



**GREEK-TURKISH RELATIONS:
Investing in Economic and Trade Cooperation
03 August 2024**

During the meeting of the President of Türkiye, Recep Tayyip Erdoğan, and the Prime Minister of Greece, Kyriakos Mitsotakis, in Ankara on May 13, 2024, the two leaders underscored the strategic importance of the 'Joint Action Plan' in building economic cooperation as a mainstay of bilateral relations. Productive and mutually beneficial cooperation in trade and export, either bilateral or international, has long been considered a factor that brings together countries and has become a significant favorable influence on their political relations.

The two sides also welcomed the establishment of the Turkish-Greek Business Council, a platform with the potential to boost business cooperation significantly through specific and well-targeted actions. This initiative, which underscores their commitment to double the trade volume between the two countries, instills a sense of optimism for the future of Greek-Turkish relations.

The ***Greek Turkish Forum***, a key player in the sustained improvement of relations between the two countries, is actively studying and proposing ideas and initiatives. Its steadfast efforts, which will be reflected in a series of papers covering various aspects of the Positive Agenda, ensure the continuity and progress of the initiative, providing reassurance to all stakeholders.

The first paper on economic cooperation between Greece and Turkey is a significant milestone. It underscores the importance of our collective efforts in this crucial area and signifies a step forward in our peacebuilding initiatives.

Factual Context of Economic Cooperation in Bilateral Relations

Until the 1980s, Greek-Turkish economic cooperation was minimal. Only during the 1988 Davos Meeting, a significant historical event between Prime Ministers Turgut Özal and Andreas Papandreou did establishing a Turkish-Greek Business Council come up as a form of cooperation to help further the relations. In the 1990s, although Turkey's Customs

Union membership in 1996 could have pushed this cooperation, the Imia/Kardak crisis and the 'Öcalan affair' in 1999 created tensions between the two countries, leaving the business communities mainly trying to keep the channels of communication open. Therefore, while only a few committed businesspeople met in Davos in 1998, by February 2008, almost a thousand businesspeople from both countries met in Athens.

The relations between the two countries improved in trade, where the total volume amounted to 220 million dollars in 1989, to reach 270 million dollars in 1994 and 3,2 billion dollars in 2007. The 'Double Taxation Agreement,' which has been in force since 2005, was an important step. Still, the lengthy negotiations and bureaucratic hurdles reflect the difficulties in removing obstacles that sometimes slow the process, even if there is political will. The signing of the 'Mutual Protection and Promotion of Investment Agreement' in 2001 was also beneficial for cooperation projects. However, the financial crisis that hit Greece in 2011 and the pandemic negatively impacted bilateral economic relations.

Past and present show that businesspeople quickly seize opportunities for business cooperation on either side, sometimes even when the political atmosphere is less welcoming. The earlier participants from the two countries' business communities personally contributed not only to creating lasting bonds but also generated ideas that helped many of the decision-makers of the time. We can mention some of the entrepreneurs who played a vital role at the time, for example, Theodoros Papalexopoulos, Odysseas Kyriakopoulos, Costas Carras, Thanassis Lavidas from the Greek side, and Şarik Tara, Rahmi Koç, and Asaf Güneri in the Turkish side.

Despite the importance given to non-state actors during the rapprochement period initiated by İsmail Cem and George Papandreou from 1999 onward, providing fertile ground for a realistic vision of bilateral economic cooperation, this field of bilateral synergy has never been consistently nurtured. Instead, it has been left to the vagaries of the ups and downs of political relations, unsupported – and sometimes undermined – by official attitudes and practices.

The prospects of the current 'Positive Agenda'

Ankara and Athens have recently embarked on a commendable endeavor, consistently working on an extended 'Positive Agenda' to promote cooperation on various social and economic subjects. This initiative presents a unique opportunity for the two sides to reevaluate economic collaboration, potentially solidifying a new lasting link of common interest and reinforcing the attitudes described in the opening paragraphs.

Progress in numbers shows that positive relations promote the increase of bilateral trade, hitting 5.8 billion USD in 2023 as a record. However, according to IMF data, it is still limited in percentages (1% in Türkiye's overall trade and 4% in Greece's overall trade). Additionally, bilateral trade is not based on value-added products but mostly on petroleum, aluminum, raw cotton, etc. The stock of investments of Greek companies in

Türkiye is around 6 billion USD, focusing on packaging, agriculture, fishing, tourism, and construction materials. Turkish investments in Greece are barely 1 billion USD, mainly in real estate and tourism assets.

Agreements signed in Athens on December 7, 2023, aimed to increase trade, energy, education, agriculture, and tourism cooperation. The increase in bilateral trade and investments is targeted at 10 billion USD by investing in energy cooperation, custom processes, and migration. Today, without any support, the energy trade is around 14 gigawatts, with 50 % of electricity mixed in Greece and 21 % in Türkiye. They may double their capacity shortly if it is promoted. Green energy investments may bring two countries together.

The GTF has expressed its support and appreciation for this critical initiative. It is convinced that enhancing the agenda and applying the related Agreements will create valuable cooperation links with effects visible to society in both Countries. To the GTF, proximity can be an asset, and the existence of similar sectors in our respective economies should not necessarily be viewed as antagonistic. However, addressing this subject constructively needs the open-minded attention of both the official and the private sector.

Possible actions

- Identifying possible targeted measures in customs law and practice, mainly aimed at eliminating those procedures impeding exports of specific products. To determine whether such practices exist and their potential repercussions, **creating a bilateral working group** with the possibility of input from private sector organizations might be helpful. This exercise might have additional value given the forthcoming Customs Union discussions, services, agriculture government tenders, and green and digital transformation, which are the main limiting factors to further economic relations.
- **Encouraging representative private sector organizations to examine** -under the aegis of the two governments- **ways and means to facilitate each other by exchanging information on foreign markets** where either has access or experience. This exercise would enhance mutual recognizability and confidence among the private sector and might be conducive to joint undertakings. This innovative broader cooperation vision in the common region may create higher economic benefits for both countries and increase trade potential to transcend the natural limits of existing trading goods and materials.
- Taking advantage of the **revitalization of the Business Council to bring together entrepreneurs of both sides**, who can not only identify common interests but also invest in a shared vision of cooperation and bring constructive ideas to decision-makers, it is time to push harder to increase collaboration, both in volume and depth.

- Given that both sides **promote the Positive Agenda in the conviction that practical progress** is a helpful element for smoother bilateral relations, a systematic effort should be made by the governments, on an equal basis and in the same tone, to remind the importance they attach to closer economic cooperation and widening exchanges as a significant confidence-building measure, thus taking care that outstanding differences do not cast a shadow on the necessity of mutually advantageous cooperation between close neighbors.