



Middle East Mediterranean

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Focus on Cyprus

An Interview with

**Erato Kozakou-
Markoulli**

The Minister of
Foreign Affairs of
Cyprus

Media and Debt Crisis in Cyprus

G. Tzogopoulos

Cyprus and the Arabs

E. Venetis

*Monitoring
the Middle East*

Cyprus Bridging East and West

A Pillar of Regional Stability

The Challenge of the Cyprus EU
Presidency and the Cyprus
Problem

Andreas Theophanus

Sustaining Diplomatic
Momentum in Expectation of
Energy Deal

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Focus on *Cyprus*

Cyprus is at the juncture of Eurasia with Africa and on the sea lane linking the Mediterranean with the Indian Ocean. Cyprus has maintained its strategic significance in modern day geopolitics. The unresolved problem of the Turkish occupation of the northern part of Cyprus, the EU membership of Cyprus and the energy geopolitics in the region denote that the island has been an area for political antagonism between Eastern and Western civilizations. In this regard Cyprus acts as a pivotal player of stability in a volatile region.

In this context, H.E. Ms. Erato Kozakou-Markoulli, the Minister of Foreign Affairs of Cyprus, unfolds major aspects of the Cypriot foreign policy on various key regional issues.

Q: *On the occasion of EU General Affairs Council what could the EU attitude be about Turkey's policy towards the Republic of Cyprus?*

A: The General Affairs Council in its December Conclusions will be called upon to assess the progress achieved in Turkey's accession negotiations the past year, the fulfillment of the candidate's relevant obligations, as well as the state of play in EU relations with Turkey. As is the case every year, the Council will also review Turkey's obligations related to Cyprus.

In this regard, the Council in its Conclusions of December 2011 while reaffirming the importance it attaches to EU relations with Turkey, it sent an unequivocal message to the candidate for the need, inter alia, to commit itself unequivocally to good neighbourly relations and avoid any kind of threat or action directed against a Member State, or source of

friction or actions, which could damage good neighbourly relations and the peaceful settlement of disputes. The Council also stressed all the sovereign rights of EU Member States which include, inter alia, entering into bilateral agreements, and to explore and exploit their natural resources in accordance with the EU acquis and international law, including the UN Convention on the Law of the Sea.

The Council also expressed its regret at Turkey's statements to freeze its relations with the EU Presidency during the second half of 2012, and underlined that the Presidency of the Council of the EU is provided for in the Treaty on European Union, a position echoed by the European Council in its Conclusions of 9 December 2011.

The General Affairs Council also noted with deep regret that Turkey, despite repeated calls, continues refusing to fulfill its obligation of full, non-discriminatory

implementation of the Additional Protocol to the Association Agreement towards all Member States. The Council decided in its Conclusions to maintain its measures in force since 2006, which will have a continuous effect on the overall progress of the negotiations and reiterated that Turkey had still not made progress towards the necessary normalization of its relations with the Republic of Cyprus.

The Council also invited the Commission to monitor closely and specifically report on all issues covered by the declaration of the European Community and its Member States of 21 September 2005 in its forthcoming annual report. This Progress Report from the Commission is expected to be tabled in October and following an in-depth analysis and review of its content by the Council, the Council Conclusions will be prepared, including a review and update of the state of affairs on all the above mentioned issues related to Turkey's policy towards the Republic of Cyprus and its relevant contractual obligations.

Q: *What is the central issue in the agenda of the Cyprus EU presidency?*

A: Cyprus is taking over the Presidency during very difficult times, and a period during which European citizens are financially challenged. It is a fact that the

Cyprus Presidency is called upon to continue the efforts of identifying viable solutions to this ongoing economic crisis that affects all European member states. It is within this context that the Cyprus Presidency works towards a Better Europe, more relevant to its citizens and to the world that will be more efficient and sustainable, with a better performing and growing economy with solidarity and social cohesion.

It is precisely due to the economic crisis in Europe that the Cyprus Presidency has given priority to the areas that will result in growth creation, including the Multiannual Financial Framework 2014-2020, the deepening of the single market, the implementation of the Europe 2020 Strategy and the Employment Package and Youth Opportunities Initiative. The objective would be to find and exploit all the unexplored potential for growth that lies in all the activities of the EU.

Another important priority area for the Cyprus Presidency is the establishment of the Common European Asylum System by the end of 2012, focusing on strengthening practical cooperation between Member States in protecting the rights of those in need of international protection, on the basis of solidarity and the principle of equitable burden sharing among all Member States.

Cyprus, being an island maritime state, realizes the importance of the EU Integrated Maritime Policy as a strategic tool in meeting the objectives of the Europe 2020 Strategy. Hence the Cyprus Presidency aims at “re-energizing” the Integrated Maritime Policy, through the examination and adoption of a Declaration, in order to create momentum for the implementation of this innovative crosscutting policy.

Moreover, the Cyprus Presidency has also set as its priority to work towards a Europe in the world and closer to its neighbors. Within this context, it will work towards ensuring that the enlargement agenda of the EU remains high amongst its priorities, aiming for tangible progress with all candidate countries and in particular those involved in accession negotiations.

The Cyprus Presidency is determined to contribute in taking forward Iceland’s accession negotiations, aiming at bringing the process as close as possible to its conclusion. The Cyprus Presidency will work on achieving progress in the accession negotiations of Iceland, and on moving the European perspective of the Western Balkans forward. The Cyprus Presidency will look to build on the momentum created by the forthcoming accession of Croatia, and by the recent

decisions of the European Council to grant candidate status to Serbia and for the opening of accession negotiations with Montenegro.

At the same time, and in line with the renewed EU consensus on enlargement, the further, overall, advancement of the European perspective of the Western Balkans is an issue of paramount importance. As such, the Cyprus Presidency will be ready to promote this perspective for any other Western Balkan country, depending on relevant developments.

In addition, It should be noted that the Cyprus Presidency is working closely with the President of the European Council and support, where necessary, the activities and initiatives of the High Representative of the Union for Foreign Affairs and Security Policy and the European External Action Service (EEAS). Particular emphasis is given to the European Neighborhood Policy, notably its Southern Dimension, where the EU has committed to supporting the democratic transformation of our southern partners. Dialogue with the countries of the region on trade and economic relations, as well as other issues of common concern, such as migration, mobility and security, will be promoted. At the same time, the Cyprus Presidency will contribute to the High Representative’s efforts to promote the objectives of the Eastern

Partnership. The Cyprus Presidency will also support the efforts of the High Representative in consolidating EU relations with our strategic partners and in advancing the Union's relations with emerging global players.

Q: *The Eurozone Crisis in Cyprus and Russian-Cypriot Relations.*

A: The Cypriot economy is largely influenced by the European and International economic and fiscal situation. Being a small and open economy, Cyprus could not avoid the negative repercussions of the Eurozone and the international economic crisis. The negative consequences of the crisis have been observed in the real economy and mainly in the level of economic growth which has been reduced as well as in the rising of unemployment. In addition, public finances have deteriorated. The expected growth for 2012 will be negative, approximately -2%. The fiscal deficit of Cyprus is expected to reach approximately 4.5% of GDP for this year. Nevertheless, the Cyprus authorities have already taken measures and are expected to adopt new ones that would lead to a containment of the fiscal deficit to below 3% of GDP by 2013 and close to a balanced structural budget position by 2014.

Despite the expected challenging short term outlook, the

medium and long term prospects for Cyprus are promising mainly due to our offshore natural gas. Cyprus is transitioning to a new era and a greatly promising energy sector.

Cyprus and Russia have traditionally enjoyed very close bilateral relations. In addition, the business and corporate environment of Cyprus have attracted a lot of European and Russian investments on the island.

In order to effectively address the challenges created by the Eurozone crisis and an urgent need to recapitalize two of Cyprus' banks, the Cyprus Government has applied to the EFSF/ESM for financial support. Prior to that, it had requested a new bilateral loan from the Russian Federation. There is still no agreement on the latter.

Q: *Are you satisfied by developments in making Cyprus a major transit gas pipeline hub?*

A: The recent developments relating to the discovery of hydrocarbon deposits in Cyprus and the prospects of cooperation with neighbouring countries render Cyprus a possible future actor in the energy security of the European Union and the political, economic and geographic stability of the Eastern Mediterranean. We understand the importance of good neighborly relations between all the countries, as part of a common vision in

relation to cooperation on matters of energy and we have been carrying out an ongoing dialogue with our neighboring countries in relation to energy matters, including the joint development of hydrocarbons reservoirs. Cyprus may, thus, serve as a gas export hub for the benefit of the region and Europe in general; one of the proposals that Cyprus has already submitted to the European Commission as a project of common interest is the connection between Israel, Cyprus and Greece via pipeline for the export of natural gas to Europe. The creation of such a pipeline is an option that the Government of Cyprus is considering; however, it may be more possible and quicker to proceed with the establishment of an LNG facility in Cyprus, wherefrom we could export liquefied natural gas to Europe. Either way, Cyprus aims at becoming a modest energy supplier of Europe. This, by itself, constitutes a most significant development that would not only recognize the geostrategic importance of Cyprus but would also augment its importance as a European and regional actor.

Q: *What are the economic and strategic benefits for Nicosia from the extraction of natural gas in Cyprus?*

A: The current economic and environmental situation, both at the European and the international level,

oblige us to look for solutions to respond to the new energy security challenges. The discovery of hydrocarbon deposits in the area of the Eastern Mediterranean may serve as a means to enhance and promote the role Cyprus can play in the energy security and relevant business development, as well as cooperation, political stability and peace and security in the region.

Furthermore, such a development constitutes a guarantee for the future progress, economic stability and prosperity for many generations of Cypriots to come. In this context, it also constitutes another strong incentive to find a durable solution to the Cyprus problem. The exploitation of any possible natural gas reserves in the exclusive economic zone of Cyprus can potentially motivate the attainment of a solution to the Cyprus problem, so that all the Cypriot people can benefit from it.

Q: *What do you think of the current and future status of the Cypriot-Israeli relations?*

A: Doubtless the already very good bilateral relations between Cyprus and Israel have recently been further reinforced. The discovery of hydrocarbons in Cyprus' EEZ has been a crucial factor that dictated the further strengthening of the bilateral relations between the two countries.

Our commitment towards strengthening our relations with neighbouring nations in the Eastern Mediterranean, so as to ensure an environment of economic prosperity, peace and security in the wider region, forms the cornerstone of the gradual evolution of the Cyprus – Israel bilateral relations.

On the basis of the above, the bilateral relations between Cyprus and Israel are bound to follow a natural progressive path into the future, and in an array of sectors including those of hydrocarbons exploration, commerce and the economy, always for the benefit of our respective peoples, as well as for the benefit of the wider region.

It has been repeatedly affirmed that the further development of the bilateral relations between Cyprus and Israel do not take place at the expense of our historical relations with the Arab world, with which we also share mutual interests. In particular, the prospects for joint hydrocarbons exploration and further enhancement of other economic and commercial relations, with other neighboring countries, like Egypt and Lebanon, with which we have also delimited our EEZ, remain very promising.

Q: *In your view, could the ongoing flourishing Cypriot-Israeli energy cooperation be shielded by a bilateral cooperation in the field of defense?*

A: Cyprus pursues and encourages cooperation in the energy sector with all the countries with which it shares maritime boundaries, including the State of Israel.

The Government of the Republic of Cyprus ensures that the degree and nature of cooperation in the energy sector with one neighboring State, such as the State of Israel, does not exclude the cooperation with other neighboring countries in the Eastern Mediterranean. Energy cooperation could contribute to the peace and stability in the region, which is to the benefit of all the States in the region.

Q: *How do you view Turkey's threats on the issue of Cyprus's exclusive economic zone?*

A: Turkish provocations against Cyprus have been a constant phenomenon since Turkey invaded the island in 1974 and occupied its northern third. Recently, and particularly over the last year, however, Turkey has increased its provocative actions and heightened its bellicose rhetoric with regard to Cyprus' activities within its Exclusive Economic Zone (EEZ). Through a series of official announcements, Turkey clearly implies intentions of use of force, if the Government of Cyprus conducts any activity in those areas in Cyprus' EEZ, which are arbitrarily and unlawfully deemed by

Turkey as part of its own continental shelf. At the same time Ankara “warns” that Turkey, “acting as a motherland and a guarantor power”, “will give every support” to the secessionist entity in the occupied part of Cyprus to exploit hydrocarbons existing in Cyprus’ EEZ.

Turkey’s claims to the effect that she has rights and interests in relation to hydrocarbons in Cyprus are not based or supported by any specific legal or substantive argument. On the contrary, they are in direct conflict with International Law, customary and conventional (UNCLOS).

The international community, at a multilateral and bilateral level, has delivered to Turkey a clear and powerful message. I would like to recall, in particular, the European Union’s position, as expressed in the Council’s Conclusions on 5 December 2011, in which it underlines that Turkey needs to commit itself unequivocally to good neighborly relations and to the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In this context, the Union expresses serious concern and urges the avoidance of any kind of threat or action directed against a Member State, or source of friction or actions, which could damage good neighborly

relations and the peaceful settlement of disputes. On the contrary however, Turkey has chosen to absolutely defy the European Union and continues its policy of aggression and of disrespect of international law and principles, jeopardizing thus regional peace, stability and security.

Q: *What are the prospects of finding a permanent and viable solution to the Cyprus problem in the context of the intercommunal negotiations?*

A: The current state-of-play in the negotiations process that began in September, 2008 following President Christofias’ initiative, is absolutely disappointing and disheartening. As the UN Secretary-General’s Special Representative for Cyprus, Mr. Alexander Downer, mentioned in a recent interview to a Turkish news outlet, the Turkish Cypriot side does not appear willing to engage right now in this process.

This is a particularly regrettable development in that prior to the commencement of this process, it was jointly agreed by President Christofias and the then leader of the Turkish Cypriot community, Mr. Talat, that the negotiations would be Cypriot-owned and led, eschewing outside interference which had proven in the past to be counter-productive, and that the objective of the process would be to achieve a solution of a bizonal, bicomunal federation, with a single sovereignty

and international personality and a single citizenship, with its independence and territorial integrity safeguarded, and comprising two politically equal communities as described in the relevant Security Council resolutions. This agreed-upon basis is fully consistent and in line with Security Council Resolutions on Cyprus. The framework for the settlement is therefore incontestable.

With Mr. Talat as interlocutor, some convergences were achieved and progress was recorded especially in the areas of governance and power-sharing, economy issues and EU matters. This momentum was, however, upended when the current leader of the Turkish Cypriot community, Mr. Eroglu, replaced Mr. Talat in the spring of 2010 and refused to commit unequivocally to either the agreed-upon basis of the negotiations or any of the convergences that were reached with his predecessor. Quite the contrary: Mr. Eroglu insisted both, publicly as well as at the negotiating table, that there are two states and two peoples on the island, a position that he continues to peddle and one which clearly undermines and contradicts the basis and the objective of the negotiations process.

Given this negative turn of events, the Secretary-General of the UN intervened personally by holding

five meetings with President Christofias and Mr. Eroglu, between November 2010 and January 2012, with the aim essentially of overcoming the impasse created due to Mr Eroglu's intransigence. This proved to be an impossible task, particularly during the last two meetings, in November of 2011 and January of 2012, as Mr. Eroglu refused to engage in the substance of the negotiations, demanding instead that the UN Secretary-General convene, without further delay, an international conference on Cyprus. Mr Ban Ki-moon had clarified, on a number of occasions that he is unwilling to proceed to such a step in the absence of tangible progress on the core issues in the negotiations, which are governance and power-sharing, the issue of settlers and the issue of property rights, in conjunction with territorial adjustments.

The Security Council of the UN has incidentally also taken the exact same line, as seen in its Resolution 2026 (2012). Mr Downer himself, in the aforementioned interview, shared this position, stating that no purpose would be served if such an international conference took place without first achieving convergences on the core issues

On our part, we have been 100% forthcoming in our assessment that achieving convergences on the

core issues is a vital component for the potential of success of an international conference. In fact, the convening of such a conference was first proposed by President Christofias in July of 2010, with the aim of tackling the international dimensions of the Cyprus problem (security, guarantees, territorial adjustments), once substantial progress on the core issues is recorded.

Mr. Eroglu's staunch refusal to return to the negotiating table unless his ultimatum for holding an international conference is firstly satisfied has brought us to a dead end. In his uncompromising stance, Mr. Eroglu is both guided and unreservedly supported by the Turkish Government of Mr. Erdogan, the government of a country that continues to flout international law, the UN Charter and numerous Security Council resolutions by maintaining its illegal military occupation of 36.2 % of the territory of the Republic of Cyprus, territory which is, incidentally, part of the European Union since 2004. It is, therefore, crystal clear that what is urgently needed is for the international community at large to decisively reject Turkey's intractability over Cyprus, by communicating to Ankara, that it is imperative to finally commit in practice, and in good faith, to the objective of Cyprus' peaceful re-

unification, in a bizonal, bicomunal federation, a solution that will serve the interests and safeguard the rights of all Cypriots, from both communities, and not those of any third party. Ultimately, such a Cyprus solution would also serve Turkey, peace and stability in the region and send a strong message of hope globally.

Q: *With regard to the Syrian crisis what is the Cyprus position?*

A: Syria is now at a critical juncture, and further militarization of the conflict in the country will certainly cause further suffering to the Syrian people. Sectarian war is imminent with spill over effects and unpredictable humanitarian and security challenges for the entire region. Having said this, it is Cyprus' strong conviction that foreign military intervention in Syria should be avoided by all means and the territorial integrity and sovereignty of Syria be fully respected.

Cyprus is deeply concerned over the dramatic situation of Syria and the atrocities taking place in the country. The repetitive violations of human rights must cease immediately, while independent international investigations on the ground should be allowed to take place. Those responsible for human rights violations should be brought to justice.

We are alarmed by the daily deterioration of the humanitarian situation; we must try to see how best to facilitate humanitarian assistance to Syrians in need, both within the country as well as those who have sought refuge in neighbouring countries, including through free access of humanitarian organizations in the country. The recent Gymnich meeting, held in Cyprus, demonstrated the EU's determination to further contribute €50 million for humanitarian assistance, relevant to the crisis in Syria.

Cyprus welcomes the appointment of Mr. Lakhdar Brahimi as the Joint Special Representative of the United Nations and the League of Arab States for Syria. Mr. Brahimi will certainly need the full support of all the international community in order to deliver on his challenging tasks. Cyprus has already extended its support in this regard.

It should be recalled that in accordance with the relevant Foreign Affairs Council Conclusions we had called on President al-Assad to step aside in order to make room for a peaceful transition for the sake of Syria. Simultaneously, we continue to encourage on a systematic basis the opposition to present a united front as alternative to the current regime and focus on common objectives that will guide the future Syria.

Q: *Could Nicosia be influential in the EU in facing Iran's nuclear standoff with the West?*

A: Cyprus, like all the other member states of the EU, actively participates in the relevant meetings/ discussions for Iran, at all levels of the decision making procedure, such as Council Working Groups, COREPER, Foreign Affairs Council, where it presents its national positions and constructively contributes to the shaping of the EU Conclusions and sanctions' adopted concerning Iran.

Furthermore, Cyprus implements all sanctions adopted by the EU and the UN Resolutions, against Iran, which are part of united efforts made by the Union and the international community to exert pressure on Tehran.

Cyprus considers that Iran should take concrete steps to address seriously existing concerns of the International community concerning its nuclear programme. Furthermore, it highlights and stresses the importance of reaching a diplomatic solution to the problem, as an urgency, through the negotiations being carried out between the P5+1 or E3+3 countries and Iran.

Analyses

The Challenge of the EU Presidency and the Cyprus Problem

Andreas Theophanus,
Professor of Political Economy, University of Nicosia
President of the Centre for European and International Affairs

On the occasion of the rotating Cyprus EU Presidency, this analysis sheds light on how the Cyprus problem is interconnected with the EU presidency.

The assumption of the rotating Presidency of the European Council for the first time by the Republic of Cyprus is undoubtedly a great challenge as well as a unique opportunity. Cyprus took on the helm of the EU just eight years after its accession and at a time when the Union is facing its deepest debt crisis that has resulted in an overall economic and social malaise.

At the same time Cyprus has had to face unprecedented challenges of its own. In addition to the Cyprus question and the series of related problems created by Turkey, Cyprus has to address its own escalating economic crisis. It is unfortunate that as Cyprus was preparing to take on the EU Presidency it had to seek the support of the European Stabilization Mechanism.

Cyprus has a responsibility to facilitate solutions for the EU and for itself and to function in a way that will bring credibility to both itself and the institution of the EU

Presidency. The government has made it clear that the Cyprus question and the broader problems with Turkey will not interfere with the EU Presidency. Consequently, on this delicate issue, any developments will depend to a great extent on Turkey itself.

Within perhaps the greatest challenge that the Cyprus EU Presidency will address concerns the negotiations for the new Multiannual Financial Framework covering the period 2014-2020. Under difficult circumstances and despite the existing road map Cyprus will have to bring together diverging views so that an agreement is reached. In this context it would prove extremely useful for the Union if Cyprus raises the issue of reformulating economic policies aiming toward greater economic and political integration.

The assumption of the EU Presidency provides also an excellent opportunity for Cyprus to present its own alternative proposals in relation to the ongoing economic crisis. Given

the overriding concern regarding fiscal policy at the Pan-European level, it is important to put forward new ideas for fiscal balance over a longer period of time instead of the customary annually balanced budgets. It may be recalled that in the early post World War II years Sweden adopted a similar approach to its formal fiscal policy, in what became known in the literature of the time as the Swedish Budget. Furthermore, Cyprus may submit new ideas in relation to a European fiscal policy and for provisions for direct targeted spending.

Cyprus must also make its own modest contribution on other key issues that preoccupy the Union. These include improving the effectiveness of the EU, promoting solidarity as well as policies for creating growth and more jobs. These are difficult times. It is essential that Cyprus rises to the occasion and works in ways that will make a difference for this island state and beyond.

As the time of the Cyprus EU Presidency approached, the UN and the international community harbored high expectations for a breakthrough in Cyprus itself. It is not a surprise, however, that the stalemate in the Cyprus problem persists given the great gap in the positions of the two sides. We should be reminded that despite the generous concessions of President Christofias since 2008 there has

been no progress. None can be expected for the duration of the Presidency and with Turkey becoming increasingly embroiled in the fallout of the Syrian crisis.

It is clear that the UN and the international community will try to follow up after the Presidential elections in February 2013. Perhaps what may be necessary is the enrichment of the process and, potentially, a change of the basis of the negotiations themselves. On the one hand an integration list federal approach may theoretically be more promising; on the other hand though, it increasingly seems more difficult to achieve. We should not underestimate the political capital that would be created in the event of a successful implementation of confidence building measures. For example, positive developments on the question of the fenced-off section of Famagusta may generate substantial economic benefits for all Cypriots. Such a development would certainly pave the way for additional steps of cooperation. But it should be understood that for such a positive development the role of Turkey is instrumental, irrespective of whether Cyprus is at the helm of the EU Presidency or not. Indeed, if Turkey were to recognize the right of the Republic of Cyprus to exist it would merely be a matter of time for the resolution of all pending issues.

Sustaining Diplomatic Momentum in Expectation of Energy Deal

Theodoros Tsakiris, PhD
Head of Energy and Geopolitics Program - ELIAMEP

In the context of the flourishing Greek-Israeli economic relations, a pipeline network will first demand significant technological innovations which are still several years away.

Israel's President Simon Peres arrived in Greece for a three-day visit on 6 August in order to sustain the diplomatic momentum which has led to a flourishing of bilateral relations following the storming of the Turkish vessel Mavi Marmara by Israeli commandos in June 2010. The Israeli President, who was accompanied only from the Minister of Agriculture & Rural Development, Ms. Orit Noked, expressed his support for the ongoing rapprochement between two "small states who can achieve great things" as he said, during the official press conference that followed his meeting with Greek President Karolos Papoulias.

Papoulias emphasized in his opening remarks that "the convergence of interests in Eastern Mediterranean allow for the establishment of a strategic relation [between Greece and Israel] -with the Republic of Cyprus being an integral part- considering that the

discovery of significant underwater natural gas deposits and the transport of Israeli and Cypriot natural gas to Europe via Greece change the geo-economics and geopolitical framework in the greater region."

President Peres in an interview he gave to Mega Channel TV on 3 August also confirmed the promise of a strategic energy cooperation between the two East Mediterranean states built around a future a network of gas pipelines connecting Israel, Cyprus and Greece. "I am sure" he said that "in the future we could see such a network" adding that such a development "is required by geography and commanded by economics". He also stressed though that natural gas should not be the only sector of potential cooperation underlining that "we will also see in the near future changes in the oil sector towards two directions: better use of existing oil resources but also

the [discovery] of new sources of oil and gas. We are entering a new era for the discovery and distribution of petroleum and [natural] gas.”

Energy has always been perceived as the cornerstone of this strategic rapprochement especially since the idea of a pipeline connection via Cyprus was suggested by Prime Minister Netanyahu in July 2010. Since then Israel and Greece supported both diplomatically and militarily the exploratory drilling operations of Noble Energy on Aphrodite field during autumn 2011 and are examining ways of institutionalizing their energy cooperation beyond the natural gas sector in the field of Renewable Energy and Efficiency, even though they still have not signed an MoU that consolidates this aspired partnership framework. Both countries have been talking about energy cooperation but unfortunately nothing tangible has heretofore emerged.

In reality though there is very little prospect for any practical progress in Greek-Israeli energy cooperation other than the potential construction of an LNG terminal in the Cyprus Energy Center of Vassilikos that will liquefy by

2017/2018 some quantities of Israeli gas either from the Ishai (the Israeli component of Aphrodite) or the Leviathan fields. An unspecified volume of that gas may be exported to S.E. Europe via the Greek Natural Gas Transportation System after the gas is degasified in Revythousa’s LNG terminal.

No Israeli company is seriously considering the construction of an underwater pipeline connection to Greece in the foreseeable future while Cyprus has also clearly expressed its preference for an LNG export option since at least last June when President Christofias stated that his government has approved the construction of the first LNG liquefaction train with an initial capacity of 5 million metric tons. The possibility of a pipeline network will first demand significant technological innovations which are still several years away and most importantly a confirmed reserves basis in Israel, Cyprus and the Greek Seas to the south of Crete. We are still at least 5-7 years before we actually have a concrete picture of the abovementioned reserves potential even if we exclude any associated political risk.

Comments

The Economic Crisis in Cyprus and the Media

George Tzogopoulos, PhD
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The international profile of Cyprus is of particular significance in the endeavor of Nicosia to overcome the economic crisis. Thus an efficient communication policy is crucial.

In their interest in the European debt crisis international media could not but concentrate on recent developments in Cyprus. The economic problem of this country has not received attention similar to that of Greece but has certainly been an issue of concern for journalists since May 2012. In particular, they have attempted to explore the problematic status of the Cypriot economy, as for example the recession in areas like construction, trade and transportation, they have focused on the decisions of rating agencies to downgrade its credit rating and they have reported on reactions for a potential bailout at the EU level.

Along with the general description of the economic crisis in Cyprus, there are there three main themes around which it has been framed in the international media discourse. The first is related to its roots. The second refers to the role of Russia in giving additional bilateral

loans. And the third is based on estimations of the impact of an EU-led supervision on the Mediterranean country itself, and principally its banking sector.

Starting with the causes of the economic crisis in Cyprus, its relationship to the Greek one has been largely emphasized. Specifically, the exposure of Cypriot banks in the Greek debt is perceived to be the most important reason. Cyprus popular bank, for instance, the island's second-largest lender, is heavily exposed. This bank was seriously hit by a significant loss stemming from Greece's debt restructuring, requiring thus an immediate recapitalisation. Various sources such as *The Economist* also reminded us the economic repercussions of the explosion of munitions at Vassilikos in July 2011.

Furthermore, the extent to which Russia could financially help Cyprus was analysed by journalists. *The Wall Street Journal*, for

example, published a piece on 6 July 2012 asserting that the Mediterranean nation had requested a 5 billion Euros rescue loan from Moscow in addition to the one of 2011(worth of 2,5 billion Euros). According to *BBC*, Russian ties with Cyprus are particularly warm in fields such as business, culture and tourism. It is not surprising that this close co-operation between Nicosia and Moscow has been considered as causing frustration and disappointment in Brussels.

In addition, international media have endeavoured to explore the potential impact of a European bailout on the Cyprus economy. That is because Brussels will possibly put pressure on the Mediterranean country to adjust its low taxes and bank secrecy provisions. As *Financial Times* explains, ‘then the

island may no longer be such an appealing haven for the world’s cash’. In that regard, *Frankfurter Allgemeine Zeitung*, reports that approximately 15.000 Russian people live permanently on the island including rich oligarchs.

The economic problem of Cyprus has not so far led international media to extensively deal with every day stories and apply the logic of ‘melancholic journalism’. Nevertheless, the country has not escaped from characterisations such as that of a ‘bankrupt island’ on the day it undertook the EU Presidency. The international image of Cyprus will be critical in the attempt of the Mediterranean island to tackle its economic crisis and deliver. The Greek experience suggests that efficient communication strategy is of utmost importance.

Cyprus and the Arabs: In search of Equilibrium

Evangelos Venetis, PhD
ELIAMEP Middle East Research Project

Cyprus must amplify its bilateral ties with Arab states in order to sustain regional stability in the context of the volatile Arab-Israeli rivalry.

The Eastern Mediterranean is witnessing a dramatic shift in regard to domestic politics of the Muslim world to a type of progressive Islamic society, both Arabs and Turks, and a simultaneous partial policy re-orientation of the West in the region to meet the new challenges regarding the Islamization of regional politics and society. In this context the security of Cyprus acquires a new dimension, especially under the light of the Cyprus-Israel energy rapprochement. In another article last spring, the current author highlighted the impact that the cooperation between Greece and Israel has on the Arab world in regard to the Arab view on the Cyprus issue. Elaborating further here and given the high level of communication between Athens, Nicosia and Tel Aviv, as well as the traditionally positive relations between Greeks and Arabs, it is suggested in this paper that the Greek side, in particular Nicosia, retains the option

to increase its pivotal profile for the security of the region by enhancing its constructive role in the Arab world and the Palestinian issue for the sake of regional stability and peace.

Developing an economic, energy in this case, investment presupposes geopolitical stability and security. In the case of Cyprus, in order to sustain its economic collaboration with Israel Nicosia needs to address the role of the Arabs in this volatile region. In the case of the Syrian civil war, given that there is nothing particular to win or lose, Cyprus must pursue a neutral policy.

Along with the Cyprus issue, the case of Palestine remains for more than a century the top theme in the security agenda of the region. In particular the Palestinian case is an issue of Pan-Islamic dimensions, well-interwoven with Arab nationalism. Given the rise of Islam in Turkey and the Arab states, such

as Egypt, Jordan, Lebanon and Syria, Nicosia needs to develop a new policy scheme toward the Arabs in order to contribute to the stability of the region, aiming to facilitate further dialogue between Israel and the Palestinians. For instance President Christofias and Foreign Minister Marcoulli's recent visits to Jordan and Egypt respectively are of particular importance.

Besides the solid outcome that such a Cypriot initiative may have in terms of diplomacy and security, it is

also expected that Nicosia will win hearts and minds in the Arab world and Israel in a very delicate moment for Arab and Israeli politics. In short the current Cypriot-Israeli economic collaboration is a first class opportunity for Nicosia to amplify its political role in the region by working to bring together friends and foes. Cyprus is able to undertake such a task and carry it out effectively for the interests of Nicosia and the region as a whole. 

Monitoring the Middle East

Afghanistan

US stops Afghan forces training due to insider attacks (31, August, 2012)

The US Special Forces Commander has suspended training for all new Afghan recruits until Afghan soldiers are re-investigated for their possible ties to Taliban militants. So far in 2012 Afghan forces have killed 45 ISAF, mostly US, soldiers. US Defense Secretary Leon Panetta has expressed deep concern about the insider attacks rise.

Bahrain

New demonstrations hit Sitra and Sanabis regions (27 August, 2012)

Bahraini Shiite demonstrators keep protesting, calling for the release of political prisoners and chanting slogans against the ruling al-Khalifa family.

Bahrain policeman formally charged over death of Shiite teen protester (31, August, 2012)

A Bahrain policeman has been formally accused of premeditated murder over shooting dead a Shiite teenager when a group of protesters attacked security forces with petrol bombs.

Cyprus

Cyprus takes overs EU Presidency (1 July, 2012)

Cyprus assumed the EU presidency for the first time on Sunday. Nicosia took over the six-month rotating presidency from Denmark.

Egypt

Mursi praised Syria's rebel movements at the NAM Summit in Tehran (30 August, 2012)

In his first overseas mission and first visit of Egyptian president since 1979 in Iran has praised Syrian opposition movements "against an oppressive regime." The Syrian delegation headed by Foreign Minister Walid al-Moallem walked out on the session.

Comment: Mursi is forming currently his Sunnite profile in the region and in this regard he needs Riyadh's assistance.

Greece

Athens welcomes Israeli President Simon Peres (6 August, 2012)

Greek President Carolos Papoulias welcomed Simon Peres in his first visit in Greece as head of the Israeli State. Peres's visit is expected to strengthen bilateral ties between Israel and Greece, highlighting the prospect of cooperation in the energy sector and other economic fields, such as tourism, agriculture and education.

Iran

The 16th NAM Summit was held in Tehran (26 August-1 September, 2012)

Leaders of 120 countries gathered in Tehran to attend the 16th Summit of the Non-Aligned Movement. The Non-Aligned Movement represents practically two-thirds of UN member states. Among various global topics discussed at this summit were human rights and nuclear disarmament issues. Summit host Iran focused on drawing up a new peace resolution to solve the Syria deadlock.

Iraq

Iraq Condemns Turkey Over Kurdistan (11 August, 2012)

The Prime Minister of Iraq Nouri al-Maliki has accused Ankara of treating the Kurdish region of Iraq as an independent state. On August 1, Turkish Foreign Minister Ahmet Davutoglu visited Kirkouk without informing Baghdad.

Comment: Turkey-Iraq relations are to deteriorate further, especially under the light of Ankara's accommodation of the fugitive Sunni vice-President Tariq al-Hashemi.

Kuwait

Kuwait Inflation Rate Unchanged

Inflation in the Consumer Price Index (CPI) was 2.8% in June similar to its May rate. It was the lowest figure for more than two years.

Lebanon

Hezbollah against the deployment of international troops in Lebanon (31 August, 2012)

Responding to a request by the Future Movement led by Sa'ad al-Hariri, Hezbollah Deputy Secretary General Sheikh Naeem Qasem stated that the party opposes the deployment of international troops along the Syria-Lebanon border because it amounts to foreign meddling in Syria.

New Lebanon clashes leave one dead (26 August, 2012)

One person has been killed and six other have been wounded in Tripoli in new clashes between supporters and opponents of the Syrian government. Three of those wounded were Lebanese soldiers.

Comment: Lebanon could become an additional battleground if the Syrian civil war goes beyond its borders.

Libya

Tanks and missile launchers seized from pro-Gaddafi militia (27 August, 2012)

According to the Abd al-Monem al-Hur, spokesman for Libyan Interior Ministry's High Security Committee, an important quantity of military hardware, including more than 100 tanks and 26 missile launchers, has been seized from armed loyalists to Libyan slain dictator Muammar Gaddafi.

Palestine - Israel

UNO: Life in Gaza Strip Impossible in 2020 (28 August, 2012)

UN humanitarian coordinator Maxwell Gaylard stated, "Action needs to be taken now if Gaza is to be a livable place in 2020." Lack of clean drinking water is the immediate concern in the besieged impoverished Palestinian region. Since 2007 the Israeli siege has turned Gaza into the world's largest open-air prison with a destructive impact for the Palestinians on humanitarian and economic grounds.

Qatar

Exxon, Qatar JV set to export US natgas (19 August, 2012)

In a joint venture (Golden Pass Products LLC), Exxon Mobil and Qatar Petroleum are planning to export liquefied natural gas from a terminal near the Texas-Louisiana border. They would spend \$10 billion to convert a new terminal near Port Arthur, Texas, into a facility capable of exporting 15.6 million LNG tons annually.

Saudi Arabia

Two militia cells busted in Riyadh and Jedda (27 August, 2012)

Two Saudi and six Yemeni members of two militia cells have been arrested by Saudi state security forces in Riyadh and Jedda. They are accused of being in contact with Al-Qaeda outfits outside the Kingdom, promoting 'takfiri' ideology, i.e. branding the other as infidel, and recruiting youth for guerilla operations against the security forces, citizens, expatriates and government installations.

Somalia

Al-Shabab stronghold captured in Marka (27 August, 2012)

African Union Mission in Somalia (AMISOM) and Somali state troops have captured the al-Shabab port town stronghold in Marka in South Somalia, routing forcing thousand of Islamist fighters to retreat.

Bomb blast targeting Somalia Constitution meeting (27 July, 2012)

A remote-controlled massive bomb explosion hit a former police academy, the venue of Somalia's National Constituent Assembly as the 825 members were debating the new constitution.

Syria

Number of refugees rises to 200.000 (24 August, 2012)

As the conflict has intensified the United Nations Refugee Agency has claimed that more than 200.000 Syrian refugees have fled to neighboring countries. About 30.000 arrived in Turkey, Lebanon and Iraq in the past week.

Comment: A precondition for the international community for addressing the issue of refugees is to find a diplomatic, certainly not military. solution soon; otherwise the Syrian refugees will reach the EU door steps sooner than expected.

Libya

The first Public Congress of the Islamic Enhanda Party (13 July, 2012)

The ruling Islamic party of Tunisia held its first public congress in three decades, stressing their commitment to a civil democratic state. The congress was attended by 30.000 participants, among them many foreign prominent Muslim political leaders.

Turkey

Blast hits Iraq-Turkey oil pipeline (27 August, 2012)

On 26 August an explosion hit the Kirkuk-Ceyhan pipeline in the Silopi and Cizre districts of Sirnak province near the Iraqi border. It is assumed that the cause of the fire was an act of sabotage by Kurdistan Workers's Party (PKK) or oil smugglers.

Deadly Gaziantep bombing (20 August, 2012)

A car bomb explosion near a police station has left nine people dead and 68 more injured in the city centre of Gaziantep. Turkish officials blamed militants of the Kurdistan Workerr's Party (PKK)

United Arab Emirates

UAE non-oil growth subdued at 3-4% (23 August, 2012)

According to the National Bank of Kuwait weekly report on GCC economies, the UAE non-oil growth is expected to continue at a below trend pace of 3-4% for the next two years. The economy will be held back by concerns over the restructuring and refinancing of Dubai Inc. debt, and ongoing fiscal consolidation. Due to its strong trade and transport links, the UAE is also more exposed than its neighbors to any global economic turmoil. Sanctions against Iranian economy have also contributed considerably to the UAE exposure.

Yemen

Yemen transportation minister escapes assassination attempt (27 June, 2012)

The Yemeni Transportation Minister Waed Bathib survived an assassination attempt in Aden. Unknown gunmen attacked the convoy transporting the minister and then escaped.