguments of modernization and Europeanization in the discourse of full membership to attain its goals and pressurize government. In meetings with the Prime Minister, the SEV used the prospects of membership to argue that industrial competitiveness in the new framework would require Greek government giving Greek industry assurances that would provide business confidence. (Deltion, 1979: 7)

The shuttle diplomacy of the SEV between the Greek government and policy centers in Brussels and some capital cities of member countries continued in the aftermath of the accession; however, with the rise of PASOK into government in 1981, the state-business relations were significantly strained. The anti-EC rhetoric of PASOK government elevated concerns by the business circles which were considered to endanger long-term business interests with the EC. In the period of 1981-89, the SEV favored a policy that followed the basic line of a tit-for-tat exchange with the government, while allowing the intervals in which cooperative moves could be made either imitating diffuse reciprocity or by combining critical points with suggestions for cooperation. (Lavdas, 1997: 161) Therefore, rather than politicizing

itself, the SEV was keen to leave open the possibility of a negotiated pattern in relations with the government, especially on the question of incomes policy and public sector reform. A real transformation in politics and eventually in SEV's approach in negotiating and bargaining emerged as a result Greece's sluggish economic performance. Unable to prolong expansionary fiscal policies and sustain budget deficits, the PASOK government under Papandreou enacted a Stabilization Programme to control inflation and the deficit. The immediate impact has been the devaluation of the national currency and announcement of the EC to provide a 1.750 million ECU as loan to supervise the public finances. The EC considered the loan and the programme as an opportunity to influence Greek economic and political developments within the EC framework. (Lavdas, 1997: 175) This led to the government-business rapprochement in which the SEV has been careful in negotiating with the government to distinguish between labor and social policy issues on the one hand, and balancing the relations with the EC and particularly with the government on the other. The convergence of PASOK government empowered the SEV to represent itself as a key intermediary institution for business interests in Greece.

In comparison, from 1980s onwards, the Turkish business began to perceive itself as the engine of economic growth and promoter of democracy and human rights. (Uğur, 2000:223) The year 1979 was particularly crucial for it marked the transformation in TÜSİAD from being an organization merely monitoring the economic agenda to a powerful pressure group engaging in politics for the first time. As a result of massive public campaigns and anti-government advertisements, which harshly criticized the government's mismanagement, TÜSİAD's lobbying for a new government brought about concrete results. Ecevit government had to resign in 1979 and the Club of bosses or club of the rich earned the reputation of the association that toppled the government. (Aydın, 2001:54) Beginning from the 1980s, TÜSİAD changed its discourse from solely complaining to boldly demanding the existence of market economy, political stability, participatory democracy, open society and clean

government in the country. By the end of 1980s, TÜSİAD's interests shifted considerably from economic matters to broad social and political matters, with its motto of giving priority to country's interests. Whereas previously, the association kept a distance and criticized the government behind closed doors, following the direct confrontation with the government in 1979, its tone of criticism escalated. (Karaca, 2004: 54) As Aydın suggested the change in TÜSİAD's attitudes became more visible during the Chairmanship of Cem Boyner (1989-1990) who preferred open and sharp opposition to unfavorable government policies, mostly through the mass media. (Aydın, 2001: 57) In addition, TÜSİAD started leading the democratization process in the 1990s. TÜSİAD asserted that a participatory pluralistic democratic system, characterized by open channels of dialogue with a view to achieving consensus, was vital if it would accomplish establishing a functional free-market economy. A critical turning point in TÜSİAD's role on democratization and Europeanization of Turkey occurred with the report "Perspectives on Democratization in Turkey" in 1997. The report touched sensitive matters such as the Kurdish question, protection of human rights and role of military in politics which caused a lot of public debate and criticism by the state elite. (Kramer, 2000:21). In this report, democracy was conceived as a mechanism to reach the ultimate goals involving the benefits of full EU membership and economic globalization at large. (Öniş & Türem, 2002: 17) Therefore, democracy has not been an end in itself, yet rather a critical means that would pave the way for membership. As a consequence of the report, the thunder of political and military elites was shed on the report published by TÜSİAD. This led the association to reconsider its radical position on highly sensitive political issues. Thus, a relative moderation of TÜSİAD came into being and more emphasis on the transformative capacity of the state was being made in the forthcoming reports.

Finally, in terms of Greek-Turkish rapprochement between Greece and Turkey, the Greek industry appeared particularly concerned about the evolution of the EU relations with the countries that had not yet acquired the candidate status, mainly Turkey. Hence, the need for

a distinct EU policy for the non-candidate countries in the periphery of the EU was persistently advocated in the international fora by the SEV. This policy should be independent and unrelated to the progress of the enlargement process and should aim to the gradual economic and political linkage of Turkey to the EU. (Blavoukos, 2003: 13-15) Moreover, given the noticeable shift of the Greek foreign policy in line with Europeanization after 1996 and increased support for Turkish full membership provided new opportunities to Greek business that was eagerly looking forward to establishing strong ties with Turkey. Benefiting from the political climate and the eventual rapprochement in the post-Helsinki period, Greek business and investors re-evaluated Turkish political risk in light of Europeanization of Turkey. Indeed, Ulysses Kyriacopoulos, the Chairman of the SEV, stated in his speech to Greek-Turkish industrialists that politics has been undoubtedly important in creating a positive climate which also facilitated economic cooperation. Moreover, while economic cooperation would bring wealth and prosperity to both partners, it would also secure peace and stability. Thus, Kyriacopoulos underlined that business people should not only take the political developments into account; yet take the initiative at the economic front in order to strengthen cooperation of the two respective private sectors. (Kyriacopoulos, 2005: 4) The calls by the SEV for promoting economic growth were echoed by TÜSİAD at large, which in fact was advocating the business rapprochement much before than the SEV did. Especially in the aftermath of the completion of the Customs Union, TÜSİAD internalized a leading role in ensuring Turkey's roadmap towards full membership. Even though it purposefully tried to distance itself from other business associations in the discourse of European integration and intentionally de-linked itself from contributing in activities of civil society organizations, TÜSİAD modified its stance in the post-Helsinki period at large. Moving into collaboration with other significant economic and business associations such as İKV and TESEV in Turkey, TÜSİAD keenly worked to strengthen the pro-EU camp. The associations organized the European Movement 2002 (Avrupa Hareketi 2002) to create awareness in the public opinion on the impacts of

membership. The association have also intensified lobbying in Brussels and European capitals and increased efforts towards democratization and Europeanization of Turkey. Further, TÜSİAD supported the business rapprochement between Greece and Turkey despite the fact that there had not been a uniform consensus among members. Whereas some members advocated that business relations should precede political dialogue which would positively reinforce the resolution of the bilateral conflicts, some have preferred a more cautious stance insofar they gave the priority to politics. With the changing political climate in Greek-Turkish relations however, both the SEV and TÜSİAD supported the business rapprochement in transforming the proximity talks from rhetoric into reality.

5.12 CONCLUDING REMARKS

To recapitulate the role of the business associations in Europeanization of Greece and Turkey, it is important to note that both actors acted as catalysts to promote European project in both countries. Whereas the SEV refrained in intervening political discourses and kept its focus on economic matters from a technocratic and bureaucratic perspective to a large extent, TÜSİAD chose to politicize the association in its attempt of achieving its long-term goals which are identified as political stability, economic sustainability, solid establishment of democratic values, respect to human rights and peace, and better governance. Due to its stance, TÜSİAD encountered significant challenges from within and without to moderate; nevertheless, it did not change radically its critical position since its foundation. Moreover, TÜSİAD stressed the democratization of Turkey and advocated that Europeanization would give an impetus not only to economic stability but also to social coherence and political sustainability. On a reciprocal basis, both associations have emphasized the importance of bilateral relations. They evaluated the means to establish strong business ties and facilitated the dialogue in which the enterprises of both countries can re-consider their interests within the EU framework. Furthermore, they asserted that capitalization of bilateral trade and investment potential would bring the nations

together and serve the long-term interests of the business communities in Greece and Turkey. Given the encouraging incentives of the EU to business communities such as credits to Small and Medium Enterprises (SME), vocational training, education, information technologies and exchange programs, the business ties in both sides of the Aegean are reinvigorated. In addition to these, the political rapprochement between Greece and Turkey especially in the post-Helsinki era put the business interests on the prime of the agenda which started to play a greater role in the relations. Moreover, as Turkey moved closer to European rules and regulations, the political risk on the assessment of investment criteria has appreciably diminished so that Turkey has been re-valued at its geo-strategic position. This has inevitably attracted trade in goods and services not only on a bilateral basis between Greece and Turkey. It has also reinforced investments in Turkey when the rush of foreign banks in acquiring market share in the banking sector in post-2002 era would be taken into account. Whilst the EU framework and the associations played a major role in the emergence of business rapprochement, the leading function of the private initiative at both sides should not be underestimated. In specific, private enterprises were critical actors in paving the way for enhanced economic cooperation. By assessing the profitability, market access and financial rate of returns, enterprises have challenged political slowdown of rapprochement especially after 2003 and explored the benefits on a mutual basis. Furthermore, as the relations moved from rhetoric into reality and the business rapprochement superseded the political rapprochement, the business ties are also being transnationalized. In this respect, a long-awaited transnational joint venture has been approved by Turkish ENKA-Greek Aktor consortium which is going to construct an ambitious project in Sultanate of Oman worth of 1.9 billion USD. (Radikal, 2005) Indeed, Greek-Turkish political rapprochement does not only have repercussions on affecting the volume of bilateral trade and investment positively; it also promoted the enterprises to join their powers in investing projects abroad. Without doubt, this

is a strong indicator which shows that the trajectory of Greek-Turkish relations is hardly imaginable for a sharp reverse in the post-Helsinki era.

CHAPTER 6

CONCLUSION

In historical perspective, the role of the EU has been ambiguous when the bilateral conflicts between Greece and Turkey are taken into account. Aegean problems, coupled with the Cyprus issue, constituted the long-standing disputes between Greece and Turkey, and the EU functioned in a limited manner to initiate a solid affirmative plan in resolving them. Politically, the EU refrained itself in committing to send signals for Turkey's transformation and internalized a rather passive role in Turkey's EU prospects. By providing asymmetric incentives to Greece and Turkey especially in the aftermath of Greek accession into the EU, the EU lost its equi-distant attitude significantly as a reliable ally, or trustworthy mediator for conflict-resolution. Granting official candidature status to Turkey in the Helsinki Summit in 1999 was not sufficient enough to set a road map for overcoming cross-border conflicts alike. Moreover, the accession of RoC into the EU in 2004 before any resolutions on Cyprus issue had taken place further deepened the problems and nullified the attempts for resolving the deadlock as exemplified in the Annan Plan. Thus, in spite of closer alignment with Turkey in the post-Helsinki era and the emergence of Greek-Turkish rapprochement, the EU failed to provide a balance set of incentives to Greece and Turkey to tackle with the deadlocks. These eventually led to the disruption of pro-EU coalition within Turkey and gave rise to national sentiments against EU membership that would slow-down and further hinder the reform process.

On the political front, the EU has been quite restrained in providing a delicate balance between Greece and Turkey. In contrast to its weakness in high politics issues such as security and conflict-resolution in the context of Greek-Turkish relations, the EU relatively performed better in dealing with soft policy considerations. It has remarkably catalyzed the political, economic and democratic transformation of both countries by applying strong measures for convergence. Although the adaptation costs were perceived too high in both cases, the EU effectively used its normative and political power, financial strength and elements of security, stability and sustainability to achieve the long-term transition into European norms, rules and regulations.

In the Greek case, the EMU has been substantial in converting Greece from “black sheep” of Europe into a close partner of European policies remarkably under Simitis Government. Implying the country’s willingness for narrower collaboration and its inclination to European norms, the EMU in many respects represented the impact of Europeanization on the domestic policy making. Moreover, Greece’s enthusiasm in increasing its pivotal role in European policies and bargaining processes resulted in a historical revision of its long-lasting anti-Turkish rhetoric. Greece ardently continued to advocate Turkish prospects of European membership even though Greek-Turkish relations came on the brink of war due to the crises escalating in Cyprus, the Aegean and capture of PKK leader Ocalan.

In the Turkish context, the EU has been an ambivalent player in the Europeanization process of the country in general and solving the bilateral disputes in particular. Through a critical perspective, the set of incentives were missing to induce a sustainable phase of transformation in the EU-Turkey relations. Nonetheless, the role of the EU predominantly increased in the post-Helsinki era. As the developments in the aftermath of Helsinki have shown, the sheer existence of the EU anchor as an external stabilizer reinforced the enactment of a set of reform packages and democratization efforts to cope with the European norms.

On the contrary of previous tryouts such as Davos Process, which included the political will but lacked a thorough commitment and an anchoring, both countries entered into a new era of political dialogue following the earthquake diplomacy in 1999. The proximity talks of Papandreou and Cem gained a new dimension with the twin earthquakes and the Helsinki Summit in 1999 respectively. The inclusion of the EU as an external anchor in the Turkish context provided legitimacy and credibility to the state-driven attempts of democratization and Europeanization in the post-Helsinki era. By emphasizing the need of democratic reform, political accountability, institutional transparency, respect to human rights and robust market economy, the EU became a major player in inducing a vast transformation package in Turkey. In the context of Greek-Turkish rapprochement, the EU turned out to be a key variable in facilitating dialogue from the perspectives of both Athens and Ankara. Although hard policy issues were not addressed, the EU undoubtedly contributed to the emergence of political rapprochement through a range of cooperative initiatives it established. While Europeanizing the domestic politics, national polity, foreign policies of both countries, the EU also promoted the civil dialogue in between the countries. However, a less addressed question and an under-researched theme has been the role of the civil society organizations and business associations in the Europeanization of Greece and Turkey.

In fact, Europeanization has been a major driving force in the transformation of Greece and Turkey to a large extent. As both cases have illustrated, Greece and Turkey encountered significant pressures for adaptation from above at the initial phase of their EC/EU membership prospects. Accompanied by the cost of adjustment and benefits of convergence, the internal structures such as state and military elites, political parties, business associations, labor unions, civil society activists resisted to the reform process, since they perceived that their long-run benefits were at stake. Despite the fact that their argumentation varied among sectors and across-countries, it has been a common element in the discourse of Europeanization in Greece and Turkey that a notable shift in politics, polity and policies came into being. Thus, the

change was not restrained to politics only; the processes of Europeanization entailed the wider components of the society such as business associations, economic actors, universities and civil society organizations. As a consequence, although the discourse of Europeanization was confined to a political project in Greece and Turkey, its impact went to different echelons of the society and this resulted in transforming the political project into a societal project.

Active, well-articulate and institutionalized civil society organizations have been an indispensable element of Western democracy on which the EU put great emphasis. Since pluralist democracy has been a must but not an option that member states need to cope with, the EU forced the adaptation of EU-wide norms at the domestic level in the prospects of membership. In retrospect, Greece and Turkey encountered serious challenges from above to meet the requirements of the EU membership, while transitioning from authoritarian regimes into democratic republics. It must be noted that there have been demands for democratization from below prior to the setting up of the membership prospects on a swallow extent. However, Greek and Turkish experiences have demonstrated that repetitious calls for democratization from below remained ineffective, unless they were paired with the pressure from above. Therefore, the role of the EU has been instrumental in achieving a vivid civil society. A genuine transformation in the Greek and Turkish cases has only been possible by establishing a tripartite commitment of the EU, political will and societal consensus. As the 'holy trinity', the interplay between politics, society and the EU has been vital. In this, the EU actively designed, implemented and sponsored projects under qualified conditionality, provided credibility and legitimacy to the activities of the organization and made them accountable to the public. In turn, as civil society organizations gained wider support, accessed increased financial and human resources, got technical expertise and thus became active in the domestic policy making processes, they also started to exert their influence at the regional and international level by using their policy networks and contacts. Whilst encountering pressures from above as well as

from below, political will in Greece and Turkey has inclined towards democratization and further Europeanization.

Along with the empowerment of elements of civil society and democratization in Greece and Turkey, an astonishing outcome of EU's role was also illustrated in the Greek-Turkish rapprochement. Internally, Turkey's alignment with the EU and the democratization packages it enacted empowered civil society organizations in the post-Helsinki era. Externally, the EU has increased its financial assistance under INTERREG III A and Civil Society Development Programmes such that the civil organizations were enabled to engage in projects that they have not been able before. Joint actions, common projects and exchanges between the civil society organizations of both sides were greatly strengthened, accompanied by the civil diplomacy after the earthquakes. Considering the fact that both countries refer to the EU as a common external anchor, Europe became central to the external as well as internal political debates. As a result, the EU, both politically and socially, contributed immensely to the Greek-Turkish rapprochement while pushing forward for the convergence towards European norms and regulations.

While assessing the dynamics of Europeanization and democratization in Greece and Turkey in general and rapprochement in particular, a special reference should be given to the role of business associations. Business associations in both countries have advocated the European project irrespective of political alignment and continued to have their critical perspective further on. By representing the elite capital in their countries, both the SEV and TÜSİAD used their transnational linkages to pressurize the state from above and utilized their domestic leading position to keep Greece and Turkey in track with Europeanization. While the SEV was abstained in political discourses yet focused on economy-related matters, the agenda of TÜSİAD has been more encompassing which included political debates, policy discourses, democratization, human rights, liberal market reform and so on. In fact, both associations have used modernization and Europeanization rhetoric in establishing a dynamic environment

through which they aimed to facilitate the reforms at the governmental level and penetration of the changes at the societal level. Paired with the conditions and incentives from the EU for the need to converge, the pressures of the business associations have been essential in accomplishing transformation in political, economic and social aspects.

On the bilateral basis, the SEV and TÜSİAD as well as the motivations of individual firms played a substantial role in the transition of Greek-Turkish rapprochement from rhetoric into reality. After a process on mutual political dialogue and confidence building measures, the political rapprochement have lost its momentum considerably, since there had been no concrete progress in the resolutions of hard policy issues. However, induced by the stability in the post-Helsinki era within the EU framework and eventual decrease of political risk at both sides, the epistemic business community in Greece and Turkey opened up a new era of business rapprochement. Long-awaited economic ties were established which has been exemplified in the consistently increasing volume of trade that almost tipped 2 billion USD per annum. The most remarkable achievement has been attained in the investment sector; especially, the Greek investments in Turkish banking sector. Even though there had been preliminary investments of Greek capital in entering Turkish market such as banking, finance, telecom, and service industries, the historical buyout of Finansbank by the NBG in 2006 gave a brand outlook to the Greek-Turkish business as well as to political relations. In this respect, it must be noted that without the political rapprochement and the transformative role of the EU, such a massive Greek investment in Turkey would hardly be conceivable long time ago. Noticeably, market-driven business communities perceived the opportunity structure created by the political rapprochement. They were eagerly looking forward but were not capable to taking a step further due to the uncertainty and political risk. Notwithstanding the deadlock in Aegean and Cyprus, associations and enterprises have discounted the country risks in their assessment and made strategic choices in investing and trading reciprocally. Moreover, given the pace and the direction of the business rapprochement in the last two years, it became

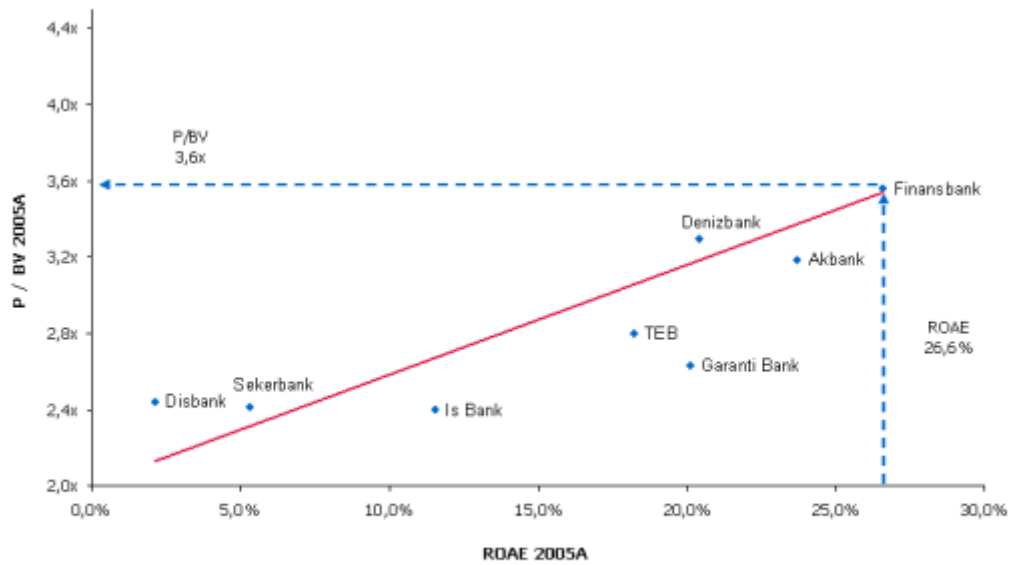
apparent that business gained greater confidence and precedence over political rapprochement. This also implied that the divergence from Europeanization of both countries is arguably irreversible and the costs of doing so would be unreasonably high from political and social perspectives.

As a final remark, it is an open-ended question how the empowerment of civil society associations and business associations contribute to the ongoing democratization process of Greece and Turkey, especially when the lop-sided structure of state-society and state-business relations should be taken into account. As the findings of comparative analysis of Greece and Turkey have demonstrated, Europeanization facilitated a rupture in the state-society and state-business affairs; however to what extent it contributed to business-society relations remained unclear. In concrete terms, there are wider opportunities for enhanced cooperation between business and society such as finance, sponsorship, know-how, cultural exchanges, technical assistance and practices of good governance; however, the cases illustrated that cooperation has rather been limited and restrained both qualitatively and quantitatively. In addition, the contribution of civil society organizations and business associations is ambiguous when differentiated political, economic and social agenda of these actors should be considered. To exemplify, as a senior columnist of Turkish Milliyet daily has commented, the political actors preferred a status-quo in the Aegean and Cyprus due to their own political agenda and election considerations. However, economic and social actors have quite a different psyche in which they don't own the concerns the politicians have and therefore are inclined to act cooperatively when the political infrastructure is set for them. Further, though the political balance between Greece and Turkey was missing from a historical point of view, the EU framework enabled both countries to capitalize their social capital and economic potentials which can operate independent of political directives but as autonomous entities. To conclude, Europeanization thus has been a critical catalyst for the emergence of vivid civil society and robust business

community that have eventually been an indispensable element of EU project in general and Greek-Turkish rapprochement in particular.

APPENDIX

The Vice President of Finansbank underlined that the privatization of state banks was a rather complicated process although the eyes were turned on them. Therefore the foreigner's interests were extensively focused on private banks. When I had asked him how Finansbank managed to attain such a high Price/Book Value (P/BV) ratio which has been the highest vis-à-vis former acquisitions, he responded that two factors were vital. Firstly, he referred to the Composite-100 index of Istanbul Stock Exchange (ISE) at the date of acquisition and then emphasized the need to compare the index to the P/BV ratio of other former acquisitions. In this, he mentioned that timing was an integral function that determined the valuation of the listed companies. By the time NBG acquired Finansbank, the ISE Composite-100 index was at its record high. Likewise, NBG argued that the P/BV ratio stood at 3.6x, prior to any synergies, reflecting the high profitability of Finansbank. In 2005, the companies of Finansbank to be acquired achieved Return on Average Equity (ROAE) of 26.6%, the best return on equity in the Turkish market. Technically, ROAE was calculated by dividing the net income of the companies to be acquired for the year 2005 by the average shareholders' equity for the same year. According to NBG's statement these two ratios – P/BV and ROAE – were internationally connected. Turkey was no exception in this, as can be seen in the chart below. The chart indicates that Finansbank's ROAE justified a P/BV ratio of 3.6x, considering the relationship of the valuation and performance of other Turkish banks.



Note: P/BV for all banks except Finansbank have been calculated based on the share price of 31 March 2006 (the last trading day before the announcement of the deal), and the ROAE figures come from the banks' 2005FY results presentations. The ROAE of Finansbank has been calculated based on pro-forma consolidated financials for the companies to be acquired.

Source: NBG

Secondly, the Vice President of Finansbank pinpointed the merits of good governance in succeeding the deal. He argued that from the selection of consultancy companies to the due diligence process and eventual agreement, the process was administered professionally. He stated: “We have designed the acquisition process to be competitive for every potential bidders. After the initial selection of the keen acquirers, the process which we refer as ‘beauty contest’ was begun. This has given us not only the opportunity to meet with each selected buyers, but also gave them the chance to have a much broader idea of Turkish economy in general and Finansbank in particular as a result of reciprocal corporate presentations. In consequence of the beauty contest, only two companies were found eligible to run the due diligence in our data centers one of which was NBG.”

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