

ETUDES HELLENIQUES

HELLENIC STUDIES

LA CRISE CHYPRIOTE THE CYPRUS CRISIS

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and its Impact on the MENA Region*

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La crise Chypriote

Stephanos Constantinides*

Le 26 Mars 2013, le journaliste français Antoine Reverchon écrivait dans le cahier *Économie et Entreprise* du *Monde*: «La crise chypriote aura servi, s'il en était encore besoin, de révélateur de la crise de légitimité que traversent les institutions européennes, au niveau communautaire comme à celui de chaque Etat membre, tous incapables d'impulser une décision comme de tracer une perspective, ou au moins d'offrir à l'opinion une image de volonté et de dynamisme...». Le même jour à la une, le même journal titrait: *Le FMI et Berlin imposent leur loi à Chypre*.

Le leader de la gauche française Jean-Luc-Melenchon dans un article intitulé «En route vers l'Europe allemande» abondait dans le le même sens:

*L'essentiel pour moi c'est l'accélération de l'histoire qui se produit en ce moment avec l'épisode Chypriote. Le titre du «Monde» résume l'épisode géopolitique et financier: «Le FMI et Berlin imposent leur loi à Chypre». Berlin! C'est officiel, la carte de la puissance a changé en Europe! Et pendant ce temps la France est tétanisée par des chefs sans consistance qui se rêvent en «bon élève de la classe européenne».*¹

Dans la nuit de vendredi 15 à samedi 16 mars 2013 les ministres des finances de l'Eurozone au terme d'une nuit de négociations ardues optèrent pour un prélèvement sur les dépôts pour résoudre la crise financière chypriote faisant payer pour la première fois les déposants. Le plan prévoyait une aide de 10 milliards d'euros (55 % du PIB de l'Ile) venant de la zone euro et, une taxe exceptionnelle sur les dépôts bancaires de 6,75 % jusqu'à 100 000 euros et 9,9 % au-delà, devant rapporter 5,8 milliards d'euros.² Ce plan a été refusé par le parlement chypriote et les discussions se sont poursuivies.

En fait il y a eu deux plans de sauvetage pour Chypre. Le premier plan, celui de la nuit du vendredi 15 au samedi 16 mars 2013, mentionné plus haut et rejeté par le parlement chypriote et un second plan adopté le 25 mars 2013

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qui est finalement imposé à Nicosie.³ Ce second plan comprend la garantie des dépôts de moins de 100 000 euros, la Laiki Bank est condamnée, ses dépôts de moins de 100 000 euros et les actifs de bonne qualité sont transférés dans la Bank of Cyprus, le reste des dépôts et des crédits est intégré pour assurer le financement des décotes des actifs de la banque, touchant les revenus possibles de la liquidation de celle-ci. Les dépôts de plus de 100 000 euros de la Bank of Cyprus sont transformés en actions de la Bank of Cyprus pour 37,5 % de ces dépôts,⁴ les 22,5 % supplémentaires devant être immobilisés.⁵ Le plan vise à lever 7 milliards d'euros, en retour des 10 milliards d'euros de prêt accordé à Chypre. Ce plan a été accepté par le parlement chypriote.

À la réunion de l'Eurogroupe à Dublin le 12 Avril, les ministres des Finances de la zone euro ont approuvé un plan de sauvetage de 23 milliards d'euros pour Chypre, qui comprenait un prêt de 10 milliards d'euros pour les 3 prochaines années par la troika (Fonds monétaire international, Commission européenne et Banque centrale européenne) et une contribution de 13 milliards d'euros par Chypre. Par opposition à l'accord de renflouement préliminaire établi entre la troika et le gouvernement précédent en novembre dernier, Chypre devra contribuer 13 milliards d'euros, soit 5,5 milliards de plus que l'estimation initiale de 7,5 milliards.

En fait il s'agit d'une confiscation des épargnes des citoyens pour «sauver les banques». Dès lors la question est posée: la recapitalisation des banques chypriotes est-elle une «répétition générale» pour ce qui s'en vient? Selon l'Institute of International Finance (IIF) situé à Washington et représentant le consensus de *l'establishment* financier, «l'approche chypriote consistant à s'attaquer aux déposants et aux créanciers lorsque les banques sont défaillantes deviendrait probablement un modèle pour faire face à des effondrements ailleurs en Europe». Selon l'Institute of International Finance (IIF), «s'attaquer aux déposants» pourrait devenir «la nouvelle norme» de ce projet diabolique, servant les intérêts des conglomérats financiers mondiaux.⁶

Chypre a officiellement sollicité l'aide financière des pays de la zone euro pour essayer de contenir les risques d'effondrement de son économie face aux difficultés de son secteur financier le 25 juin 2012. En fait le président Dimitris Christofias, politiquement affaibli, et qui se trouvait à la fin de son mandat, essayait d'éviter la tutelle de Troika, en cherchant un prêt soit auprès de

Moscou, soit auprès de Pékin. Lorsque ces efforts n'ont pas abouti il a été forcé de s'adresser au mécanisme de sauvetage de l'Union Européenne et au Fonds Monétaire International. Le 25 novembre 2012 il y a eu un accord technique entre Nicosie et la Troika sur le principe d'une aide que Chypre recevrait. Malgré le fait que le Parlement chypriote ait voté une série de lois en application de l'accord de principe, le Memorandum proposé par la Troika n'a pas été finalisé. Des pressions s'exerçaient sur Chypre pour des mesures encore plus sévères que celles qui ont été acceptées le 25 novembre 2012.⁷ D'un côté le gouvernement Christofias ne voulait pas avancer sur un terrain aussi glissant à cause des élections présidentielles qui s'approchaient et de l'autre côté les Européens étant certains que le nouveau gouvernement issu de ces élections serait plus enclin à se soumettre aux exigences de la Troika, ainsi la finalisation des négociations a été mise sur la glace pour après les élections. Après plusieurs tergiversations Christofias décida de ne pas se présenter aux élections présidentielles, tous les sondages le donnant perdant aux mains de son adversaire de la droite Nicos Anastasiades.

Aux élections présidentielles de février 2013, le parti communiste AKEL, dont était issu Christofias, présenta Stavros Malas comme candidat et le Rassemblement Démocratique DISY, parti de la Droite, présenta son chef Nicos Anastasiades. Un troisième candidat Georges Lillikas du centre-gauche, candidat indépendant, était soutenu par le Parti Socialiste EDEK. Au premier tour des élections présidentielles du 17 Février 2013 Anastasiades arrive en tête (45,46%) devant Stavros Malas (26,91%) et Georges Lillikas obtient 24,93%. Au second tour des élections tenues le 24 février Anastasiades est élu président de la République avec 57,48% des voix devant Stavros Malas qui en a obtenu 42,52%.⁸

Pendant toute la campagne présidentielle Nicos Anastasiades déclarait qu'il était exclu d'effectuer tout prélèvement sur les dépôts pour résoudre la crise financière chypriote. Or, le 15 mars à la réunion de l'Eurogroupe il accepta un plan qui comme il a déjà été mentionné plus haut, prévoyait le prélèvement de 6,75% sur les comptes bancaires chypriotes d'un montant inférieur à 100 mille euros et d'un prélèvement de 9,9% pour les comptes d'un montant supérieur à cette somme. Ainsi le plan de l'Eurogroupe prévoit un prêt de 10 milliards d'euros à accorder à Nicosie et les 7 milliards manquants seraient pour la première fois payés par les déposants des banques. Il s'agissait en effet

d'une confiscation des épargnes des particuliers pour recapitaliser les banques. Après son rejet par le Parlement chypriote le 19 Mars 2013 l'Eurogroupe et le FMI adoptent un nouveau plan pour Chypre, le 25 Mars 2013, qui a été à toutes fin pratiques imposé à Nicosie.

Le nouveau plan prévoyait un prêt de 10 milliards d'euros à Chypre, 9 milliards déboursés par l'Eurogroupe et un milliard par le FMI. Ce prêt a été soumis à des conditions draconiennes: réduction du secteur bancaire chypriote avec le démantèlement de la deuxième banque chypriote en importance, la Laiki, et la taxation de 30 à 40% des comptes bancaires des particuliers supérieurs à 100 mille euros. Avant la décision du 25 mars le ministre chypriote des Finances s'est rendu à Moscou du 19 au 21 mars dans l'espoir d'obtenir l'aide financière de la Russie. La mission était un échec essentiellement parce que Moscou ne voulait pas se brouiller avec l'Allemagne, pays qui compte parmi ses partenaires économiques les plus importants.

On a souligné par ailleurs l'inquiétude provoquée chez les épargnants européens en présentant Chypre comme «*modèle*» de sauvetage appelé à faire école. Comme on l'a écrit:

En déclarant le 25 mars que Chypre était un «modèle» de sauvetage appelé à faire école, le ministre des Finances néerlandais et président de l'Eurogroupe, Jeroen Dijsselbloem, a sévèrement ébranlé la confiance dans les banques européennes: épargnants et investisseurs en ont déduit que leur argent n'y est plus en sécurité, s'ils encourent le même traitement de choc qu'à Chypre, à savoir une ponction de 50 à 80% de leurs avoirs supérieurs au plafond garanti de 100 000 euros.⁹

À toutes fins pratiques, on dit ouvertement que la responsabilité des déposants sera engagée en cas de restructuration ou de faillite bancaire au sein de l'Union européenne. Il s'agit d'un changement extrêmement important. Car cela signifie que ce qui vient de se passer à Chypre sera en fait non pas l'exception, mais la règle en cas de futur problème bancaire. Ce qu'on a appelé la "chypriotisation" des comptes bancaires, est déjà programmée.

Dans un article dans *Le Monde Diplomatique* Serge Halimi a écrit:

Samedi 16 mars 2013, tout a changé. Des institutions aussi orthodoxes que la Banque centrale européenne (BCE), le Fonds monétaire international (FMI), l'Eurogroupe et le gouvernement allemand de

Mme Angela Merkel ont tordu le bras (tremblant) des autorités chypriotes afin que celles-ci exécutent une mesure qui, décidée par Hugo Chavez, aurait été jugée liberticide, dictatoriale, tyrannique, et aurait valu au chef d'Etat vénézuélien des kilomètres d'éditoriaux indignés: la ponction automatique des dépôts bancaires. Initialement échelonné entre 6,75 % et 9,90 %, le taux de la confiscation correspondait à près de mille fois le montant de cette taxe Tobin dont on parle depuis quinze ans. Preuve était donc faite: en Europe, quand on veut, on peut!¹⁰

Halimi a poursuivi:

Il est en effet plus libéral de spolier un retraité chypriote en prétextant qu'on vise à travers lui un mafieux russe réfugié dans un paradis fiscal que de faire rendre gorge à un banquier allemand, à un armateur grec, à une entreprise multinationale abritant ses dividendes en Irlande, en Suisse ou au Luxembourg.

.....

Les dix-sept Etats membres de l'Eurogroupe ont ainsi osé l'impensable. Ils recommenceront. Nul citoyen de l'Union ne peut dorénavant ignorer qu'il est la cible privilégiée d'une politique financière décidée à le dépouiller du fruit de son travail au prétexte de rétablir les comptes. A Rome, Athènes ou Nicosie, des marionnettes indigènes semblent déjà résignées à mettre en musique les consignes données en ce sens par Bruxelles, Francfort ou Berlin, quitte à se retrouver ensuite désavouées par leurs peuples.¹¹

Il n'y a pas de doute que la crise économique chypriote est dûe à deux facteurs: premièrement il y a eu la crise économique mondiale qui a évidemment affecté Chypre comme tant d'autres pays. Et deuxièmement il y a eu l'incapacité du système politique chypriote et d'une oligarchie financière à gérer adéquatement l'économie de l'île. En fait, malgré la crise mondiale, une petite économie comme celle de Chypre serait gérable si des mesures adéquates étaient prises en temps opportun. Or le système politique chypriote et l'élite bancaire de l'île rongés par le favoritisme, le clientélisme et la corruption n'ont rien fait pour ne pas précipiter le pays dans le gouffre. En plus les banques chypriotes, gorgées de dettes grecques, n'ont pas résisté à la perte financière infligée aux créanciers privés d'Athènes, au début de l'année 2012.

Dans ce volume des *Etudes helléniques/Hellenic Studies* divers articles analysent la situation politique et économique de Chypre avec une emphase particulière aux dernières élections présidentielles et au danger d'imposer une solution à la question chypriote au profit de la Turquie. En effet, les données géopolitiques en Méditerranée orientale sont en pleine évolution à l'heure actuelle à cause de la découverte dans la région de gisements importants de gaz naturel mais aussi à cause des turbulences politiques dûes à la guerre civile en Syrie, au conflit israélo-palestinien et à la crise iranienne. Mais c'est surtout la découverte récente d'importants gisements de gaz et de pétrole en Méditerranée orientale qui modifie radicalement l'équation géopolitique dans la région.

Jean Catsiapis note dans son article que les élections présidentielles chypriotes des 17 et 24 février 2013 ont une double originalité. Premièrement, le président sortant Dimitri Christofias, contrairement à ses prédécesseurs ne s'est pas présenté à sa propre succession. De fait, celui-ci, conscient de l'échec de son mandat, n'a pas voulu être désavoué par le corps électoral. Deuxièmement, le problème chypriote, c'est-à-dire la question de la réunification de Chypre n'a pas été au centre de la campagne électorale, comme c'est en principe le cas - depuis 1974 - lors de toute élection politique dans l'île d'Aphrodite. C'est la crise économique et financière, qui a été le principal sujet débattu au cours de cette campagne.

Michalis Kontos dans son article adopte une approche systémique pour analyser l'élection présidentielle chypriote de Février 2013 et la compréhension du système des partis chypriotes grecs de l'ère après 1974, date fatidique de l'invasion de l'île par la Turquie et de l'occupation de sa partie nord. Il présente aussi le contexte économique qui a influé sur l'élection présidentielle de février 2013. L'auteur traite par ailleurs des premiers pas du nouveau président chypriote Nicos Anastasiades qu'il juge sévèrement après ce qu'il a accepté à la réunion de l'Eurogroupe du 15 mars 2013.

Dans une analyse approfondie de l'économie chypriote, Aris Petasis remonte jusqu'aux premières années de l'indépendance. Il note ainsi que l'histoire économique moderne de Chypre qui remonte à 1960, nous enseigne que l'économie de Chypre a été détruite à deux reprises (1974: 19% de contraction et 2013: rétrécissement de 10% -20%). Chypre doit maintenant repenser son économie à partir de la base zéro étant donné que le secteur des services hautement profitable a été détruit. Pour sortir de la dépression économique

Chypre doit: a) appliquer une solide et saine planification à long terme, b) encourager davantage l'implication de tous dans le processus de prise de décision, c) libéraliser le marché du travail d) réduire son vaste secteur public e) devenir plus compétitive et f) fournir les conditions permettant l'épanouissement de l'ingéniosité.

L'analyse de George Kentas porte sur la question chypriote, avec des références aux dernières élections et à l'économie. L'auteur, par ailleurs s'appuyant sur Thucydide, considère cette question dans le cadre du contrôle et de la domination de Chypre par des puissances antagonistes. Il pense que le problème dépasse de loin son aspect intercommunautaire et même le cadre des relations greco-turques. L'histoire, selon Kentas nous suggère que le problème de Chypre est relié à la géopolitique et aux antagonismes géo-économiques dans la région. Toute solution doit tenir compte de standards de la communauté internationale et non pas de fantômes de soit-disant opportunités de solution qui ne respectent pas les principes de droit international.

Christos Psilogenis dans son analyse historique de l'évolution politique et économique de Chypre depuis l'indépendance, pose la question de la survie de l'État chypriote dans le contexte de la crise actuelle. En effet Chypre a réussi à survivre malgré le fait que 70% de ses ressources (de richesse) aient été perdues à la suite de l'invasion turque. La découverte des réserves de gaz naturel semble être le seul moyen pour permettre à cette dernière de sortir de la situation économique épouvantable dans laquelle elle se trouve actuellement. L'auteur fait de longues références aux décisions du Conseil de sécurité de l'ONU ainsi qu'aux divers textes juridiques pour montrer que la Turquie viole le droit international en occupant la partie nord de l'île. En conclusion Psilogenis souligne que la découverte du gaz naturel a donné naissance à un poker stratégique en Méditerranée orientale, faisant revivre la vieille Question d'Orient.

NOTES

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2. Anne Bauer, “La zone euro veut sauver Chypre avec la participation des déposants bancaires”, *Les Échos* du 18 mars 2013.
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10. Serge Halimi, «La leçon de Nicosie», *Le Monde Diplomatique*, avril 2013.
11. *Ibid.*
«Fate of Island depositors was sealed in Germany», *Financial Times*, Londres, 18 mars 2013.

The Cyprus Crisis

Stephanos Constantinides*

On March 26, 2013, the French journalist Antoine Reverchon wrote in the Economy and Business section of *Le Monde*: “The Cyprus crisis has served in revealing furthermore the crisis of legitimacy that the EU institutions go through, at Community level as well as in each Member State, all unable to stimulate a decision as to draw a perspective, or at least to provide the public opinion of an image of will and dynamism ...”. The same day, the same newspaper ran the headline: *The IMF and Berlin impose their law in Cyprus*.

The leader of the French left Jean-Luc Mélenchon in an article entitled “The Road to German Europe” abounded in the same direction:

*The key for me is the acceleration of history that occurs with the Cypriot episode. The title of “Le Monde” summarizes the financial and geopolitical episode: “The IMF and Berlin impose their law in Cyprus.” Berlin! It’s official, the map of power has changed in Europe! And during that time, France is paralyzed by insubstantial leaders dreaming to be the “good student of the European class.”*¹

In the night of Friday 15 to Saturday, March 16, 2013 the finance ministers of the Eurozone after tough negotiations, opted for a levy on deposits to solve the Cyprus financial crisis by charging for the first time depositors. The plan was constituted of an assistance of 10 billion euros (55% of GDP of the island) from the Eurozone and a windfall tax on bank deposits to 6.75% up to 100,000 and 9.9 % above 100,000, to bring 5.8 billion euros.² This plan was rejected by the Cypriot parliament and discussions continued.

In fact there were two rescue plans for Cyprus. The first plan, that of the night of Friday 15 to Saturday, March 16, 2013, mentioned above, and rejected by the Cypriot parliament and a second plan adopted on 25 March 2013 and finally imposed on Nicosia.³ The second plan spared insured deposits of less than 100,000 from levy, the Laiki Bank will be closed, its

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deposits of less than 100,000 and good assets are transferred to the Bank of Cyprus, the remaining deposits and credits are included to ensure funding discounts on the bank's assets, affecting the possible proceeds from the liquidation thereof. Deposits of more than 100,000 euros from the Bank of Cyprus are converted into shares of the Bank of Cyprus in proportion to 37.5% of these deposits,⁴ the additional 22.5% is to be fixed.⁵ The plan aims to raise 7 billion euros in return for 10 billion euros loan to Cyprus. This plan was accepted by the Cypriot Parliament.

At the Eurogroup meeting in Dublin on April 12, Eurozone finance ministers approved a 23 billion rescue package for Cyprus, which included a 10 billion loan for the next 3 years by the troika (International Monetary Fund, European Commission and European Central Bank) and a 13 billion contribution by Cyprus. In contrast to the preliminary bailout agreement struck between the troika and the previous administration last November, Cyprus will need to contribute 13 billion, 5,5 billion more than the 7,5 billion initially estimated.

In fact there is a confiscation of the savings of citizens in order to “save the banks.” Therefore the question is: is the recapitalization of Cypriot banks a “dress rehearsal” for what's coming? According to the Washington based Institute of International Finance (IIF) which represents the consensus of the global financial establishment, “the Cyprus approach of hitting depositors and creditors when banks fail, would likely become a model for dealing with collapses elsewhere in Europe” serving even the interests of global financial conglomerates.⁶

Cyprus has formally requested financial assistance from the countries of the Eurozone to try to contain the risk of collapse of its economy confronted with the difficulties of the financial sector, on June 25, 2012. Beforehand, President Dimitris Christofias, who was then at the end of his term and was trying to avoid the tutelage of the Troika, sought a loan either from Moscow or from Beijing. It is when these efforts were not successful that Christofias was forced to go to the rescue mechanism of the European Union and to the International Monetary Fund. On 25 November 2012 there was a technical agreement between Nicosia and the Troika on the principle of aid that Cyprus would receive. Despite the fact that the Cypriot Parliament passed a series of laws in accordance with the agreement in principle, the proposed Troika

Memorandum was not finalized. There was pressure on Cyprus for even more severe measures than those that have been accepted on November 25, 2012.⁷ On the one hand the Christofias government would not move forward in a field as slippery because of the presidential elections approaching and on the other side the Europeans were confident that the new government that would come out of these elections would be more inclined to comply with the requirements of the Troika, and therefore the completion of negotiations was held after the elections. After many hesitations Christofias decided not to run in the presidential elections, all the polls giving him losing prospects against his opponent of the Right Nicos Anastasiades.

At the presidential elections held on February 2013, the Communist Party AKEL, Christofias' party, presented Stavros Malas as a candidate and the Democratic Rally-DISY party of the Right, presented his leader Nicos Anastasiades. A third candidate Georges Lillikas of the Centre-left, an independent candidate, was supported by the Socialist Party EDEK. In the first round of presidential elections on February 17, 2013 Anastasiades tops (45.46%) Stavros Malas (26.91%) and George Lillikas gets 24.93%. In the second round of elections on February 24 Anastasiades was elected president of the Republic with 57.48% of the vote ahead of Stavros Malas who got 42.52%.⁸

Throughout the presidential campaign Nicos Anastasiades said that a bank levy from deposits to solve the Cyprus financial crisis was excluded. However, on March 15 at the Eurogroup meeting he accepted a plan which as already mentioned above, provided the levy of 6.75% of the Cypriot bank accounts totaling less than 100,000 euros and a levy of 9.9% for accounts in excess of that amount. Thus the plan of the Eurogroup provides a loan of 10 billion euros to be paid to Nicosia and the 7 missing billions are for the first time to be paid by bank depositors. It was indeed a confiscation of private savings to recapitalize banks. After its rejection by the Cypriot Parliament on 19 March 2013, the Eurogroup and the IMF adopt a new plan for Cyprus, on 25 March 2013, which was for all practical purposes imposed on Nicosia.

The new plan provided for a loan of 10 billion euros in Cyprus, 9 billion disbursed by the Eurogroup and one billion by the IMF. This loan was subject to severe conditions: reduction of the Cypriot banking sector with the collapse of the second largest Cypriot bank, Laiki, and taxation from 30 to 40% of bank

accounts in excess of 100.000 euros. Prior to the decision of March 25, the Cypriot Minister of Finance went to Moscow from March 19 to 21 in an effort to obtain financial assistance from Russia. The mission was a failure mainly because Moscow did not want to disturb its relationship with Germany, a country which is amongst its most important economic partners.

Furthermore the bank levy on Cyprus caused anxiety to European investors since it was presented as the rescue “model” to be applied in the future:

By declaring the 25th March that Cyprus was a “model” rescue called to be a school, the Dutch Minister of Finance and President of the Eurogroup, Jeroen Dijsselbloem has severely shaken the confidence in European banks: savers and investors have concluded that their money is not anymore safe there, if they incur the same shock treatment than in Cyprus, namely a puncture from 50 to 80% of their assets superior to the guaranteed ceiling of 100.000 euros.⁹

For all practical purposes, it is openly said that the responsibility of the depositors will be engaged in case of restructuring or bank failure in the European Union. This is a very important change. Because it means that what just happened in Cyprus will in fact not be the exception but the rule in the event of future banking problems. This so-called “cypriotisation” of bank accounts, is already programmed.

In an article in *Le Monde Diplomatique* Serge Halimi wrote:

Saturday, March 16, 2013, everything changed. Institutions as orthodox as the European Central Bank (ECB), the International Monetary Fund (IMF), the Eurogroup and the German government of Angela Merkel twisted the shaking arms of the Cypriot authorities to ensure that they perform a measure which if decided by Hugo Chavez, would be considered draconian, dictatorial, tyrannical, and would have earned the Venezuelan head of state kms of indignant editorials: automatic drain on bank deposits. Initially ranged from 6.75% to 9.90%, the rate of confiscation corresponded to nearly a thousand times the amount of the Tobin tax talked about fifteen years now. Evidence was therefore made: in Europe, when we want, we can!¹⁰

Halimi continued:

It is in effect more liberal to deprive a Cypriot retiree, claiming that it is through him that one aims to attain a Russian mafioso having sought refuge in a tax haven, than to disgorge a German banker, a Greek shipowner, a multinational company that hosts its dividends in Ireland, Switzerland and Luxembourg.

The seventeen member states of the Eurogroup in doing this dared the unthinkable. They will do it again. No citizen of the Union can ignore anymore that he is now the prime target of a financial policy decided to strip the fruit of his labor on the pretext of restoring the accounts. In Rome, Athens and Nicosia, indigenous puppets seem already resigned to set to music the instructions given in this regard by Brussels, Frankfurt or Berlin, then left to find themselves afterwards disowned by their people.¹¹

There is no doubt that the Cyprus crisis is due to two factors: first there was the global economic crisis that has obviously affected Cyprus as many other countries. And secondly there was the inability of the Cypriot political system and a financial oligarchy to properly manage the economy of the island. In fact, despite the global crisis, a small economy like Cyprus would be manageable if adequate measures were taken in a timely manner. But the Cypriot political system and the banking elite of the island plagued by cronyism, clientelism and corruption did nothing not to push the country into the abyss. Moreover, Cypriot banks, mouthfuls of Greek debt have not withstood the financial loss inflicted to private creditors in Athens in early 2012.

In this volume of *Études helléniques / Hellenic Studies* various papers analyze the political and economic situation in Cyprus with reference to the recent presidential elections and the danger of imposing a solution to the Cyprus issue in favor of Turkey. Indeed, in the Eastern Mediterranean geopolitics are changing at the moment because of the discovery in the region of large deposits of natural gas, but also because of the political turmoil caused by the civil war in Syria, Israeli-Palestinian conflict and the Iranian crisis. But it's the most recent discovery of large deposits of oil and gas in the eastern Mediterranean that radically alters the geopolitical equation in the region and beyond.

Jean Catsiapis notes in his article that the Cypriot presidential elections held on 17 and 24 February 2013 have a double originality. First, the outgoing President Dimitri Christofias, unlike his predecessors did not attend his own

succession. In fact, aware of the failure of his mandate, he didn't want to be repudiated by the electorate. Second, the Cyprus problem, that is to say, the question of the reunification of Cyprus and the end of Turkish occupation was not at the center stage of the campaign, as is normally the case - since 1974 - in any political election in Aphrodite's island. It is the economic and financial crisis, which was the main topic discussed during the campaign.

Michalis Kontos in his article takes a systemic approach to analyze the Cypriot presidential election of February 2013 and the understanding of the system of the Greek Cypriot parties of the era after 1974, the fateful date of the invasion of the island by Turkey and the occupation of the northern part. It also presents the economic conditions that influenced the presidential election of February 2013. The author also deals with the first steps of the new Cypriot president Nicos Anastasiades whom he judges severely after what he agreed at, at the Eurogroup meeting of 15 March 2013.

In an in-depth analysis of the Cypriot economy, Aris Petasis goes back to the early years of independence. He notes as well that the modern economic history of Cyprus which dates back to 1960, teaches us that the economy of Cyprus has been destroyed twice (1974: 19% contraction, in 2013: narrowing of 10% -20%). Cyprus must now rethink its economy from a zero base as the highly profitable sector of services has been destroyed. To overcome the economic depression Cyprus must: a) apply a strong and healthy long-term planning, b) encourage greater involvement of all in the process of decision making, c) liberalize the labor market d) reduce its large public sector e) become more competitive and f) allow the ingenuity of its people to prosper.

George Kentas' article deals with the Cyprus issue, while referring to the recent elections and the economy. The author, referring to Thucydides, considers this issue in the context of control and domination of Cyprus by antagonist powers. He thinks that the problem goes far beyond its appearance and is even in inter-connection of Greek-Turkish relations. History, according to Kentas, suggests that the Cyprus problem is connected to the geopolitical and geo-economic antagonisms in the region. Any solution must take into account the standards of the international community and not ghosts of so-called solution opportunities that do not respect the principles of international law.

Christos Psilogenis in his historical analysis of the political and economical evolution of Cyprus since independence, poses the question of the survival of

the Cypriot state in the context of the current crisis. In fact Cyprus has managed to survive despite the fact that 70% of its resources (wealth) were lost as a result of the Turkish invasion. The discovery of natural gas reserves may be the only way to let it out of the terrible economic situation in which it is currently held. The author makes many references to the Security Council decisions of the UN and to the various legal texts to show that Turkey is violating international law by occupying the northern part of the island. In his conclusion Psilogenis underlines the fact that the discovery of natural gas has led to birth of a strategic poker game in the Eastern Mediterranean, reviving the old Eastern Question.

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Les Elections présidentielles chypriotes des 17 et 24 février 2013

Jean Catsiapis*

ABSTRACT

Cypriot presidential elections held on 17 and 24 February 2013 have a double originality according to Jean Catsiapis. First, the outgoing President Dimitri Christofias, unlike his predecessors did not seek re-election. In fact, aware of the failure of his mandate, he didn't want to be repudiated by the electorate. Second, the Cyprus problem, that is to say, the question of the reunification of Cyprus was not the center stage of the campaign, as is normally the case - since 1974 - in any political election in the island of Aphrodite. Instead the economic and financial crisis, was the main topic discussed during the campaign. Nicos Anastasiades, the head of the Right, considered by a majority of Cypriots to be in the best position to resolve this crisis, became the seventh President of the Republic of Cyprus.

RÉSUMÉ

Les élections présidentielles chypriotes des 17 et 24 février 2013 ont une double originalité selon Jean Catsiapis. Premièrement, le président sortant Dimitri Christofias, contrairement à ses prédécesseurs ne s'est pas présenté à sa propre succession. De fait, celui-ci, conscient de l'échec de son mandat, n'a pas voulu être désavoué par le corps électoral. Deuxièmement, le problème chypriote, c'est-à-dire la question de la réunification de Chypre n'a pas été au centre de la campagne électorale, comme c'est en principe le cas – depuis 1974 – lors de toute élection politique dans l'île d'Aphrodite. C'est la crise économique et financière, qui a été le principal sujet débattu au cours de cette campagne. C'est Nicos Anastasiadès, le chef de la droite, considéré par une majorité de Chypriotes comme le mieux placé pour résoudre cette crise, qui est devenu le septième président de la République de Chypre.

Nicos Anastasiadès, chef du parti de droite, *Rassemblement démocratique (Disy)* a été élu, le 24 février 2013, au second tour de scrutin, président de la République de Chypre. Les élections présidentielles chypriotes des 17 et 24 février 2013 présentent une double originalité. Premièrement, le président sortant Dimitri Christofias, contrairement à ses prédécesseurs ne s'est pas

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présenté à sa propre succession. De fait, celui-ci, conscient de l'échec de son mandat, n'a pas voulu être désavoué par le corps électoral. Deuxièmement, le problème chypriote, c'est-à-dire la question de la réunification de Chypre, n'a pas été au centre de la politique dans l'île d'Aphrodite.

Nicos Anastasiadés, chronologiquement, a été le premier des trois principaux candidats¹ à avoir officiellement annoncé sa volonté de participer aux élections présidentielles. Le 17 mars 2012 des élections primaires ont été organisées au sein du Conseil suprême du *Disy*: N. Anastasiadès a obtenu nettement l'investiture de son parti avec 86,73% des voix contre 13,27% à la députée au Parlement européen, Hélène Théocharous.

L'ancien ministre des affaires étrangères du président Tassos Papadopoulos, Georges Lillikas, a déclaré sa candidature, le 6 avril 2012. Il s'est présenté en tant qu'indépendant et a sollicité le soutien des partis politiques autres que le *Disy* et l' *Akel* (parti communiste).

Stavros Malas, ministre de la Santé depuis le 5 août 2011, a été investi le 7 septembre 2012 comme candidat soutenu par l' *Akel*, tout en s'affirmant lui aussi comme indépendant. Cette candidature assez tardive s'explique par le fait que le président Christofias s'est accordé une longue période de réflexion avant de renoncer à se représenter.

Les thèmes de la campagne

La violence de la crise économique et financière a constitué le thème essentiel de la campagne électorale, loin devant la question de la réunification de l'île. L'adhésion de Chypre au Partenariat de la paix et à l'OTAN a fait aussi l'objet d'une controverse entre les candidats à l'élection présidentielle. La campagne électorale dans son ensemble a été assez terne, marquée toutefois par un grand intérêt des Chypriotes pour les trois débats télévisés auxquels ont participé N. Anastasiadès, S. Malas et G. Lillikas.

La crise économique et financière

Chypre, comme la plupart des pays de l'Union européenne (UE) a été frappée au moins depuis 2011 par une crise économique et financière et a aussi été une victime collatérale du désastre que connaît la Grèce. C'est ainsi que plusieurs dizaines de milliers de Grecs sont venus à Chypre en 2011-2012 pour

y chercher du travail, contribuant ainsi à augmenter le nombre de demandeurs d'emploi de ce pays. Mais c'est surtout l'effacement de 107 milliards d'euros de la dette de la Grèce envers ses créanciers privés, décidé par l'Eurogroupe, en février 2012, à l'initiative du président Sarkozy et de la chancelière Merkel, qui va lourdement peser sur l'économie chypriote. En effet, les banques chypriotes ont ainsi perdu dans cette opération la somme de 4,5 milliards d'euros, sans pouvoir obtenir de compensation de la part de l'UE. Le 25 juin 2012, Chypre, juste avant de prendre la présidence tournante de l'UE pour un semestre, fait appel à cette organisation européenne pour obtenir un prêt estimé alors à un montant de 4 à 10 milliards d'euros. Le gouvernement chypriote entame des négociations avec les autorités de Bruxelles, tout en demandant parallèlement à Moscou de l'aider financièrement².

La crise économique et financière a donc été au cœur de la campagne électorale. Les trois principaux candidats ont présenté leurs propositions pour résoudre cette crise. Nicos Anastasiadès, comme tous les candidats, a déclaré clairement qu'il était opposé à tout prélèvement sur les comptes bancaires des particuliers, envisagé par les autorités européennes et allemandes, qui souhaitaient que soit aussi éclaircie la question du blanchiment de l'argent - principalement d'origine russe - par les banques chypriotes. La position du président du *Disy*, a été moins nette en ce qui concerne les demandes de privatisation des entreprises publiques exigées par la Troïka³. En effet N. Anastasiadès, dans un premier temps, s'est déclaré favorable à des privatisations, conformes à ses conceptions libérales de l'économie, puis s'est montré plus réservé à l'égard du démantèlement du secteur public en raison des critiques formulées par ses concurrents à l'encontre des contraintes que voulait imposer la Troïka.

S. Malas a suivi fidèlement la politique menée au second semestre 2012 et au début 2013 par le président Christofias pour résoudre la crise économique et financière de Chypre. Ce candidat, d'une part, a refusé très nettement toute privatisation des entreprises publiques chypriotes, et d'autre part, a préconisé un recours à la Russie pour contrer les exigences de la Troïka. Pour sa part, G. Lillikas, tout en refusant que l'économie chypriote soit handicapée par de lourdes contraintes imposées par l'UE et le FMI, a insisté pour que soit gagée sur les profits à venir du gaz naturel chypriote⁴ toute aide financière accordée au gouvernement de Nicosie.

L'UE et le FMI, qui s'attendaient à la victoire électorale de N. Anastasiadès, tout en interférant dans la campagne électorale par des déclarations de leurs responsables, qui suggéraient aux Chypriotes d'accepter de sévères mesures d'austérité, ont préféré retarder la conclusion d'un Mémorandum avec Nicosie au lendemain des élections présidentielles des 17 et 24 février.

La question chypriote

Les trois principaux candidats ont largement débattu, au cours d'un débat le 28 janvier, de la question chypriote, c'est-à-dire des conditions de la réunification de Chypre, qui pourraient être considérées comme acceptables par la communauté chypriote grecque. C'est plus l'évocation du passé, en particulier du Plan Annan⁵ que les solutions à la question chypriote, qui a été traitée au cours de cette campagne des présidentielles. N. Anastasiadès, le seul des candidats à avoir soutenu le plan Annan, a déclaré prendre acte du rejet de ce plan et s'est déclaré confiant pour obtenir la réunification dans un avenir proche. Il a indiqué qu'il demanderait à l'UE et aux cinq membres permanents du Conseil de sécurité de l'ONU de s'impliquer dans la recherche d'une solution à la question chypriote. S. Malas, de son côté, a rappelé qu'il n'était pas entré en politique lorsque le plan Annan a été élaboré, puis soumis à l'approbation des Chypriotes. Même si, comme citoyen, il avait à l'époque voté en faveur de ce plan, aujourd'hui il voterait contre, compte tenu de son expérience. S. Malas a cependant repris les positions de l'*Akel* et du président Christofias sur la question chypriote : établir une fédération bizonale et bicommunautaire.

G. Lillikas s'est démarqué de ses deux principaux adversaires en rappelant qu'il avait été aux côtés du président T. Papadopoulos, un farouche adversaire du plan Annan. Il a préconisé l'abandon du principe d'une fédération - abandon prôné aussi par l'Archevêque de Chypre Chrysostomos II - qui, selon lui, conduit à la partition de l'île et une position de grande fermeté à l'égard de la Turquie.

Partenariat pour la paix et OTAN

Il existe un Partenariat pour la Paix, auquel participent de nombreux pays, qui ne sont pas membres de l'OTAN, mais dont l'appartenance à ce Partenariat leur permet de dialoguer avec cette Alliance militaire. C'est ainsi que la Russie et la Serbie sont membres du Partenariat pour la paix. La

République de Chypre lors de son indépendance en 1960 a adhéré au Mouvement des non alignés, organisation qu'elle a quittée lors de son adhésion à l'UE en 2004. Invité par le Parlement européen, le 20 février 2009⁶, à faire participer son pays au Partenariat pour la paix, le président Christofias, a, en bon communiste, énergiquement décliné la proposition qui lui a été faite. Le fait est que cette position de Nicosie arrange bien Ankara. La Turquie serait embarrassée par une demande d'adhésion de Chypre à ce Partenariat. En effet, ce pays, qui refuse de reconnaître diplomatiquement Chypre, serait alors contraint d'exercer son droit de veto à une telle demande. Au risque de se trouver isolé au sein de la famille des Etats membres de l'OTAN.

S. Malas, en tant que fidèle collaborateur du président Christofias, a adopté une position hostile à une adhésion de Chypre au Partenariat pour la paix. N. Anastasiadès s'est déclaré favorable à une telle adhésion et a même laissé entendre qu'il n'était pas opposé à une participation de son pays à l'OTAN. Pour sa part, G. Lillikas a indiqué que le président Papadopoulos comptait faire adhérer Chypre au Partenariat s'il avait été réélu en février 2008. Et il s'est prononcé en faveur de la participation de son pays à cette organisation.

Les positions des partis politiques

Les partis chypriotes

Les représentants des partis *Edek* (socialiste), *Diko* (parti démocratique), *Evroko* (européen), et des *Ecologistes* se sont réunis à plusieurs reprises au cours de l'année 2012 pour essayer de désigner en commun un candidat capable d'affronter N. Anastasiadés et S. Malas. G. Lillikas, qui n'a pu être ce candidat, a dû se contenter du soutien de l'*Edek*, de la moitié des électeurs du *Diko* et de la minorité de ceux des deux autres partis. Pour sa part, le *Diko* a soutenu dès le premier tour N. Anastasiadés, auquel s'est rallié seulement au second tour le parti *Evroko*, qui n'avait au premier tour, exprimé de préférence pour aucun des candidats en présence. Les *Ecologistes*, de leur côté, n'ont soutenu aucun candidat, ni au premier ni au second tour de scrutin.

Les partis de l'UE

Plusieurs partis de l'UE ont participé à la campagne présidentielle par un appui apporté à certains des candidats. C'est ainsi que le *Parti populaire*

européen, qui comprend notamment les députés européens du *Disy*, du parti chrétien démocrate allemand (*Cdu*) et du parti grec *Nouvelle Démocratie* a soutenu la candidature de N. Anastasiadés. Plusieurs de ses dirigeants, dont le Premier ministre grec Antonis Samaras et la Chancelière allemande Angela Merkel, sont venus à Limassol, le 11 janvier, pour afficher leur soutien au candidat de la droite. Le chef du gouvernement allemand en affirmant que Chypre devait faire de sérieuses réformes de structure pour sortir de la grave crise économique et financière dans laquelle ce pays est plongé, a clairement annoncé que la victoire électorale prévisible de N. Anastasiadés devait ouvrir une période d'austérité pour le peuple chypriote.

S. Malas outre le soutien des partis communistes de l'UE, comme le KKE de Grèce, a reçu un appui des socialistes du Parlement européen. G. Lillikas, à la différence de ses deux principaux concurrents n'a reçu aucun encouragement au plan international.

Les règles de l'élection présidentielle

L'élection à la présidence de la République de Chypre se déroule au suffrage universel direct. Conformément à la Constitution, le président est élu uniquement par les Chypriotes grecs, et le vice-Président est désigné par les seuls Chypriotes turcs⁷. Au premier tour de scrutin est élu le candidat, qui a recueilli la majorité absolue des suffrages exprimés. Un second tour est éventuellement organisé, une semaine plus tard, entre les deux candidats ayant réalisé le meilleur score au premier tour. La publication des sondages est interdite une semaine avant le premier tour.

Le premier tour de scrutin

Le premier tour de scrutin s'est tenu le 17 février 2013. Le grand favori a été Nicos Anastasiadès, qui a bénéficié du soutien de l'Archevêque de Chypre. Certains sondages prévoyaient même l'élection de ce candidat dès ce premier tour⁸. L'intérêt des observateurs s'est surtout porté sur la lutte au coude à coude entre S. Malas et G. Lillikas pour pouvoir accéder au second tour. N. Anastasiadès arrive en tête avec 45,46% des suffrages exprimés. Et c'est S. Malas, qui se qualifie pour le second tour (26,91%), devant G. Lillikas (24,93%). Plusieurs analystes politiques ont estimé que certains partisans du *Disy* ont,

semble t-il, voté pour S. Malas afin que leur champion N. Anastasiadès, n'ait pas à affronter au second tour G. Lillikas, considéré comme un candidat plus difficile à battre.

Le second tour de scrutin

Durant la semaine, qui a séparé le premier du second tour, les partis chypriotes ont pris position sur le duel entre N. Anastasiadès et S. Malas. *L'Edek*, les *Ecologistes* et G. Lillikas ont refusé de choisir entre les deux candidats restés en piste. Le *Disy*, le *Diko* et l' *Evroko* se sont prononcés en faveur de N. Anastasiadès, qui a emporté l'élection avec 57,48% des voix. Compte tenu de ces différentes consignes de vote on observe une légère progression des abstentions d'un tour à l'autre (18,42% au lieu de 16,86%) et un assez grand pourcentage de votes blancs ou nuls: près de 7% au second tour au lieu de 2,70% au premier tour.

Au soir du second tour N. Anastasiadès a adressé un message de paix et d'amitié aux Chypriotes turcs, a affirmé sa foi dans l'Europe et a indiqué qu'un de ses premiers actes sera de présenter une demande d'adhésion de Chypre au Partenariat pour la Paix. Il a aussi déclaré qu'il comptait stabiliser, puis développer l'économie chypriote.

Analyse des résultats

La victoire de N. Anastasiadès, septième président de la République de Chypre, s'explique par la conviction qu'ont eue les Chypriotes que celui-ci serait le mieux placé pour résoudre la crise économique et financière en raison de sa proximité politique avec la Chancelière Angela Merkel. S. Malas, qui était trop proche du président Christofias, tenu comme responsable des graves problèmes dont Chypre a été la victime au cours de la période ayant précédé l'élection présidentielle, ne pouvait sortir vainqueur de la compétition électorale dans laquelle, il s'était engagé. Les Chypriotes, d'autre part, ont été relativement séduits par le discours de G. Lillikas, mais n'ont pas cru devoir ni l'élire, ni même le faire participer au second tour de scrutin, car ils ont trouvé que si ses critiques étaient justes à l'encontre des deux autres principaux candidats, son programme était assez flou et peu susceptible de pouvoir être mis en œuvre.

Le début de la présidence de N. Anastasiadès

N. Anastasiadès a commencé son mandat le 1^{er} mars et a constitué, avant même son investiture, son nouveau gouvernement où la figure marquante est celle du ministre des affaires étrangères, Ioannis Kassoulidès, ancien candidat à la présidence de la République en février 2008⁹. Ce gouvernement est principalement constitué de ministres appartenant au *Disy* mais aussi au *Diko* et à *Evroko*, deux partis ayant décidé de soutenir la candidature de N. Anastasiadès. De fait N. Anastasiadès avait annoncé pendant la campagne électorale - comme ses autres principaux concurrents - son intention de former un gouvernement de coalition pour mieux affronter les graves difficultés auxquelles Chypre doit faire face¹⁰.

Le nouveau président chypriote a réservé sa première visite à la Grèce où il s'est rendu le 11 mars et s'est immédiatement attaché à résoudre la crise financière. L'Eurogroupe et le FMI au lieu d'accorder le prêt escompté de 17 milliards d'euros ont décidé, le 15 mars, de limiter à 10 milliards le montant de l'emprunt accordé à Nicosie et décidé qu'une taxe de 6,75% serait imposée sur les comptes en banque inférieurs à 100 000 euros¹¹; les comptes supérieurs à ce montant devaient subir une taxe de 9,9%. Pour éviter une ruée des particuliers vers leurs banques le gouvernement chypriote a décidé la fermeture provisoire de celles-ci.

La réaction des Chypriotes à ces mesures a été très violente, au point que leur Chambre des Représentants a décidé le 19 mars de les rejeter. Le gouvernement de N. Anastasiadès a alors essayé de mettre en place un plan B, qui prévoyait une participation de la Russie au sauvetage de Chypre. La visite à Moscou (19-22 mars) du ministre des finances s'est soldée par un échec, le gouvernement russe n'acceptant d'intervenir au secours des finances publiques chypriotes que de façon limitée et en concertation avec l'UE.

Finalement, Chypre a dû accepter le nouveau plan de sauvetage élaboré, le 25 mars, par l'Eurogroupe et le FMI: le prêt accordé à Nicosie demeure limité à 10 milliards d'euros mais les déposants dont le compte bancaire est inférieur à 100 000 euros sont épargnés par la taxation, qui devait frapper seulement les comptes supérieurs à ce montant¹². De plus Chypre se doit de réduire de moitié son secteur bancaire, en particulier avec le démantèlement de la banque *Laiki*.

Pour faire face à l'exaspération de l'opinion publique chypriote le président Anastasiadés a été contraint, le 2 avril, de créer une commission d'enquête pour déterminer les responsabilités, y compris pénales, de la crise financière de Chypre et de révoquer son ministre des finances Michel Sarris¹³.

La République de Chypre connaît au cours du premier semestre 2013 une crise dont les effets sont comparables à l'invasion de son territoire de l'été 1974. Avec un tiers de sa population chassée du nord de son territoire, cet Etat a alors failli disparaître. Les Chypriotes ont cru en adhérant à l'UE, le 1^{er} mai 2004, que l'Europe communautaire les aiderait à libérer leur pays de l'occupation de l'armée turque. Non seulement l'UE n'a fait aucune pression sur Ankara afin d'obtenir la réunification de Chypre, mais a encore ruiné en quelques jours l'économie de ce pays. On s'attend en effet à ce que la récession y atteigne les 8,7% en 2013, avec une explosion du chômage déjà de l'ordre de 14% au début de cette année. On peut se demander si l'UE par sa surprenante politique à l'égard de Chypre souhaite non seulement imposer à ce pays une réorganisation brutale de son économie mais aussi le contraindre à accepter une solution à la question chypriote contraire à ses intérêts et de nature à satisfaire à ses dépens les ambitions de la Turquie¹⁴.

NOTES

1. Onze candidats se sont présentés aux élections présidentielles chypriotes. Dans cette étude nous limiterons notre analyse aux trois principaux candidats, Nicos Anastasiadés, Stavros Malas et Georges Lillikas, qui, au total, ont remporté au premier tour de scrutin plus de 97% des suffrages exprimés.
2. Le 23 décembre 2011 Chypre avait déjà obtenu de la Russie un prêt de 2,5 milliards d'euros au taux annuel de 4,5%.
3. On désigne par Troïka les représentants de la Commission européenne, de la Banque centrale européenne (BCE) et du FMI, qui négocient avec les pays endettés la conclusion d'un Mémorandum où sont consignées les conditions d'octroi des prêts.
4. On a découvert au large des côtes chypriotes d'importants gisements de gaz naturel, dont l'exploitation dans les années à venir pourrait couvrir 40% des besoins en ce domaine de l'UE.

5. Le plan Annan, ainsi dénommé par son auteur, qui a été le secrétaire général de l'ONU, Kofi Annan, prévoyait une réunification de Chypre, conforme aux vœux de la Turquie. C'est pourquoi les Chypriotes grecs à une écrasante majorité (76%), ont rejeté le plan Annan au referendum du 24 avril 2004.
6. Le Parlement européen dans un rapport adopté le 20 février 2009 déplore notamment que le litige entre Nicosie et Ankara continue d'avoir une influence négative sur l'évolution de la coopération entre l'Union européenne et l'OTAN - sachant que, d'une part, la Turquie refuse que Chypre participe à des missions de la politique européenne de sécurité et de défense (PESD) mettant en jeu le renseignement et les ressources de l'OTAN, et que, d'autre part, en réaction, Chypre refuse de permettre à la Turquie de s'engager dans le développement d'ensemble de la PESD dans une mesure correspondant au poids militaire et à l'importance stratégique qui sont les siens pour l'Europe et pour l'alliance transatlantique.

Le Parlement européen «invite (donc) la Turquie à ne plus faire obstacle à la coopération entre l'UE et l'OTAN». Il encourage Chypre à «réexaminer sa position politique quant à son adhésion au Partenariat pour la paix». Il demande aux États membres de l'OTAN de ne pas faire usage de leur droit de veto pour empêcher un État membre de l'Union européenne d'adhérer à l'OTAN.
7. Le 14 décembre 1959, le Dr Fazil Kutchuk a été élu par la communauté chypriote turque aux fonctions de Vice-Président de la République de Chypre. Aucune autre élection à ces fonctions n'est intervenue depuis cette date en raison du retrait en 1964 des Chypriotes turcs de tous les postes qu'ils occupaient au sein des institutions politiques de Chypre.
8. Non seulement certains sondages préélectoraux, mais encore le 17 février 2013 quatre sondages dits «sortie des urnes » ont prévu la victoire de N. Anastasiadès dès le premier tour de scrutin.
9. I. Kassoulidès a déjà exercé les fonctions de ministre des Affaires étrangères de 1997 à 2003 sous la présidence de G. Cléridès.
10. Il y a à Chypre un régime politique présidentiel. Le *Disy* ne dispose que de 19 députés sur les 56 membres de la Chambre des Représentants. Ce qui obligeait le président Anastasiadès à former un gouvernement de coalition.
11. La taxation des dépôts bancaires dont le montant était inférieur à 100 000 euros a été surprenante, car contraire à la réglementation européenne garantissant la non imposition de tels dépôts.
12. Le but de la taxation des comptes en banque supérieurs à 100 000 euros - de l'ordre de 30 à 60% - a été de frapper en particulier les dépôts appartenant à des Russes soupçonnés de vouloir blanchir à Chypre de l'argent sale. On estime que ces dépôts sont de l'ordre de 20 milliards d'euros.

13. Michael Sarris - ancien dirigeant de la banque *Laiki* - a été remplacé au poste de ministre des finances par Harris Georgiadés, nommé un mois auparavant ministre du Travail.
14. Le 17 avril 2013 durant une séance du Parlement européen, le député Daniel Cohn-Bendit a demandé au Commissaire européen Olli Rehn d'intensifier les efforts de l'UE pour une réunification de Chypre, estimant que le sauvetage de Chypre passait par des investissements massifs de la Turquie dans ce pays.

Cyprus Presidential Elections, February 2013: A Systemic Approach

Michalis Kontos*

RÉSUMÉ

Dans cet article, l'auteur adopte une approche systémique pour analyser l'élection présidentielle chypriote de Février 2013 et la compréhension du système chypriote des partis de l'ère après 1974. Dans la première partie de son article il présente les événements qui ont précédé l'élection, **a.** en commençant par expliquer comment la piètre performance du gouvernement précédent a affecté la configuration pré-électorale, **b.** les trois principaux candidats, leurs profils politiques, leurs avantages et leurs inconvénients et enfin **c.** les résultats du premier et du deuxième tour de scrutin.

Dans la deuxième partie, il étudie DISY et AKEL, les deux pôles du système chypriote des partis, comme deux réussites distinctes, mais parallèles, et il analyse les raisons de leur prédominance politique. Il met l'accent sur leur interdépendance systémique dans le contexte d'un système de partis bipolaires de gouvernance en alternance. Dans sa conclusion, il intègre l'ensemble des données et explique comment la structure du système chypriote des partis a affecté le résultat final de l'élection de février dernier.

ABSTRACT

In this article the author takes a systemic approach to analyzing the Cypriot presidential election of February 2013 and understanding the post-1974 Cypriot party system in general. His first part presentation is threefold: **a.** The events that preceded the election, starting with an explanation on how the previous government's poor performance affected the pre-election configuration. **b.** The three main candidates, their political profiles, advantages and disadvantages. **c.** The result of the first round and the run-off election.

In the second part he studies DISY and AKEL, the two poles of the Cypriot party system, as two distinct but parallel success stories and analyzes the reasons of their political predominance focusing on their systemic interdependence in the context of a bi-polar party system of alternate domination. In conclusion the author integrates the findings of the two parts and explains how the structure of the Cypriot party system affected the final result of last February's election.

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1. The Pre-Election Period and the Results

1.1. The Post-1974 Party System of Cyprus and the Election of Dimitris Christofias (February 2008)

The current form of the party system of the Republic of Cyprus is -to a large degree- an outcome of the events of the summer of 1974. The Turkish invasion and the occupation of 37% of the land of Cyprus totally altered the social, political and economic structure of the island. In the free area of Cyprus, where the Republic of Cyprus retained essential control under the Greek Cypriot community, a new political order (profoundly affected by the new state of things) emerged. Two new parties were founded in 1976, right-wing Democratic Rally (DISY) and center-right Democratic Party (DIKO). Along with pre-existing communist Rectifying Party of Working People (AKEL) and socialist United Democratic Center Union (EDEK) they became the core of the Greek Cypriot party system for the years to come. From time to time other parties emerged, however they would prove to be stillborn. Exceptions to this rule are the center-right European Party (EVROKO) and the Movement of Ecologists Environmentalists (the Ecologists), which were established in the context of socio-political developments of the past fifteen years.

Apart from the nature of the party system, another important feature of Greek Cypriot politics is the presidential system of government. The election of the President is direct, by universal suffrage and secret ballot. A candidate to be elected needs more than 50% of the votes validly cast. If none of the candidates attains the required majority the election is repeated on the corresponding day of the following week between the two candidates who received the biggest number of votes (called a run-off election or a 2nd election round). The candidate who receives the biggest number of votes at these repeated elections is deemed elected.¹ Since the first post-1974 presidential election which took place in the context of the contemporary party system, namely the election of 1983, all the elected presidents (either elected at the 1st or the 2nd round) had been nominated (or officially supported) by one of the two big parties - DISY and AKEL - and gained additional support by one or more of the smaller ones.² DISY and AKEL have never jointly participated either in the government or in the opposition.

Having these in mind we argue that the contemporary party system of the

Republic of Cyprus is a bi-polar one, since two of the existing parties – without facing significant competition by a third pole - have been steadily rotating as ruling parties. In parliamentary terms, these two parties are the biggest in the House of Representatives since 1981, with the exception of the parliamentary elections of 1985 when DIKO displaced AKEL.³

Despite the aforementioned stability, the election of Dimitris Christofias in February 2008, was a political novelty for Cyprus and – to a degree – for Europe in general: It was the first time ever that the general secretary of AKEL would become President of the Republic. Moreover, Christofias was the first self-proclaimed communist to become a head of government in the history of the European Union.⁴ The political environment of that time was rather benign, four years after the referendum for the Annan plan. AKEL was the biggest party in the Tassos Papadopoulos' coalition government (2003-2008) until a few months before the elections of 2008, when the communist party decided to withdraw in order to work for its general secretary's candidacy. Papadopoulos was supported by the centrist parties (DIKO, EDEK, EVROKO and the Ecologists). Apart from Papadopoulos and Christofias, the third major candidate was Ioannis Cassoulides, a member of the European Parliament and former minister of foreign affairs in Glafkos Clerides government, backed by DISY.

According to the polls, which preceded the elections, Papadopoulos was the frontrunner, with very good chances not only in terms of qualifying for the 2nd round, but to win reelection as well. The case of a third pole emerging against AKEL and DISY's dipole was in principle alarming for the two biggest parties: Christofias and Cassoulides could both maximize chances to win only if Papadopoulos was knocked out of the 2nd round. AKEL and DISY worked hard – contrary to the centrist parties - and achieved their primary objective: Cassoulides and Christofias qualified with 33,5% and 33,3% respectively, while Papadopoulos got 31,79% and was eliminated. In the 2nd round, after having assured official support by DIKO, EDEK and the Ecologists, Christofias was elected President of the Republic with 53,37%.⁵

1.2. Dimitris Christofias' Controversial Presidency (2008-2013)

Christofias was undoubtedly a controversial President. He is the first President in the history of the Republic who didn't run for reelection at the end of his first term as a result of his unprecedented unpopularity. His ruined

personal image and his government's poor performance prepared the ground for Anastasiades.

Mismanagement of the following three major issues doomed Christofias' political future: the negotiations for the settlement of the Cyprus problem, a lethal explosion in the "Evangelos Florakis" naval base in Mari village and the outbreak of the financial crisis.

1.2.1. Cyprus Problem Negotiations. Christofias' pre-election campaign was mainly focused on the grounds of his alleged capability to achieve a swift settlement of the Cyprus problem. Despite the fact that his rhetoric was similar to that of his predecessor's, his election signified a new order regarding the negotiation process, as well as the framework of the anticipated solution. The new president implemented his own doctrine: He believed that the settlement of the Cyprus problem could be facilitated by a "positive climate" in the bi-communal relations, which could have been the result of his personal friendship with the Turkish Cypriot leader Mehmet Ali Talat.⁶ However, after a round of intensive negotiations between the two leaders, Christofias discovered that personal friendship wasn't enough for the settlement of a long-lasting international problem. Worst, he would soon understand that his reconciliatory intentions, accompanied by extremely unpopular unilateral concessions such as the acceptance of the legalization of 50,000 Turkish settlers at the negotiations' starting point and "rotating presidency", caused no reciprocity by the other side.

Talat deeply disappointed Christofias who thought that the former, a progressive politician, could break traditional Turkish hard-line positions and that he would contribute to the declination of the "TRNC's" reliance on Ankara. This disappointment is depicted in a memo of one of the leaders' meetings, which took place on 30 July 2009. While they were discussing the issue of "Citizenship, Aliens, Immigration and Asylum", they entered a sharp disagreement on Turkey's responsibility regarding the current phase of the Cyprus problem. Christofias wondered how Talat could "change the logic of facts" since the Cyprus problem was an outcome of the Turkish invasion. Talat rejected this perception and compared Christofias' approach with that of the former Turkish Cypriot leader Rauf Denktash's, a hard-liner who repeatedly torpedoed the negotiations. Christofias replied that he wouldn't like to be

compared with Denktash. Talat replied that the Greek Cypriot leader was “extra-sensitive”. Then Christofias expressed his disappointment by telling his old friend that “Talat had been for many years as sensitive as he was” but this was no longer the case.⁷

Christofias and Talat failed to compromise, indicating thus the self-evident failure of the “Christofias doctrine”. However, the painful unilateral concessions Christofias had made were considered as “progress” by both the Secretary General of the United Nations and his Special Adviser on Cyprus, Alexander Downer. Opposition in Cyprus, especially the centrist parties, repeatedly asked for the “withdrawal of Christofias’ concessions”, which contributed to the former President’s unpopularity. Even AKEL’s candidate in 2013 presidential elections, Stavros Malas, tried as far as possible, to untie himself from Christofias’ “toxic” legacy.

1.2.2. The Explosion in “Evangelos Florakis” Naval Basis. Another issue that defined not only Christofias’ political fate but generally the pre-election configuration was the deadly explosion in “Evangelos Florakis” naval base at Mari village (near Limassol) and the way the President dealt with the foregoing and the subsequent events. Early in the morning of 11 July 2011, a pile of 98 containers full of arms and explosives went off, thus creating a shock wave, which terrified the whole area and destroyed a nearby power station, the biggest on the island. The destruction of the power station knocked out the Republic’s power supplies, caused power cuts for about a month and dramatically increased the electricity bills. 13 persons died (mainly military officers, servicemen and firemen), as a result of what came out to be one of the most devastating conventional explosions in history.⁸ Initial popular freeze turned to waves of rage, when the people realized that the explosion was a result of the bad storage of the cargo which was left totally exposed to the environment (especially during the summer’s extremely heightening temperatures).

The containers were initially aboard the Cypriot-flagged ship Monchegorsk, which had been intercepted by the Cypriot government, while sailing from Iran to Syria in 2009 as a result of pressure from the United States, confiscating its cargo for being in violation of UN sanctions on Iran.⁹ Proposals by the United Kingdom and the United States, either to transport the cargo elsewhere or to provide technical assistance, were rejected by the Cypriot

government mainly due to President Christofias' close ties with Syria's President Bashar Al Assad, as revealed in official documents which circulated in the media before as well as after the explosion.¹⁰ The government's mismanagement caused reactions and thousands of protesters gathered outside the Presidential Palace chanting against the President. The demonstrations lasted for weeks. They were by far, the largest and most prolonged demonstrations against a President that ever took place in Cyprus. The President himself, alarmed by the incident, appointed a well-known lawyer, Polys Polyviou, as the head of an exploratory committee which would "swiftly and effectively investigate all the aspects and the events regarding the tragedy", according to the President's relative statement.¹¹ In the meantime, ministers of foreign affairs and defence, Marcos Kyprianou and Costas Papacostas, resigned due to the looming shadows, which emerged, regarding their own responsibilities.

While investigating the case, Polyviou amassed over 15,000 pages of documents and held a series of public interviews of high profile officials, including the President himself, former ministers and National Guard high-ranking officers.¹² At the end of the process, on 30 September 2011, he issued a 643-page-long report, which was delivered to the President and the Attorney General. Polyviou considered President Christofias to be responsible for the unloading of the deadly cargo in Cyprus. He also argued that the storage of the containers "suggests a sad story of incapacity, carelessness, negligence, lack of recognition of unambiguous and predictable dangers (...)".¹³ As for President Christofias, Polyviou stated that "the President is most responsible for the incapacity, the carelessness and the negligence (...)" and that "he failed to provide or even to take primitive measures for the safety of the citizens of the Republic of Cyprus, especially with respect to the servicemen and the firemen".¹⁴ Since Polyviou clearly blamed Christofias - the man, who had appointed him - for Mari's disaster, the public opinion and the rest of the political forces expected the President's resignation. Instead, the President rebuffed the report, arguing that it "lacks reliability", he refused personal responsibility and he accused Polyviou of "exceeding his mandate".¹⁵

The President's stance intensified political and popular reactions. He was widely accused of undermining the democratic institutions. According to a poll conducted by Symmetron Analysis and presented by "Kathimerini"

weekly newspaper a few days after the publication of Polyviou's report, 73% of the questioned participants considered the President as being responsible for the disaster and 60% of them asked for his resignation.¹⁶ Even if the explosion had been avoided, Christofias' presidency would still have been controversial. However, with that deadly accident, the President met his own political Waterloo.

1.2.3. The Financial Crisis. The Cypriot financial crisis received worldwide attention in March 2013, as a result of the unprecedented decision in Eurogroup for the imposition of a levy on deposits in Cypriot banks. The President who dealt with this issue was Nicos Anastasiades, who had taken over a few days before. However, the crisis in Cyprus was generated during the presidency of Dimitris Christofias. His cabinet's decisions (or lack of them) on issues such as fiscal policy and the severe problems of the banking sector, led to a financial deadlock. According to Achilles Emilianides and Christina Ioannou: "The real causes of the crisis should (...) largely be sought in the inability of the Cypriot government to understand the mechanisms of the global financial system and its ideological denial to cooperate with the structures of international markets. (...) The unrealistic notion that the Cypriot economy would not be affected by the international financial crisis, left it exposed and largely unprepared to deal with the consequences of the crisis. This, coupled with the failure to take preventive measures against the massive problems evident in the banking sector, the economic consequences of the explosion at Mari, the 'haircut' of Greek bonds and the delay in taking measures, eventually led to economic collapse. The undue delay in effectively negotiating with the troika and the continuing deterioration of the credit-worthiness of the Cypriot banks by the Cypriot government itself, in an effort to rid itself of the responsibility, exacerbated the problem even further, thus fatally wounding the credibility of the Cypriot economy."¹⁷ Christofias' poor performance on this issue affected the voting decisions of the vast majority of the voters.

1.3. Pre-election Configuration: Anastasiades' Way to Victory

Eleven candidates ran for the presidency in the election of 17 February 2013, the biggest number ever in the history of the presidential elections in Cyprus. Three of them had good chances to qualify for the 2nd round: The president of DISY, Nikos Anastasiades, the former Minister of Health Stavros

Malas - supported by ruling AKEL - and independent Giorgos Lillikas, a former Minister of Foreign Affairs supported by Socialist EDEK, were the main candidates.

1.3.1. Nikos Anastasiades: A Clear Front-Runner. Anastasiades officially announced his candidacy on 11 February 2012¹⁸ and he became the front-runner early, mainly due to the incumbent President's poor performance. Christofias' failure in a series of issues, especially the three described above, contributed to AKEL's isolation. Until 2008 AKEL, was a natural ally of the centrist parties. However, after four years of sharp disagreements in the context of the governmental coalition under Christofias, DIKO and EDEK – which usually determine the run-off elections' outcome - turned their backs to their former left-wing allies. Moreover, Anastasiades had been preparing himself for that moment a long time ago. He attempted to clear his name over his 2004 support of the unpopular Annan plan, which led him and his party to political isolation for a long time and, to a large degree, he succeeded in doing so. Another advantage, was that he was the indisputable leader of the biggest party and he enjoyed uncontested approval among the party's supporters. This is an important determinant of election success, because of the nature of the electoral system: Since two candidates qualify for the 2nd round, those supported by the two biggest parties – DISY and AKEL - enjoy a comparative advantage. Cypriot politicians and analysts call this the “hard vote phenomenon”, namely the two big parties' ability to turn wide popular support to critical electoral power in the presidential elections.

His campaign focused on the financial crisis and his alleged capability of driving the country out of it, as a result of his leadership skills and political vigor. His main pre-election slogan was “crisis needs a leader” and “dynamic leadership”, which aimed at highlighting what was believed to be his main comparative advantages. By focusing on economy and finance issues Anastasiades could also minimize references to his Cyprus problem views, which could retrieve painful memories of 2004, especially as far as DIKO and EVROKO voters were concerned.

In terms of coalitions, a prerequisite for success in the context of the Cypriot electoral system, DISY and Anastasiades formed a coalition with DIKO. It is important to note that DIKO bares the legacy of historical Greek Cypriot

leaders and former Presidents such as Archbishop Makarios, Spyros Kyprianou and Tassos Papadopoulos, all prominent hard-liners as regards the Cyprus problem. DIKO officially ratified coalition with DISY and Anastasiades on 28 September 2012, despite the sharp disagreement expressed by the party's vice president Nikolas Papadopoulos, son of former President of the Republic Tassos Papadopoulos.¹⁹ The trickiest issue which caused tensions among the party's officials and supporters, was the fact that DIKO and DISY traditionally represent conflicting schools of thought regarding the preferred form of settlement of the Cyprus problem. This controversy gave room for accusations and political pressure, especially against DIKO's president, Marios Karoyan. On the other paramount issue, financial crisis and measures to revive the economy, they both agreed to a balanced approach based on accepting subjection to the European Stability Mechanism and proceeding to socially acceptable reforms.

Despite the promising deal which would render DIKO a co-ruling party in case Anastasiades won election, it would be extremely difficult for DIKO to persuade all (or even a clear-cut majority) of its supporters to vote for Anastasiades. Many of them considered that their party's support of Anastasiades was a political anomaly and that the deal corresponded to a mere exchange of benefits (votes for ministries and appointments in public authorities). This is the main reason why DIKO's support wouldn't be enough to secure a 1st round victory for Anastasiades, despite the fact that some enthusiasts argued that the sum of DISY's 34,28% and DIKO's 15,76% (electoral power in 2011 parliamentary elections)²⁰ could lead to this result. Apart from DIKO, Anastasiades was also supported by some high-ranking officers of EVROKO (3,88% in 2011 parliamentary elections) though unofficially, since the party decided to call its members to vote "at will".²¹

September 2012 was the month when the pre-election configuration took its final form. From that point on, until the election of February 2013, all the polls published, predicted an easy domination of Anastasiades in the 1st round, though not a 1st round victory. 12 polls published between 14 September and 2 December predicted that Anastasiades would be 1st and that his distance from his run-off opponent would not be smaller than 13%. At the same time, all these polls predicted that Anastasiades could beat both of the other main candidates at the 2nd round, though a win against Malas would have been

easier than against Lillikas. By all odds only a combination of fatal mistakes, bad luck and a run-off against Lillikas could have stopped Anastasiades' way to the Presidential Palace.

1.3.2. Stavros Malas: In Pursuit of Disappointed AKEL Voters

On 7 September minister of health Stavros Malas announced his candidacy, surrounded by AKEL leadership.²² Malas, a 45-year-old geneticist, was an inexperienced politician who had failed to get elected as a member of the House of Representatives in 2011 parliamentary elections, since he got the least number of votes among AKEL's candidates in the Paphos electoral district. After President Christofias' decision not to run for reelection, which was announced in May 2012, AKEL discussed several scenarios for the presidential election. Everybody in the party knew that beating Anastasiades wouldn't be an easy task due to its linkage to the Christofias presidency which was widely perceived as unsuccessful. Malas was believed to be the right person for a brand new beginning. According to the general secretary of the party, Andros Kyprianou, Malas, was a "young, bold and radical" candidate who could bring new ideas and a new way of governing, contrary to his opponents who had a "doubtful political past".²³ However, the party's decision caused domestic reactions by numerous members who believed that, with a low profile candidate such as Malas, the party was doomed to lose.²⁴

Malas' main campaign slogan was "new person, new proposal, new era". As indicated by the slogan his campaign would balance between AKEL's traditional left-wing policies and a promise for a new government, better than the incumbent. He had to delink his candidacy from Christofias' political legacy in order to maintain hopes to win election. AKEL's primary goal was to have Malas qualified for the 2nd round. Defeat to Anastasiades in the 2nd round could be absorbed. However, failure to reach the 2nd round would have been a political disaster since it would cause further domestic turbulence by setting forth an undesirable dilemma between the leader of the rival pole and a detestable "defector" such as Lillikas (see below). To achieve this goal, AKEL would have to persuade its supporters to accept the party's choice. It was the first time in the post-1974 elections' history that AKEL faced a real problem in exploiting the "hard vote phenomenon" since the polls predicted significant losses due to disappointment for the Christofias government's poor performance.

1.3.3. Giorgos Lillikas: A Potential “Third Way”. Contrary to Malas, Giorgos Lillikas, a 52-years-old former minister in the Tassos Papadopoulos cabinet, was an experienced politician. He studied political science in Lyon, France. He started his political career as a consultant to President Giorgos Vassiliou in the late '80s. In 1996 he was elected as an AKEL MP and achieved reelection in 2001. In 2003 he became minister of commerce, industry and tourism in the Tassos Papadopoulos cabinet, after AKEL's suggestion. In 2006, he was appointed to a new portfolio as the minister of foreign affairs. After Christofias decided to run for President in 2007, AKEL abandoned coalition with Papadopoulos. Lillikas, despite his resignation from the cabinet along with all the other ministers who were suggested by AKEL, did not follow his party and he stood by the side of Papadopoulos who trusted him the headship of his pre-election campaign. Having in mind AKEL's Leninist-style democratic centralism²⁵ Lillikas' denial to support Christofias was considered as “an act of treason” by the communists. After Papadopoulos' defeat and Chrisofias' win, Lillikas was considered as “politically doomed”. In 2010, he founded his own political bureau and started preparing his independent candidacy, which was announced on 7 April 2012.²⁶

Lillikas' candidacy faced a significant disadvantage: He was not supported by any of the two big parties, therefore he would have to overcome the “hard vote phenomenon” in order to qualify for the 2nd round. Not being committed to a political party rendered him vulnerable to accusations of opportunism as a result of his service with several Presidents and/or presidential candidates of different political backgrounds. His main advantage was the disappointment of a significant part of the people with the political establishment, especially with AKEL. He was individually supported by members (or former members) of almost all the political parties, especially DIKO officers who disapproved Anastasiades on the grounds of his views on the Cyprus problem. Being officially supported by only one party, socialist EDEK (8,93% in the parliamentary elections of 2011), he tried to apply straight to the “citizens”, bypassing thus the official party leaderships. This was mirrored on his main slogan: “The candidate of the citizens”, which was also indicative of his intention to break the “left-right” axis by incarnating a “third way”. When asked by journalists whether he was a leftist, a rightist or a centrist, he would answer that he was “a radical”, highlighting thus his will to overcome traditional politics.

The fact that it soon became evident that he enjoyed more popular support than initially anticipated, while Malas was facing problems with AKEL's "hard vote", increased his hopes that he could be the one to face Anastasiades in the 2nd round. According to essentially all the polls, from late summer through February, there was going to be a tight race for 2nd place. In case Lillikas qualified he would have good chances of winning election since he would have displaced Malas and left-wing AKEL supporters were likelier to vote for him than for Anastasiades. In any case though and despite encouraging signs, Lillikas would still have to accomplish what historical leaders - such as Spyros Kyprianou in 1988 and Tassos Papadopoulos in 2008 - failed to do: Beating omnipotent bi-polarism.

1.3.4. The Financial Crisis under the Pre-Election Spotlight. The Cyprus problem was an issue of primary importance regarding the formation of the pre-election coalitions, especially among the centrist parties, since it has been the very first issue in their agendas for years. However it was the financial crisis and the Memorandum of Understanding (MoU) to be signed with the Troika²⁷ which defined the rhetorical context, set by the media, the candidates themselves and their representatives. In times of unprecedented unemployment rates and with the state being essentially unable to pay its bills (including the overgrown public sector's salaries) without external help, the people were primarily occupied with their financial survival. In this context, a clash between backers and haters of the MoU was unavoidable: Anastasiades insisted on the necessity of proceeding to a bail-out agreement with the Troika, Lillikas was against it, while Malas took a rather moderate stance.

The fact that financial issues would weight heavily in voting decisions was clearly depicted on the polls' findings. For example, in a poll conducted by the University of Nicosia and presented by Mega TV on 21 January 2013, 68,2% of the people questioned replied that they considered the financial crisis as "the most important problem", while the Cyprus problem was chosen by only 17,7%.²⁸ This tendency was in favor of Anastasiades, since it concealed the unpopularity of his Cyprus problem views, especially among the centrist voters.

1.3.5. The Results. On 17 February, Anastasiades won 45,5% of the vote, while Malas had 26,9% and Lillikas 24,9%. In the run-off election of 24

February, Anastasiades achieved a landslide victory with 57,5%, the highest percentage since 1968,²⁹ and became the 7th president of the Republic of Cyprus. Malas managed to persuade the critical mass of AKEL supporters to vote for him despite significant losses, therefore AKEL achieved the politically crucial qualification for the 2nd round. On the other hand – and despite his failure to make it through the run-off election – Lillikas' percentage was widely discussed. It was by far the highest percentage ever achieved by a candidate who was not supported by either DISY, AKEL or DIKO, followed by Vassos Lyssarides' 10,59% in 1998.³⁰ Lillikas' 25% was interpreted as a potential kick-starter of a new opposing centrist party or coalition.³¹

Anastasiades' victory and Malas' success to qualify for the 2nd round assured that bi-polarism would triumph once more at Cyprus presidential elections, since another run-off election was dominated by the candidates supported by DISY and AKEL, despite the severe political damage the latter suffered of, in the last couple of years. This outcome was the result of the two parties' historical success in maintaining respective hard cores of disciplined voters, which tend to remain cohesive even amid domestic and national political storms. AKEL and DISY suggest two different but parallel success stories which marked the post-1974 Cyprus party system. In the 2nd part of this article we shall analyze these success stories further, under the prism of their systemic substance in the context of the interactive political bi-polarism.

2. AKEL and DISY: Parallel Success Stories³²

As already explained, post-1974 Greek Cypriot politics are marked by the polarization of the party system which is dominated by AKEL and DISY. At the same time, the political centre has been fragmented and incapable of constituting a cohesive third pole. Polarization in Cyprus has deep origins of historical and ethno-political nature, since the main socio-political clashes are defined by contrasting perceptions of civil and/or national identity, combined with remnants of Cold War ideological differences.

The roots of the political polarization in Cyprus go back to the 1940ies.³³ The volume of the polarization intensified in the 1950ies, during the anti-colonial armed struggle of EOKA,³⁴ which aimed at a union with Greece (“enosis”) promoting thus a rather right-wing agenda. EOKA's popularity and convergence with the right-wing political agenda led to a right-wing “ideological

hegemony” of Greek Cypriot politics. AKEL (which had already been a highly influential political force in Cyprus), despite the fact that it wouldn't reject “enosis” in principle, abstained from - and actually opposed - EOKA's armed struggle mainly on the grounds of its military leader's - colonel Georgios Grivas - anti-communist convictions.³⁵ The fact that EOKA was very popular among the Greek Cypriots, led to a tug-of-war between left-wing and right-wing politics. The tug-of-war survived the establishment of the independent Republic of Cyprus in 1960 and intensified during the turbulent years 1972-1974, when EOKA B' – an extremist organization also created by Grivas – turned against President Makarios and committed actions of terrorism against its political opponents. As a result of the outlaw paramilitary activity of EOKA B', the balance of legitimization shifted: AKEL was the post-1974 “ideological hegemon” as a result of its successful strategy of bandwagoning with Makarios (see below).³⁶

In the decades of political stability which followed 1974, DISY and AKEL eventually established a dominant political dipole in Greek Cypriot politics. They have been rotating as ruling parties and as parliamentary majorities. Moreover, they have shaped respective cores of support which have been solid and big enough to assure their political domination. In the following paragraphs the reasons of their success shall be evaluated.

a. AKEL

After the coup d' etat of 15 July 1974 against President Makarios, which was organized and executed by the Greek junta and supported by members of Cypriot far-right organization EOKA B', AKEL focused its political rhetoric on the “treason” of Cyprus by the “fascists” and “conspirators”. The fact that the coup d' etat was used by Turkey as a pretext to invade Cyprus, divide the island and cause a massive humanitarian disaster, amplified AKEL's argument. Makarios, who was dominating the political system of Cyprus until his death in August 1977, wasn't just a leader: He was a symbol of democracy and struggle for freedom and enjoyed wide popularity among Greek Cypriots ranging from left to centre right. Despite his popularity though, he didn't channel this wide support into a political party of his own. Two centrist parties, EDEK and DIKO, tried to attract Makarios' supporters. However, it was communist AKEL which was organized and networked enough to draw on this socio-political stream after the passing of its leader.

This political breakthrough couldn't leave the party's ideology unaffected: The communist party would have to modify its ideology and – therefore – water down its Marxist rhetoric in order to attract non-communist supporters of Makarios, on the grounds of common democratic views and resistance to “fascism”. This happened eventually and it was the price of AKEL's transformation from a revolutionary movement to a mildly left-wing party. This transformation would be inevitable, sooner or later, as a result of the political attributes of Cyprus. According to T. W. Adams: “The communists in Cyprus cannot afford to deny the existence of immutable traditions nor are they able to avoid the hard realities of change which characterize the environment in which they must perform. AKEL should have conceded long ago that it must act on the political rather than the revolutionary level.”³⁷ On that crucial verge of history, AKEL would have to choose between dedication to Marxism and political power within the system it once envisaged to transform. It profoundly chose the latter. As a result of this historical choice, AKEL's gain was double:

First, it achieved the creation of a solid, interclass electoral base. This would not be feasible without AKEL's extraordinary, soviet-style mobilization mechanism, which not only survived the aforementioned ideological modification but it also gained legitimacy and access to more potential members and voters. This mechanism provided penetration to multiple sections of the Greek Cypriot society (enterprises, trade unions, youth organizations, sports and even the Church). As a result of this mechanism's functioning, AKEL became the focal point of a wide system of redistribution of wealth and political power. Being a member of this system becomes not only an honor, but also a necessity for AKEL's followers. For them the party is above personal ambitions. They believe that fighting for the party is like fighting for themselves. This necessity, along with the very effective domestic structures of intelligence and data collection, is the X-factor of this mechanism's success.³⁸

Second, and most important, the ideological modification obliterated any chances of development of a unitary centrist party, which would challenge AKEL's hegemony in the centre-left. 1972-1974 period and reaction to EOKA B's terrorism created a range of common beliefs and policies between AKEL and the centrist parties, DIKO and EDEK. This proved to be fatal for the two

centrist parties' electoral power and political impact in retrospect: Common beliefs allowed AKEL to gain influence among their supporters. Among other consequences, the centrist parties essentially became AKEL's hostages because pulling away from a government partnership with the communists and constituting a pre-election coalition with right-wing DISY, could cause critical election losses to AKEL and curtail their parliamentary power. This happened for example when DIKO and EDEK backed the candidacy of DISY's leader Glafkos Clerides, in the presidential elections of 1993 and 1998 respectively.³⁹ As a result of centrist support (DIKO in 1993 and EDEK in 1998) Clerides won both elections. However, both centrist parties suffered respective losses in the parliamentary elections of 1996 and 2001. During the same period, AKEL's parliamentary power was steadily increasing: 30,6% in 1991, 33% in 1996 and 34,71% in 2001.⁴⁰

b. DISY

Like AKEL, DISY's success was also defined by good timing. In 1976, two years after the Turkish invasion and one year before the death of Makarios, a new political formation was founded: People who loathed Makarios for one reason or another, members of nationalist paramilitary groups which acted during the inter-communal agitations of 1963-64, even members of EOKA B' who gained asylum in the context of national reconciliation, were politically homeless. The most important target group though was the vast majority of the moderate right-wing Greek Cypriots, mainly composed by the masses of EOKA romantics. People of humble origins, who raised their children with stories of heroism and self-sacrifice, who were proud of their Greek national identity, which had been undermined due to Greek junta's coup d' état and due to Greece's failure to protect Cyprus during the Turkish invasion. A charismatic leader, Glafkos Clerides, foresaw the window of opportunity and founded DISY, in order to capitalize on the respect he enjoyed among his center-right fellows. Clerides was ideologically different to the vast majority of DISY's founding members and supporters. He envisaged a modern liberal party, based on Western-European patterns. However, he managed to find a reason for everybody - ranging from center-right to far-right - to become a member or a voter of DISY. And these people, who were despised and fingered as "traitors" because they were rightists - therefore potential

supporters of EOKA B' - felt gratitude for Clerides who built a political home for them. This gratitude would conciliate any political divergences between the leader and the supporters, or among the supporters, and create reciprocity and a feeling of a common purpose: To become a ruling majority and "save Cyprus from AKEL's communists". As communists they defined (and – to a large degree - they still do) not the supporters of Marxist socio-economic structures but the "anti-Greeks", the haters of "motherland Greece", who reject the statement that "Cyprus is Greek". Clerides never shared these simplistic convictions. However, he compromised with them in order to create a solid electoral base.

In 2013, DISY remains a strong pole of power. Despite its political isolation after the deep division of the Greek Cypriot society in the post-1974 period, it managed to win presidential elections twice in the 1990ies. Moreover, it managed to retain its political impact even after the vast majority of its supporters defied the party's call for a "yes" vote in the referendum of 2004 for the ratification of the Annan plan as a framework of the settlement of the Cyprus problem.⁴¹ Eventually, it managed to return to power in 2013, as we described above. The most important factor of the party's success has been its robust leadership. First, it was Glafkos Clerides, founder and first president of the party and President of the Republic of Cyprus between 1993 and 2003. Now it's Nikos Anastasiades who, by walking after Clerides' steps, managed to mitigate internal clashes, especially after 2004, despite the fact that he was part of the problem. Contrary to Clerides, he was intensively questioned mainly as a result of his unpopular support of the Annan plan. He managed though to survive in the political arena, gain control of the whole party, ratify his long-prepared candidacy and win election.⁴²

c. A "Mutually Beneficial Batred"

The post-1974 political history of the Republic of Cyprus is marked by political discord. Left-wing and right-wing politics mirror a deep social division. AKEL and DISY pursue contrasting ideologies and socioeconomic agendas. In Western European terms, AKEL is a mild communist party which has compromised with the terms of liberal democracy, while DISY is a center-right party which combines features of liberalism, conservatism and moderate nationalism.⁴³ However, the discord in the Greek Cypriot society is not defined

by terms of class politics, but rather by different ethno-political perceptions which are delimited by clashing interpretations of the modern history of Cyprus.

Since 1974, the Cyprus problem has been a core issue of the political tug of war. Despite the fact that DISY and AKEL have rather similar views regarding the settlement of the Cyprus problem, contrasting ethno-political perceptions of their supporters (and mutual interests of their leaderships in maintaining bi-polarism) allowed the polarization to survive. As we explain above, they have both been successful in establishing themselves as dominant political forces in the post-1974 party system. However, individual success wouldn't be enough for them to perpetuate their domination.

The fact that the two parties have been capitalizing on the ethno-political polarization leads us to the conclusion that social discord has been the real cause of their stamina and that bi-polarity is a feature of the Greek Cypriot political system, both these two parties draw on. At the same time, the fragmentation of the political centre is in favor of both AKEL and DISY, because it assures that: 1) The two poles maintain the advantage of facing each other in the presidential run-off elections since they are respectively capable of mobilizing their electoral bases in the 1st round (the "hard vote phenomenon"). The lack of a third pole maximizes election win chances for both. 2) The intensification of the volume of the political discord, especially during pre-election periods, facilitates the mobilization of DISY and AKEL's members and voters. Since they both "hate" each other, rising tensions are mutually beneficial. 3) As long as hatred between left-wing and right-wing exists DISY and AKEL will keep capitalizing on the discord and the centrist parties will remain small and of secondary importance to the Greek Cypriot political system.

The spiral of interdependence between DISY and AKEL, along with the fragmentation of the political centre, constitute a sophisticated system which safeguards a state of alternate domination of the two poles over the political system and the institutions of the Republic of Cyprus, which is being nourished by a "mutually beneficial hatred".

Conclusions

Under the prism of an individual level of analysis, Anastasiades won the presidential election as a result of the restoration of his good name, right timing in decision making, early preparation of his candidacy, achievement of essential control of his party and coalition with DIKO. At the same time, Dimitris Christofias' low popularity as a result of his failure in dealing with issues of paramount importance deconstructed AKEL's long-lasting coalition with the centrist parties and turned centrist votes toward Anastasiades both in the 1st and the 2nd round.

However, we argue that the determinant of Anastasiades' victory lies on the systemic level of analysis: Polarization and "mutually beneficial hatred" between right-wing and left-wing led both Anastasiades and Malas to the run-off election, just like in 2008 when Kassoulides and Christofias leaved President Papadopoulos out. Pre-election rhetoric, as presented through the media, was full of polarization messages and traditional left-wing vs right-wing public arguments. Apart from explicit clashes with AKEL and Malas, Anastasiades and DISY's rhetoric against Lillikas was also focused on the possibility of having AKEL back as co-ruling party through a potential support of Lillikas in the 2nd round, in case the latter had qualified. AKEL's unpopularity applied especially to right-wing and centre-right voters, even those who still disliked Anastasiades due to his Annan plan record, depriving thus Lillikas from valuable votes. In case Lillikas had qualified, Anastasiades candidacy's fate would have been jeopardized, especially in case AKEL had issued an official (but definitely lukewarm) decision of supporting Lillikas. At the end of the day, the final result was the best possible for DISY and the less harmful possible for AKEL. Systemic interdependence between DISY and AKEL and the political centre's fragmentation defined electoral results once more.

Celebrations after win didn't last for long. Two weeks after taking over, Anastasiades had to face the harsh reality of the Cypriot economy in Eurogroup's meeting in Brussels on 15 March 2013. The unexpected imposition of a bank deposit levy along with anticipated recession and further unemployment rise, strained relations with EU partners and Russia, a traditional ally of Cyprus, as well as the first clash with the opposition overthrew Anastasiades' sky high popularity. In a poll presented by Sigma TV on 20 March, 36,4% stated that Anastasiades is mainly responsible for the levy

while only 23,7% put the blame on Christofias. Moreover, 40,6% stated that they still trust Anastasiades to handle Cyprus economy from now on, while 51,6% stated that they don't. Finally, 63,3% stated that Anastasiades' management in Eurogroup was "bad" or "very bad", while 26,8% consider that it was "good" or "very good".⁴⁴

The Republic of Cyprus suffers the worst financial crisis after the disaster of 1974. AKEL's first general secretary who was elected President of the Republic is deemed responsible for this situation as a result of bad management and wrong decision-making. At the same time, DISY's second president who was elected President of the Republic made the extremely painful decision to yield to Eurogroup's blackmail, despite the fact that before the election he had clearly stated that he wouldn't "sign any Memorandum which would include a bank deposits levy".⁴⁵ DISY and AKEL, the omnipotent poles which dominate the Greek Cypriot political system since early '80ies, are more impugned than ever.

Two factors will shape the future of the Greek Cypriot party system: First, the renewed dialogue for the political center. Despite the fact that there are no clear indications that a unification project is under way, Lillikas' high election percentage created room for such an undertaking. At the same time, a potential redistribution of political power in view of the forthcoming election for the European Parliament in summer 2014 could benefit centrist parties and politicians. Nikolas Papadopoulos' intentions of challenging Karoyan for the presidency of DIKO, EDEK's thoughts regarding its role in a potential unification project, as well as the future of EVROKO which is divided since the presidential election, will jointly define the political centre's future. Second, the future of bipolarism. As we have analyzed above DISY and AKEL's political stamina has been mainly based on the post-1974 polarization. Now the Republic of Cyprus is entering a new era. New challenges and dangers and, therefore, a brand new political context lies ahead. In case anachronistic and pointless ethno-political discord survives, then bipolarism will keep dominating Greek Cypriot politics. In other case, if a new framework of socio-political perceptions prevails and the two poles fail to adopt, then the system of interdependence between DISY and AKEL will be questioned and the two poles' political future will definitely be affected.

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An Uncertain Future Lies Ahead For Cyprus' Economy

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RÉSUMÉ

L'histoire économique moderne de Chypre remonte à 1960. Durant cette courte période l'économie est détruite à deux reprises (1974: 19% de contraction et 2013: diminution de 10% -20%). Chypre doit maintenant repenser son économie à partir de la base zéro étant donné que le secteur des services hautement profitable a été détruit. Pour sortir de la dépression économique Chypre doit: a) Appliquer une solide et saine planification à long terme, b) encourager davantage l'implication de tous dans le processus de prise de décision, c) libéraliser le marché du travail, d) réduire son vaste secteur public, e) devenir plus compétitive et f) permettre l'épanouissement de l'ingéniosité.

ABSTRACT

Cyprus' modern economic history dates back to 1960. This short period saw the economy destroyed twice (1974: 19% contraction and 2013: shrinkage of 10%-20%.) Cyprus now needs to redesign its economy from zero base considering that its highly profitable services sector has been destroyed. To come out of economic despondency Cyprus needs to: a.) apply sound long-term planning, b.) encourage more inclusiveness in the decision-making process, c.) introduce labor freedoms, d.) shrink its vast state sector, and e.) become more competitive and f.) allow the ingenuity of its people to thrive.

Introduction

Apple's market value stood at US\$624 billion in the last Forbes review.¹ Cyprus' GDP at that time stood at US\$22bil (28 times smaller than Apple's market value.) This contrast puts into sharp relief the smallness of Cyprus' economy which the Eurogroup failed to save. Instead, Cyprus' economy was catapulted by the Eurogroup into an uncertain and gloomy future after it took

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the decision to destroy Cyprus' two largest banks (with roughly 50% of total banking sector assets.) In the process the Eurogroup destroyed the lives of thousands of people who either lost their deposits to a disastrous bail-in, which is unprecedented in the history of the Eurozone, or lost their businesses or jobs.

Approximately 37% of Cyprus' territory (and nearly 70% of its productive resources) have been under Turkish occupation since the summer of 1974 when the Turkish army invaded the island. Within a period of 30 years after the catastrophic events of 1974, Cyprus' economy not only recovered fully but also earned the accolades of the European Commission (EC) in 2004. *"The economy of Cyprus flourishes and today it is considered as one of the strongest economies in Europe,"* said the EC.² In building up its economy Cyprus exploited smartly its geographic location which the EC described as "unique" and as a "cross roads." The "cross roads" tag comes from the fact that Cyprus is located at the north eastern corner of the Mediterranean, linking the east with the west, Europe with Africa and the Middle East.

The economy of Cyprus received praises ten years back but now lies in tatters. To many in Cyprus this came as an astonishing turn of events. To the more astute observers, however, this was a natural development considering the many problems behind the ostensibly optimistic performance figures. Successive Cyprus governments failed to cure the many problems (e.g. high interest rates, oversized public sector, crippling energy prices, a real estate market gone berserk) or chose to ignore these for political expediency.

In its November 2011 world economic outlook report the IMF³ continued to describe the economic situation of Cyprus as stable; even though it noted the contagion effect from a continued slide in the economy of Greece. At that time the Cyprus' budget deficit stood at 7% of GDP and debt at 68% of GDP, inflation was below 4% and unemployment stood at 8.5%; though high, this unemployment figure compared well with other peripheral economies in the Eurozone. This report warned, however, that Cyprus continued to have high public spending.

Cyprus' Modern Economy Started from the Ashes of War

Cyprus' modern economic history started in 1960 when it gained its independence from Britain and established its own sovereign government.

The year 1960 ushered in the first stage of economic development which lasted up until 1974 when Cyprus was invaded by the Turkish army. In this period (1960-1974), Cyprus managed to create a thriving export trade that included products such as: copper, asbestos, wines, citrus, vegetables, potatoes, etc. which helped improve people's living standards. During this period the economy of Cyprus operated within its own possibilities whilst a wise management of government finances ensured a healthy fiscal position.

The second period starts after the Turkish invasion (1974) that saw the virtual destruction of Cyprus' economy including its nascent tourist industry. This stage of the economy was characterized by more emphasis on tourism and export of manufactured goods. Many small factories were set up and a thriving manufacturing sector developed quickly with exports of footwear, clothing, etc., going mostly to countries in the Middle East. Dependency on agricultural revenue lessened as the bulk of Cyprus' agriculture was destroyed by the Turkish occupation. This period lasted for about 10 years and demonstrated how flexible and versatile Cyprus' economy could be and how enterprising its people are. It also demonstrated the strong will of Greek Cypriots to survive under threat and uncertainty.

The third stage (with two phases) started in the mid 80s when the nature of the economy changed. The country started moving with haste towards the services business. Cyprus set up an offshore regime and vigorously exploited its new-found offshore status by offering international businesses favourable tax conditions. The services sector grew and grew in size to the point that it ultimately accounted for some 75% of Cyprus' economy (just before the Eurogroup-induced crash). During this third stage of Cyprus' economic history household names such as Coca-Cola and Pepsi International set up their regional offices in Cyprus. Tetra pack started a production facility and a great number of other respected international companies used Cyprus as base from which to serve Middle East markets. The Anglo administrative system that Cyprus inherited from the British served Cyprus well. The abundance of well-qualified and trained professionals in the financial /accounting and legal professions gave Cyprus a strong competitive edge and an impetus for further growth of the sector.

One advantage that Cyprus economic model had in relation to its neighbors was its classification as a free (or relatively free) economy by Heritage. Up until

a year ago (2012) Cyprus held the 20th place on Heritage's economic freedom table.⁴ This relative economic freedom provided confidence to companies that wished to set up their offices in Cyprus. Regrettably for Cyprus all this changed as economic freedom was hit hard by the imposition of capital controls and the restrictions imposed on banks.

Cyprus has a strong infrastructure which was the result of many years of development. This strength made Cyprus a good place for foreign investment. In 2010 the road network of Cyprus was a very respectable 12,380 km. Cyprus' two international airports were up to recently connected with 115 airports in Europe, the Middle East, Asia and Africa.⁵ Telecommunications also improved over the years and served the economy well.

Cyprus' membership in the EU and the Eurozone continued to provide some type of external certification for the economy of Cyprus and served as a driver for liberalization. The Heritage Foundation⁶ reported in 2012 that Cyprus' membership in the EU "...enhanced economic liberalization...." In the same report Heritage noted as a strong negative the fact that Cyprus had not made progress in liberalizing the telecommunications and utilities sectors.

Shipping is a success story for Cyprus. In 2013 Cyprus' shipping register had more than 1,000 ocean-going vessels (more than 21 million gross tonnage.) The shipping industry continues to employ some 4,500 onshore staff and 55,000 seafarers. Importantly, most of the ship-owning and ship-management companies in Cyprus are controlled by EU countries.⁷

The strength of the family unit continued to be Cyprus' main social strength. In 2011 Cyprus registered the highest number of weddings per 1,000 in the EU. Equally, it registered one of the lowest divorce rates; at least as regards the indigenous population.⁸ Cyprus along with Poland continued to have the highest density in the EU of people practicing their religion.

Cracks in the Economy

Cracks in the economy of Cyprus began to appear some time back. In the same year that the economy of Cyprus held the 20th position on freedom to do business (2012) it descended to a poor 36th position (out of 183 countries) on the "ease to make business" (table of the World Bank).⁹ Bureaucracy, nepotism, selfishness, individualism and opaqueness started to take their toll

gradually and threatened to destroy the economy. As Cyprus' rating on the "ease to make business" was falling, other business centers were making great strides forward. In the same year (2012) Singapore ranked 1st and Honk Kong 2nd with the UAE ranking higher than Cyprus, in 26th position. Cyprus took comfort in the fact that Greece ranked 40 places behind, in 78th place on the same index. On the "registering property index" Cyprus ranked a dismal 98th spot and on "enforcing contracts" a disastrous 108. These were the tell-tell signs of a looming catastrophe that was about to unfold.

Some six years back construction and real estate started to unravel and the real estate bubble began to burst in the process becoming the biggest (probably) single cause of non-performing loans (NPL) that contributed to the crashing of the two banks. The Anglo administrative tradition that had served Cyprus so well for decades slowly began to deteriorate as bad habits from the Greek market began to infiltrate Cyprus and erode its system of doing business.

The Land Registry that was once the pride of Cyprus' administration began to unravel into a horror story. The issuing of title deeds took years and the process of dividing land between two or more owners took decades in some cases. To this day there are outstanding applications for land division that date 40+ years back. The high unionisation figures that for some employees were a sign of good consultative management, gradually ended up becoming a deadly weapon in the hands of the political elite and the colluding unions that benefited from exchanging their votes with political support.

Cyprus hoped to build its economy partly on the strength of its many university graduates. The College graduation rates of Cyprus compared well with any country in the EU. Cyprus ranked 2nd on the graduation rates table whilst Ireland ranked 1st with 32%. Finland and the United Kingdom ranked joint 3rd with 32.5%. Belgium ranked 5th with 31%.¹⁰ Cyprus had a mighty weapon in its arsenal which it failed to use in the end.

Regrettably, Cyprus failed to capitalize on the great advantage that educated talent provided. Young graduates opted for the security of state employment rather than entrepreneurship or employment in the private sector. Even those that earned their degrees from highly ranked competitive universities ended up in the civil service or the semi-government sector and in the process deprived the private sector from talent. The accounting profession was an exception to

this rule considering the blossoming of the services sector. Today, the Accountants Association counts over 3,000 members who work mostly in private enterprise. Interestingly only 21 qualified accountants were registered in 1961.¹¹ Regrettably, many of these professionals will now be left without a job.

In 2011 some 254,227 foreign enterprises were registered in Cyprus.¹² These companies employed some 5% of the total work force.¹³ The registration of foreign companies peaked in 2007 with a total of 29,016 new companies. As uncertainty about the economy grew the registrations figure dropped (2011: 19,538 new companies.) Table 1.

Table 1

Year	New company registration in Cyprus
2006	20,280
2007	29,016
2008	24,453
2009	16,101
2010	19,278
2011	19,538

Source:

(1): Registrar of Companies and Official Receiver, Republic of Cyprus

(2): Cyprus Investment Promotion Agency, 09/04/2012

In summary, not long ago the economy of Cyprus looked to have a bright future. But, on closer examination not all was well. In fact, a storm was gradually brewing. The major indicators (some of these were outlined above others will follow) of this impending storm were: a.) the relatively weak productivity levels that continued to threaten Cyprus' competitiveness, b.) the ever-growing public sector that kept gobbling up taxes and taking resources away from development, c.) the unreasonably large banking sector that in size was 7 times that of Cyprus' GDP and which was a disaster waiting to happen, d.) the high interest rates that pushed the cost of money to unsustainable levels, e.) the country's overreliance on the services sector including real estate

and e.) the ever-stifling bureaucracy and lack of accountability in the public sector that gradually made Cyprus an unwelcoming place for business. Most importantly, Cyprus' democratic rating dropped to that of a "faulty democracy"¹⁴ largely on account of diminishing accountability, e.g. high promises and low delivery by politicians and low accountability.

Markers Pointing to an Impending Failure:

Public Sector:

The strong interdependency between unions and politicians and the need of the latter to control voter patterns led to a relentless expansion of the broader public sector that ultimately throttled the development of the country as more and more funds were needed to meet the ever-bulging public payroll. Repeated government promises of future head count reductions led to nowhere. In fact, even after the economic crisis started hitting Cyprus hard the public sector head count showed no signs of reduction (Table 2). Figures in the table include only state employees but not another, roughly, 20,000 employees that work in state-controlled organisations. The total number of those in full-time employment in Cyprus is now just about 390,000 employees. Thus, the broader public sector (that includes employees of the state-controlled organisations) now employs nearly 1 in 5 employees in Cyprus (18.5% of the gainfully employed). In other words every 4 tax payers sustain one highly paid state sector employee.

Table 2

Employee category	January 2009	January 2013
Monthly paid	17,890	17,988
Hourly paid	8,740	7,875
Staff in education	12,918	13,160
Staff in state security	10,064	10,073
TOTAL	49,612	49,096

Source: Ministry of Finance of Cyprus

Employment in the broader public sector continued to climb (Table 3) even as two momentous events threatened the economy of Cyprus: a.) the stock exchange bubble of 1999 and b.) the economic crisis that started to deepen from 2009 onwards.

Table 3

	Number of State employees by year				
	1995	2000	2005	2010	2011 3 rd quarter
Central Government	38.297	42.611	49.068	55.445	56.024
Government	36.946	40.972	46.480	51.015	51.960
Non-profit organisations*	1.351	1.639	2.588	4.430	4.064
Local Government	3.364	3.649	3.976	4.677	4.905
Organisations that are controlled by the Government (β)**	9.462	9.742	10.281	10.307	9.712
I	51.123	56.002	63.325	70.429	70.641

Source: Cyprus department of statistics (<http://www.mof.gov.cy/mof/cystat/>). The table was compiled by Simon Matsis, former head of Cyprus' Planning Bureau.

*: includes staff serving in the state universities, Cyprus Sports organisation, School boards, Institute for culture, state symphony orchestra, etc.

** : includes, semi-government organisations, Cyprus Airways, Cyprus Central Bank, etc.

In terms of government expenditure public sector employment contributed as much as any other factor in the deterioration of the economy of Cyprus as seen below (Table 4)

Table 4

Year	Total public expenditure (mil)	State salaries and pensions (€mil)		State salaries and pensions as a % of:			
		Department of Statistics*	Ministry of Finance**	Total public expenditure*	GDP*	Total public expenditure**	GDP**
2002	4357,3	1500,3	2178,6	34,4	13,7	50,0	19,8
2003	5182,4	1809,7	2520,3	34,9	15,4	48,6	21,4
2004	5311,3	1884,5	2474,1	35,5	14,9	46,6	19,6
2005	5779,1	1997,2	2658,4	34,6	14,8	46,0	19,7
2006	6144,6	2155,0	2933,4	35,1	14,9	47,7	20,3
2007	6548,4	2279,1	3058,6	34,8	14,4	46,7	19,3
2008	7206,8	2450,7	3336,6	34,0	14,2	46,3	19,3
2009	7754,0	2669,4	3588,3	34,4	15,8	46,3	21,2
2010	8139,1	2686,7	3715,1	33,0	15,4	45,6	21,3
2011	8860,6	2744,6		30,9			
2012	8770,2	2748,5		31,3			

*: the Cyprus department of statistics figures do not include entities that have “independent” budgets which allow them to make payments autonomously, e.g. the public universities. Of course the funds in these budgets come from the public purse.

** : the Ministry of Finance includes all the spending in the public sector.

Sources: (a) Fiscal Magnitudes, 11.April, 2011, Department of Statistics.

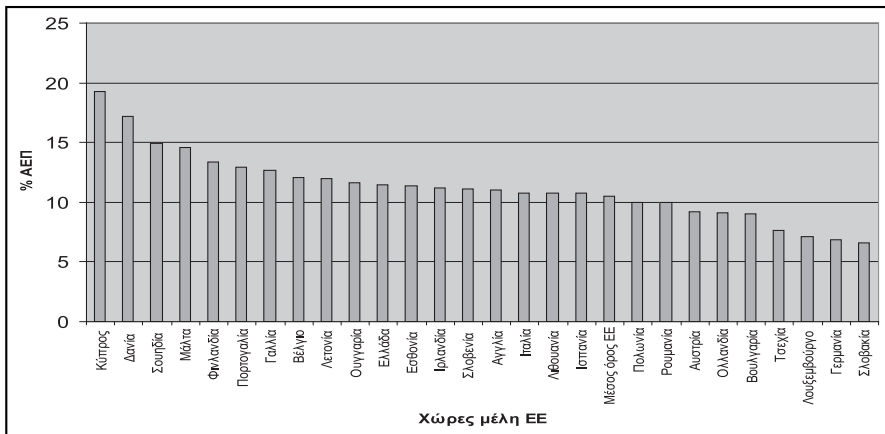
www.mof.gov.cy/mof/cystat/. (β) Page 5 Tables on Economic Indicators 2002-2013 April 2010, Ministry of Finance www.mof.gov.cy/

Table compiled by Simon Matsis former head of Cyprus' Planning Bureau.

Public expenditure on salaries and pensions in the broader public sector showed an increase of 9.8% in 2011 (vs 2010.) It also registered an increase of 0.1% in 2012) (vs 2011) even if both these years were crisis years that saw tens of businesses going bankrupt and private sector employees becoming unemployment in their thousands.

In 2008, just as the economic crisis was beginning to rear its head, Cyprus ranked first amongst all countries in the EU in terms of cost of running the public sectors as percent of GDP. The reader will notice that Cyprus’ public sector costs (first bar from L to R in table 5 below) is roughly three times that of Germany’s (second bar from R to L). Germany is Cyprus’ main lender through the Troika.)

Table 5: Broader public sector cost of employment as % of GDP: 2008



Source: Eurostat

Productivity:

Historically the EU lagged behind Japan and the USA on productivity. O’ Mahony and van Ark note: “Comparing the EU with Japan and the US... during the 1980s, real GDP growth was fastest at 4.0 per cent per year on average in Japan, followed by 3.2 per cent in the US. Growth was slowest in the EU at only 2.4 per cent. During the early 1990s GDP growth slowed in all three regions, but both the US and the EU saw a substantial recovery during

the second half of the 1990s.”¹⁵ Cyprus failed to even meet average EU productivity levels. Feeble attempts were made by successive governments to redress the situation but these were doomed to fail. In an attempt to improve the situation The Cyprus Productivity Council set as national labor productivity strategy for years 2007-2013 the improvement of Cyprus’ productivity to EU average levels by 2013.¹⁶ Current Cyprus productivity levels fall short of the average of the 27 EU countries.¹⁷ (Table 6)

Table 6: Cyprus productivity levels: 2000-2010

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cyprus	84.2	81.9	82.3	82.9	84.0	85.5	91.0	91.5	90.3

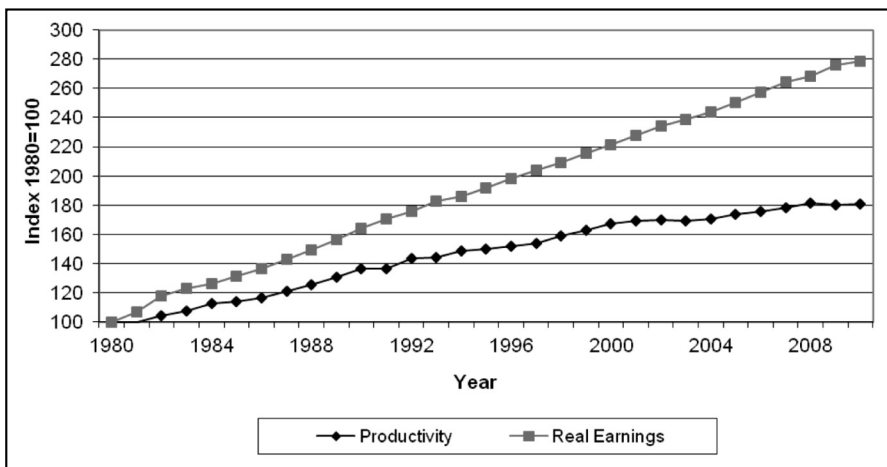
Source: Eurostat. EU average = 100

Unbridled Unionisation:

It is estimated that up to 70 % of employees in Cyprus are unionized (18) and are thus covered by collective agreements. The vast majority of these are sector collective agreements that constrain employer freedom to deal directly with their staff, to apply incentives and generally to operate in a manner that is conducive to proper management. The bulk of the unionized staff is in highly protected (and in many ways monopolistic) sectors that provide essential services such as government, banks, petroleum distribution, etc and where the need for union protection is least necessary. For decades unions and politicians worked hand in glove to help enact laws that were favourable to unions but bad for the economy. For example, laws that force non-unionized companies to apply the terms and conditions of sector collective agreements even if they played no part in the formulation of the agreement, laws that provide over-generous redundancy benefits to the point of encouraging employees of certain ages to seek redundancy arrangements with their employers. Politicians repeatedly took the side of unions in strike action situations and in the process caused great damage to the economy. This relationship was instrumental in encouraging unions to make outlandish demands around the negotiating table. As a result, and for a period of over 30 years, real salaries rose much faster than productivity and in the process created a time-bomb for the economy.

Diagram 1 below shows the catastrophic course that Cyprus followed and which led to an ever-widening disparity between real salaries and real productivity for a period of 30 years. The Employers Association and the Chamber of Commerce played their own particular role in this decline considering the feeble positions they often took over the years. Conventional wisdom at the time allowed employers to accept high salary increases on the fallacious premise that they could easily pass these unreasonable costs to their customers. As we will see later, the above spiral led to Cyprus losing ground in the export market particularly after Cyprus' accession to the EU that saw the abolition of any remaining trade barriers.

Diagram 1: Indices of real earnings and productivity 1980-2009
(1980=100)



Source: Labour Statistics 2009 and National Accounts, Department of Statistics and department's website www.mof.gov.cy/mof/cystat/

Arduous Legal Process

The long and arduous legal process of the last 30 years made it hard for business grievances to be settled within a reasonable time frame. The length of time a case in court took before it could be resolved did much harm to the economy and created a milieu of "nothing moves fast in Cyprus." The collection of unpaid bills, for example, took years to resolve in court. This loophole was

often used by debtors to delay paying their obligations to businesses in the process creating all sorts of cash liquidity problems. This abnormality led to many businesses losing faith in the court system as a timely adjudicator; many businesses simply refrained from taking their cases to court and chose instead to bear the loss. Indicatively, the Nicosia District Court reported that the average number of civil cases lodged in court in the years 2001-2004 was 13,353 whilst for the period of 2005-2009 this number fell to 9,073.¹⁹ Many believe that this drop in numbers can be attributed to loss of faith by businesses in the process.

Taxing and Diverting

Turkey currently maintains some 40,000 occupation troops in the occupied part of Cyprus according to the United Nations Secretary General²⁰ plus an immense number of armaments. This terrifying situation led to people focusing their attention on the political problems of Cyprus and taking their eye off critical economy issues and decisions. For example, the government slammed a crippling “defense levy” that takes away from businesses every year some €400 million ostensibly for defense purposes. The reality is that these funds help the government meet the over-blown public sector payroll and have nothing to do with defense.

During the period of the real estate bubble, some ten years back, the government did little to discourage the destructive course that the bubble was taking because it profited in a big way from the taxes it collected through inflated land prices. The 20% capital gains tax filled government coffers and encouraged outrageous union demands whilst in the process killing agriculture. With land prices rising fast, land owners pressed the government to change building zones and in effect to convert nearly all of Cyprus’ private land into a huge building plot. The vast majority of private land now has some form of building rights. Agricultural land that was under vine cultivation for centuries was turned into high-priced building land thus removing it from agriculture. In fact, it was not uncommon to hear of traditional farmers selling their land to live off the proceeds. Grape production fell from a high of 250mil kilos in the late 70s to some 13mil in 2012.²¹

The state-controlled monopoly/oligopoly organisations such as the electricity and telephony providers that were supposed to operate as not-for-profit entities were ultimately turned into tax generators and tax collectors for the

government. Using a cost-plus approach they upped their prices as necessary and generated what they euphemistically called “profit” which in turn went to the government in the form of dividends. These untowardly practices added to the cost of doing business and in some cases even drove businesses out of the market, e.g. the high electricity costs.

The banking fraternity that was basically controlled by 2 or 3 banks used its dominant position, and the sector’s relationships with politicians, to charge exorbitant interest rates plus a long list of other “charges” that pushed the cost of money for business out of bounds. As if this was not enough several politicians and political parties had their loans forgiven by the banks and in the process infuriating a suspicious public. As the economic situation kept worsening the government of the day decided to secure a Russian loan of 2.5bil to pay public sector bills instead of first cutting down on its expenses. Once the cash flow situation was temporarily solved through this loan the government and the political elite continued in their high spending ways whilst making no serious effort to solve the economy’s structural problems.

Banking

The banking crisis was a systemic catastrophe that brought the economy to the brink of total disaster. The banking situation was an accident waiting to happen. Over the years the balance sheet of Cyprus’ banks kept growing in an uncontrolled manner and by 2011 banking loans accounted for 385% of GDP, many of these loans turned out to be non-performing. The banking system found “ingenious” ways of attracting deposits. They simply offered depositors interest rates of 4+% whilst most of the EU’s interest rates on deposits were less than half this number. Having attracted expensive money the banks had to find borrowers that were willing to borrow at 9% in most cases. Alternatively they had to invest their money in risky high-yield Greek bonds, etc. The high cost of borrowed money in turn rendered business uncompetitive and unable to export. The high cost of borrowed money cost businesses and individual borrowers some 1.5bil per year if one were to assume that an interest surcharge of 3% was charged by the banks. All these plus autocratic and ineffectual leadership proved to be the undoing of Cyprus’ banking system. Despite the high interest rates banks maintained a huge portfolio of assets. Banks’ loans alone equalled 385% of GDP. (Table 7)

Table 7

Banking loans by category	Banking loans as % of GDP as at Dec., 2011
Loans to households	152%
Loans to businesses	175%
Total loans to households and businesses	327%
Total loans to economy	385%

Source: Cyprus Central Bank

Even the economic crisis failed to put a break on the banks' half-crazy behaviour **Table 8**

Table 8

Loans	Dec. 09	Dec. 10	Dec. 11	% change	
				Dec. 10/ Dec.09	Dec. 11/ Dec.10
<u>Businesses</u>	<u>27.441</u>	<u>28.179</u>	<u>31.079</u>	<u>2,7</u>	<u>10,3</u>
<u>Households</u>	<u>23.515</u>	<u>25.818</u>	<u>27.070</u>	<u>9,8</u>	<u>4,8</u>
Housing	12.616	14.474	15.139	14,7	4,6
Consumer	4.857	3.479	3.483	-28,4	0,1
Other	6.043	7.864	8.448	30,1	7,4
<u>Other loans</u>	<u>6.918</u>	<u>7.478</u>	<u>9.921</u>	<u>8,1</u>	<u>32,7</u>
Total	57.874	61.475	68.573	6,2	11,5

Source: Central Bank of Cyprus <http://www.centralbank.gov.cy/>

To the above list of bad practices the independent observer needs to add the Central Bank of Cyprus' poor controls that basically allowed banks to trade riskily and with few checks. Uppity behaviour was also at the centre of failure.

Cyprus' Missed Chances

Tourism:

Cyprus missed the chance to make good use of its priced tourism asset because of lack of farsightedness. In terms of Tourism Infrastructure Cyprus ranked 1st in the world.²² Yet Cyprus failed to capitalise on this because it offered a poor value for money package. The 2011 Travel and Tourism Competitiveness Index ranked Cyprus in 24th place in the world.²³ Whilst tourism started out with optimism, the overall product value worsened with time and now attracts mostly medium-spending tourists of a 70 a day budget.²⁴ Cyprus' hoteliers are asked to pay a host of taxes on their revenues that make the product difficult to sell. Taxes include amongst others: corporate tax, immovable property tax, sewage tax, value added tax, municipal tax and levies on: overnight stay (1-2% of room rate,) municipal immovable property tax, beach tax, cleanliness tax. In addition hotels have to pay numerous levies and permit costs such as: a Cyprus Tourism Organisation levy, permit to sell Alcohol and Tobacco, permit to allow the exercise of Professional services, permit to practice the Occupation of hotelier, swimming pool permit, petrol and gas permit, "wireless" levy, etc. The hotelier is then asked to pay crippling electricity bills which in themselves include a host of other taxes.²⁵

For years Cyprus' labor costs to revenue stood at a crippling 50% the moment the American Hotel Motel Association recommended 34%. The labor cost situation has now improved slightly; but not enough to make a difference.

Cyprus failed in its effort to extend its tourist season outside the traditional tourism months of April-October which in 2011 contributed 86% of the tourist revenue.²⁶ In the same year the remaining 5 months contributed only 14% of revenues. By all accounts Cyprus is ideal for winter tourism partly due to its temperate climate.

Merging Small Businesses:

Cyprus' market is dominated by small family-owned businesses many of which disappointingly are too small to enjoy economies of scale; thus making survival difficult. An incredible 94% of companies in Cyprus employ less than 10 employees.²⁷ These organisations have little or no critical mass. Small

businesses were the first to fail as the crisis began to take hold of the economy. Even though small businesses have their own characteristic merits (e.g. commitment by family members) these often lack competitiveness, invest little on expansion, have little or no research and development and corporate governance is often non-existent. Cyprus failed to see the possibility of mergers as a way of alleviating the problem. In the few activities where mergers took place service to the client improved vastly and chances of survival were enhanced.

Energy Alternatives:

Cyprus failed to promote sustainable renewable energy sources. Cyprus failed to abide by the relevant European directive that asked member countries to reduce their dependence on imported oil. European directive EU 77/2001 includes a list of renewable energy sources that include: wind, solar, geothermal, biomass, etc. In the case of Cyprus the debate was naturally concentrated around solar energy where Cyprus has a vast advantage. Cyprus failed to exploit solar energy and continues to have an isolated system of energy management which is totally dependent on imported oil.²⁸ According to the Cyprus Meteorological Service all areas of Cyprus have long periods of sunlight and certainly much more than most European countries. In the flatter areas of Cyprus the average number of hours of sunlight for a whole year is 75% of the number of hours that the sun stays in the horizon. During the summer period Cyprus enjoys 11.5 hours of sunlight and 5.5 hours in the months of December and January. Instead of pursuing with vigor solar energy projects, successive governments chose to stay with imported fossils for electricity generation.²⁹

Innovation

Cyprus failed to use the skills of its many graduates; many from world class international universities. Successive governments created a culture that encouraged young talented people to join the public sector or the quasi oligopolistic banking sector where waterproof job security and unreasonably high salaries were the rule of the day. All one needed to do to gain a promotion in these sectors was to wait one's turn. In this way, instead of creating a vibrant community of innovators and entrepreneurs Cyprus created

a privileged class of bureaucrats who for over many years worked until mid-day and then took the afternoon off courtesy of the “privileges” bestowed on them by the unions in complicity with the political elite. Cyprus saw far too many young people gradually becoming victims of the very system they served. As unemployment now looms many of the banking sector’s 11,000 employees will for sure face many a hardship before securing another job which would probably pay half of what their current job pays.

Cyprus has a poor record of investment in innovation and has little to show in this area. The EU set as target that of 3% of GDP for investment in research and development. In 2010, Cyprus invested only 0.50% of GDP in research positioning itself second-but-last (Romania was last) in the “investment in research” table.³⁰ Finland took first place with 3.96% of GDP and Sweden 3.62% of GDP.³¹ Worst, Cyprus did little to improve the situation considering that in 2009 it invested only 0.49%, in 2008 a mere 0.42% and in 2007 just 0.44%. Of this meager investment in research: tertiary education institutions invested 46%, Government invested 20.4%, private businesses 19.8% and private non-profit organisations 13.8%.³² Cyprus counts only 900 researches out of a total of 1.56 million in the EU.³³

Privatization and Elimination:

Cyprus failed to take bold steps towards privatization and elimination of government departments that have no role to play because of fear of antagonizing the unions and the many voters that state-controlled organisations command. These types of organisations are friendly to politicians and allow them to make appointments of party supporters. The political elite had an opportunity to make change and to move the economy of Cyprus forward; but squandered it. To this day we see state-dependent organisations, whose role has become either fully or partly defunct, continue to employ staff that have little or no work. For example: the Grain Board and Land consolidation department. The two major ports of Cyprus are under the control of the state (and the unions!) A great opportunity was missed to privatize these two ports. Exploitative practices by the employees and their unions have been in existence for decades inside the ports. Overtime pay often doubled take home pay the moment a less-costly shift system could have sufficed. It took a decade of negotiations before an under-utilised crane could

be moved from one port to the other as the unions demanded that the crane remain immobile and unused to justify their “employment.”

With the advent of the Troika the three main state-controlled organisations that are now targeted (mentioned in the MoU) for privatization are: telephony, electricity and the ports. There is much resistance to change by the public partly because of propaganda over the years in favour of state control and out of the hands of greedy capitalists (!). Cyprus Airways, the state-owned airline and for all practical purposes bankrupt company, is also on Troika’s target list.

Path-dependency

In their compelling book titled “Why Nations Fail” Daron Acemoglu and James A. Robinson talk about “Path-dependency.”³⁴ They describe path-dependency as doing the same thing but at a different level. In other words, maintaining the same mind set over time and failing to learn from past experiences.

Many of the wealthier Lebanese that tried to escape the long civil war (1975-1990) in their country found refuge in Cyprus where they enjoyed a hospitable environment a few tens of kilometers away from their mother land that was in strife. The continued influx of Lebanese into Cyprus obviously created opportunities for real estate companies and pushed rents up; particularly in the quality residence market. Equally, many Lebanese set up their business offices in Cyprus and continued operations out of Cyprus. As a result, a new set of well-paid activities cropped up. The author considers the period between 1974 and 1990 as the first phase of stage 3 in Cyprus’ modern economic history and the period after 1990 as phase two.

Once the Lebanese war ended the Russians started arriving into Cyprus in numbers. Though no specific date can be put on the demise of the Soviet Union one can say that 1990 was a pivotal year. It so happens that this year also marks the end of the Lebanese civil war. As the Soviet Union began to unravel and the system opened up, thousands of Russians began to flock to the historically friendly (towards Russians) Cyprus. This development created a lucrative business opportunity for Cyprus as Russians started bringing in billions of Euros, buying expensive properties, setting up businesses, etc.

The two events above are characteristic of how opportunities come out of

historic events and how these can shift the economy into a lucrative but dangerous course as often such events are chancy and unsustainable. Worse still, new economic activity is often built around such precarious situations as old but time-tested activity is abandoned. The above two events had a seminal effect on the services sector that Cyprus built and which ultimately ended in disaster with the crushing of Cyprus' two largest banks that saw thousands of Russians losing their money to depositor bail-ins.

The crux of the matter is that Cyprus never stopped to ask whether this course was sustainable and whether it was really working around a firm business model. To this day Cyprus failed to learn from its bad experiences with the "business services" model and continues to emulate a failed model. Cyprus is now granting easy visas to third country citizens that wish to buy property in Cyprus for 300,000. One now sees land developers and land agents scurrying the Middle East and China in search of visa takers and in the process angering many EU countries that see visas as something different to a tradable package of "residence visa + property for 300,000."

Failure to Create a Real Economy

Over the last 20 years Cyprus failed to create a real and well-balanced economy. Instead of exercising patience and taking a long-term view of its economy Cyprus elected the short-term unsustainable route of making quick money out of all types of services some of which were of a questionable nature. Balanced economies need long term planning and sound leadership. Central to the success of many time-tested and successful economies is their dependence on a broad range of activities (eg. Switzerland: 1st on the WEF's competitiveness table.) For centuries Switzerland relies on a broad-based economy that includes banking, insurance, etc but also agriculture (dairy business), manufacturing, pharma, technology-based industries, etc.

Cyprus' viticulture goes back to ancient Greek times having survived, through the resilience of its vine stock, many a pestilence including the phylloxera epidemic of the 19th century that devastated the majority of the vineyards in Europe and North America. Cypriot viticulture that stood firm for millennia was destroyed overnight some 35 years ago through a thoughtless government decision to offer farmers incentives to uproot the indigenous and resilient varieties and to replace these with French varieties

or to abandon viticulture altogether in favour of the emerging services sector. It took thousands of years to create a tradition and a few years of “modernity” to destroy this. Some twenty years later, and after viticulture was basically destroyed and farmers were turned into hotel employees, a decision was taken to go back to the indigenous variety.

Public-Private Partnership (PPP)

The concept of public-private partnership was fought tooth and nail by unions and most political parties. It took over 10 years of debate before Cyprus’ two international airports could be built through private money. The debate raged as the tax-payer kept subsidizing the two loss-making airports and as the public kept receiving shoddy and impolite service. With PPP the government is now spared the subsidization, whilst earning an annual fee plus a share of the airports revenues; not to mention the huge upgrade in quality of service.

What next for Cyprus’ Economy

The loan agreement (Agreement) between Cyprus and the European Stability Mechanism (ESM) is now a reality. Thus any debate on a “for” or “against” platform is fruitless; at least for the moment. Some see the approval of the Agreement as a disaster that has put Cyprus in an unwinnable game. These same people see the signing of the Agreement as a hopeless move that aims to help the government get the first tranche of money: a.) to escape bankruptcy and b.) to pay the public servants’ next salary and to stop them from turning ugly. The Agreement is viewed by most as a short-term cure for Cyprus’ deep-rooted economic problems. The Agreement stresses frugality and cuts, introduces higher taxes but fails to tackle the burning issue of short-term development to help kick-start the economy. The Agreement has no answer to the expected fall in internal demand by 12.2% in 2013 and probably 5.6% in 2014.⁽³⁵⁾ Admonitions in the direction of improving revenues from tourism that are expressed in the MoU, touch themes that have been discussed repeatedly in the past. The Agreement’s terms on restructuring sound good and hold great promise; but only apply to the medium and long term.

The agreement sounds optimistic (as if deliberately) on GDP forecasts. To many observers these forecasts appear to be the product of political wishful

thinking and justifiably come into conflict with other more well-thought-out forecasts.³⁶ The Economist forecasts that in the worst case scenario the fall in GDP in 2013 *could be* as high as 20% and unemployment as high as 17% of Cyprus' labor force. Significantly, the year after the Turkish invasion of Cyprus (1975) the economy shrank by 19%. The Economist goes on to say that any forecasts on what is likely to happen are impossible to make at this stage. The same article also talks about "...looming impoverishment..." of Cypriots. The more sinister members of the community see these unrealistic figures of the Troika as a "catch" that was designed to encourage an easy run through parliament; parliament voted yes, albeit with a flimsy majority. Others say that the optimistic figures that appear in the MoU are meant to appease the IMF whose contribution was necessary if Germany were to be part of the plan. The Agreement fails to take account of the uncertainty around the banking sector and the fact that the two major banks (formerly holding nearly 50% of deposits) have blocked depositors' money and that when these monies are ultimately freed they are likely to migrate out of the two banks (and most likely out of Cyprus.)

Cyprus will find it hard to repay its loans to the ESM and in all likelihood will ask for extensions, etc. Cyprus' debt will certainly exceed its GDP as the latter begins to shrink; just as it happened in Greece. In 2010 Greece's debt to the ESM stood at 49.5% of GDP. Two years later (2012) and on account of falling GDP this debt stood at 67.1%.³⁷ Cyprus debt to the ESM now stands at 57.1% of GDP but even under the most optimistic forecasts this percentage is likely to rise as GDP falls. The analysis of the University of Cyprus Economic Research Centre³⁸ as regards the impact of the bail-in says, "... a reduction of 20%-30% in total deposits will have the following effects on the Cypriot economy: (a) A reduction by 5%-8% in real GDP; as a result the contraction in real economic activity in 2013 is estimated, at least, at 9%-12%." Unemployment is likely to rise to 20% considering the closure of at least one bank and the downsizing of the banking sector and likely redundancies in the public sector. The same report says that business and consumer confidence is going to drop as the Economic Sentiment Indicator (of the Center) is likely to drop by 20 units thus worsening an already bad scene. The report estimates reduction "...in imports of goods (in nominal terms) by up to 22%; a smaller decrease in exports of goods (2%-6%) and a slight increase in tourist arrivals (2%-4%)..." The magnitude of the drop in GDP is the

big question that no-one dares answer with confidence. Even if in 2013 GDP drops by a modest 10% this is likely to result in a debt that will exceed 100% of GDP. Carmen Reinhart and Kenneth Rogoff believe (even if Thomas Herndon, Michael Ash and Robert Pollin disagree) that when government debt exceeds 90% of GDP, growth slows to almost a standstill.³⁹ Few in Cyprus would disagree with Reinhart and Rogoff seeing what happened to their brethren in Greece under Troika.

Marios Zachariadis, economist at the University of Cyprus in a recent article⁴⁰ lambasts the Eurogroup for its unfair treatment of Cyprus and for the fact that the Eurogroup sacrificed Cyprus to save the Greek banking system. Zachariadis forecasts that, “The overall likely outcome (of the bail-in of depositors) is a double-digit dip in GDP growth for 2013 with positive growth rates out of reach for several years thereafter.”

Referring to the Troika’s conditions Lawrence Knight, business reporter of the BBC forecasts that Cyprus’ short-term future is likely to be bleak and that the long-term future of Cyprus looks uncertain *and out of its control*. Thus, Cyprus is about to experience something very distasteful; regrettably it is the product of the banking sector’s systemic and devastating effects, the ruthless (and unfair) treatment of Cyprus by the Eurogroup and the careless and self-serving bad practices of successive governments.

For 2013 the Agreement forecasts a fiscal deficit for the general government of not more than 395mil or 2.4% of GDP the moment the economy is crumpling and no-one dares forecast what will happen after the banks start operating normally. No-one knows what would be the reaction of foreign companies that operate out of Cyprus and whose deposits were marauded by the decision of the Eurogroup.

This insidious economic decline could have been avoided had the Eurogroup adopted a more helpful and less punishing approach to Cyprus’ economic problems. In a letter to the deputy editor of the Financial Times on the 13th of February and as the bail-in of depositors was mooted Aris Petasis (author of this report) suggested the following as a way to solving Cyprus’ economic woes and avoiding a meltdown, “*A workable plan for Cyprus would entail the following: a.) comprehensive examination of the money laundering question to provide added confidence in the system, b.) involvement of the European Stability Mechanism in the recapitalization of banks, c.) major restructuring of the Cyprus*

economy; starting with a significant shrinkage of the bloated public sector and the selling off of state organisations which is long over-due. This will help Cyprus become more competitive (currently ranked 58th on the World Economic Forum index) and d.) unrelenting, but methodical, shrinkage of Cyprus' Over-grown banking sector starting with their overseas operations. Cyprus' banking sector at this moment is 8 times the size of its GDP and this worries the Eurozone.” Regrettably once the Eurogroup had taken its decision there was no going back, irrespective of the validity of counter arguments.

Though most of the measures suggested by Troika look helpful, some of these appear superficial and cannot in any meaningful way contribute to solving the problem. The MoU calls for a trivial reduction in the rewards of pensioners and employees of the public sector: 0-2000:0.8%, 2001-3000:1%, 3001-4,000:1.5%, over 4001:2.0%. Even the uninitiated knows that these kinds of measures simply scratch the surface but do not solve the problem. Simply: these make life easy for politicians and help them avoid making hard but necessary decision. The MoU calls for the non-replacement of 3,000 public sector employees for every 4,000 that retire. This could have been an option two years back but not now that the government's financial resources have dwindled and the economy is crumbling. A more radical approach is needed soon to reduce the burden on the economy that the thousands of supernumerari public sector employees are creating. The Agreement fails to address the calamity that has befallen on the thousands of people that are now out of a job or have lost their businesses.

The Agreement includes some potentially dangerous clauses particularly as regards the sovereignty of the country. More specifically the ESM is free to revise the terms of the agreement before giving Cyprus more money. Specifically, the agreement gives the right to the ESM to change terms and refuse outflow of funds if: a.) it notices that the Memorandum is not applied as given and b.) it feels that the fiscal and economic situation of Cyprus has deteriorated.⁴¹ Equally dangerous to the economy of Cyprus is the option of some of the money to be loaned to Cyprus going towards the recapitalisation of the remaining banks (e.g. the Co-op banks, Hellenic bank, etc.) the moment no one knows what the potential needs of these institutions would be.⁴² In such an event the line of credit will for certain not be enough to cover the cash-flow shortfall of the government, making more loans mandatory.

The Agreement allows controls from outside Cyprus (controllers from abroad), a development that most Cypriots find unpalatable considering the long continued interferences of outsiders in the affairs of Cyprus. Thus, much of the economic decision-making will now be in the hands of the Troika and the democratic institutions of Cyprus will suffer. In addition, the Troika could create incalculable risks as regards Cyprus' energy reserves. More frightening is the possibility that this Agreement may impact negatively on the way Cyprus' political problem is solved.

It seems that the sooner Cyprus applies all the reorganization provisions of the MoU, the sooner Cyprus can free itself from the risks of financial and political fallout from the Agreement. Already articles in the foreign press mooted the possibility of Cyprus' potential gas supplies going through Turkey, seen as a cheaper route that would give Cyprus more cash to pay back the Troika. Those supporting these views take no cognizance of the fact that nearly half of Cyprus is occupied by Turkey and that Cyprus cannot possibly partner with its occupier.

As regards the energy reserves that could potentially liberate Cyprus from the Troika, Aris Petasis wrote in an article that appeared in the Energy Tribune, Houston (posted on 27 December, 2013,) ⁴³ that the energy reserves will always be under threat from Turkey and thus any future revenues will need to be seen through this prism. He suggests that unless the security of these reserves is guaranteed any talk of future revenues is fruitless. Petasis wrote, "*Any discussion on the management of Cyprus' and Greece's energy reserves has to take cognizance of the geopolitics of the volatile Eastern-Mediterranean and the shifting political sands of the Middle East...Whilst recognizing the importance of economics...we also need to focus on diplomacy and geostrategy.*" The article goes on to explain that: "*At its core lies diplomacy and geo-strategy as much as economics. We need to view Russia and Israel as pivotal players that need to be on board with us. Importantly, we need to work closely and amicably with the US, France, China, the UK (guarantor power of our constitution) and our friend Egypt making doubly sure that the interests of these important countries are served.*"

Cyprus needs to act quickly now that the Agreement is a fact. For a start, Cyprus would need to start looking at restructuring its economy speedily (as explained earlier.)

Cyprus would need to start rebuilding its economy from zero base

considering the destruction of some of its sectors as a result of the Eurogroup's decision to crash Cyprus' two largest banks. Prior to the banking disaster Cyprus had the following sector activities (Table 8)

Table 8

Sector	Cyprus
Agriculture, etc.	2.3%
Industry	6.6%
Construction	7.2 %
Other industries	2.6 %
Tourism, wholesale/retail	25.5%
Financial & real estate	30.0%
Public services	25.9%

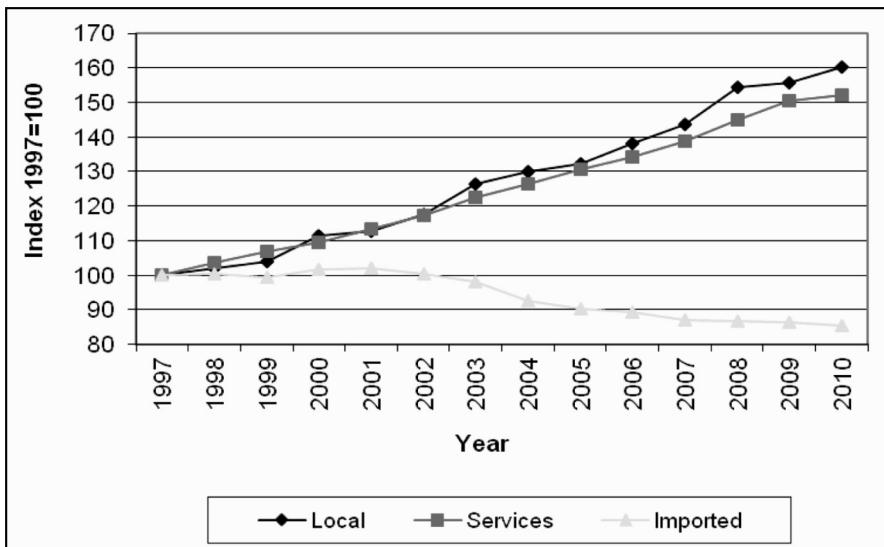
Source: Eurostat 2010

The above sector mix has now changed considering that the financial sector that used to contribute 13% of total has for all practical purposes been destroyed at least for the near future. Construction that accounted for 7.2% to the economy has also been destroyed for now. So, Cyprus would need to look into the other sectors to recover its economic vibrancy. Regrettably, an irresponsible euphoria has been built around the belief that tourism is going to save Cyprus. The reality is that the tourist industry has its own limitations and cannot possibly rebuild the economy on its own. For a start tourism's contribution to the economy is hardly 10%. This percentage is likely to improve but only on account of the expected shrinkage in GDP. Tourism used to contribute roughly 20% of GDP in 2000. Now this has fallen to about 10%. More importantly, occupancy rates that used to be 70% in 2000 are now (2012) down to 60% because the Cyprus tourist product is not competitive and is highly taxed. So, for tourism to have its full impact a lot of work would need to be done first.

Cyprus would need to improve its competitiveness quickly. This will not be easy considering that in the last WEF rating Cyprus held the pitiful 58th position and probably now this position has deteriorated even further. For a start,

Cyprus would need to improve its productivity (labor and total productivity). A 2012 ILO report puts Cyprus' average salary in PPP terms at 16th place, just \$11 lower than Singapore's, who is ranked 2nd on the WEF's competitiveness table out of more than 140 countries. Either employees will have to become significantly more productive (a fit that sound less than plausible) or their salaries would need to be reduced significantly to create what is known as internal devaluation. Some of the measures that Troika suggests, if applied timely and rightly, will probably go a long way in achieving this objective. This would need to be done soon if Cyprus is to reverse the disastrous position of its current account deficit which in 2010 was in the region of 10% of GDP.⁴⁴ The graphs in diagram 2 below show that Cyprus has a long way to go before reversing its current account balance considering that the prices of local goods and services have been growing since 1997 whilst the prices of imported goods have been falling for most of this period. With 1997 indexed at 100 the cost of local goods stands at roughly 160 units and that of services at just above 150. The cost of imported goods stands at a commanding 85.

Diagram 2



Source: Cyprus Ministry of Finance. Table constructed by Simon Matsis former head of Cyprus' planning bureau.

Cyprus would have to look into improving its performance all-round: with or without Troika. In the WEF competitiveness index 2011/12 Cyprus has a pitiful performance on many counts aside of general competitiveness; particularly on critical indices such as: tertiary education (39th place), technological readiness (41st), innovation (45th), market sophistication (48th) and labor market efficiency (60th). As far as the labor market efficiency is concerned the author of this paper would go as far as to suggest that for the next 10 years, and as an emergency measure, union activity in the public and banking sectors and in all essential service sectors would need to be curtailed to a minimum if not frozen. This would go a long way in stopping the catastrophic relationship between unions and politicians that has wreaked havoc on the economy for so many years and helped create the situation that Cyprus finds itself in now. During this period salary and benefits reviews would have to depend on the data of salary and benefits surveys. Independent committees of experts could also be set up to review salaries, benefits and conditions of service.

The MoU stipulates that the public sector headcount would need a review by outsiders to determine structure and numbers. This is a step in the right direction provided that politicians accept the findings and enforce the recommendations. If this is done in the right manner, public sector staff numbers could probably reduce by about 30%. Regrettably this would mean more unemployment but in the end it would bring benefits to the economy and redress a long standing imbalance. In such a case the economy stands to save about 5bil in 10 years considering that the average cost to the government of employing a public servant is roughly 50,000 per year. If public servant salaries and benefits are reduced to market levels the economy would gain in competitiveness.

The three Troika targets for privatization would need to be sold off immediately if possible; with necessary care. The Troika expects the government to make about 1bil from this exercise. This amount would of course need to go towards helping reduce Cyprus' debt and not to cover public servant salaries.

Probably the most intractable problem that would need to be addressed is that of attitudes. Attitudes would need to change radically and a new spirit would need to reign otherwise any temporary gains would quickly erode; bad habits die hard! People would need to accept that reward must be tied to

performance and that good performers would be earning more than low performers. Meritocracy would need to be established in public life and politicians would need to make an extra effort to stay away from areas that are not in their domain and in this way allowing the market to work unhindered. In this regard the following attitudes would need to be ingrained: more rational behaviour and less emotionalism, more strategy and holistic approaches and less shorttermism, more team work and modesty and less individualism, more concern for others (the unfortunate in particular) and less concern for oneself and lastly more belief in our ability to survive this catastrophe and to turn things around. Attitude change starts in the home and in the school at an early age.

Cyprus can come back from the dead just as it did 40 years ago when it survived a military invasion that killed 2% of its male population and in 2004 when it managed to fend off against all odds the onslaught of a deadly plan that ostensibly was supposed to solve its political problem but which in reality would have destroyed its people. Cyprus would need determined actions, however, before its people can regain their smile.

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What Future for the Cyprus Problem?

Giorgos Kentas*

RÉSUMÉ

L'histoire de la question chypriote est pensée comme une histoire d'«occasions manquées». Ce document se penche sur cette pensée tout en suggérant que le discours sur les «occasions perdues» est articulé autour de certains préjugés et préférences politiques. La dernière initiative de l'ONU sur le problème de Chypre (2008-2012) est exemplaire. Les acteurs de l'ONU et d'autres ont vu une «occasion unique» dans deux leaders individuels. Ils se sont trompés dans leur jugement et leurs attentes. Rien ne laisse penser qu'une nouvelle «opportunité» ait vu le jour avec l'élection de M. Anastasiades à la présidence de Chypre. En fin de compte, le discours sur les «opportunités» constitue un passif considérable du problème de Chypre. Après tant d'échecs, il est grand temps d'envisager d'interdire le «discours d'opportunité» et de se concentrer sur les réalités du problème de Chypre.

ABSTRACT

The history of the Cyprus problem is thought to be a history of “lost opportunities.” This paper reflects on that thought and suggests that the discourse on “lost opportunities” is framed around certain political biases and preferences. The latest UN initiative on the Cyprus problem (2008-2012) is paradigmatic. The UN and other actors saw a “unique opportunity” in two individual leaders. They were wrong in their judgment and expectations. There is little evidence that a new “opportunity” has emerged with the election of Mr. Anastasiades to the Presidency of Cyprus. In the end, the discourse on “opportunities” constitutes a considerable liability of the Cyprus Problem. After so many failures, it is high time to consider banning the “opportunity discourse” and focus on the realities of the Cyprus problem.

Introduction

There is little doubt that the Cyprus problem is one of the most resilient international conflicts. The political, social, economic and cultural perplexity around that conflict is such that it is even difficult to mark its emergence in the international system. The Cyprus Question, as it is also known in the

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literature,¹ may be considered in the context of great power politics and a struggle for dominance and control on the island of Cyprus since the era of Thucydides.² In the contemporary—post-Westphalia—international system, the Cyprus problem was pertinent to the rise and fall of Empires and the emergence of the states system in Europe and the Middle East.³ In the context of the post-World War II era, the island of Cyprus became prey of a peculiar—yet asymmetric—struggle between the UK, Turkey and Greece.⁴ A strong link was forged between regional geopolitical re-arrangements and Cyprus' anti-colonial struggle for self-determination.⁵ Ultimately, geopolitics was superimposed over self-determination.

The historical contingency of 1950s engendered a political process that led into the creation of a new state; the Republic of Cyprus. Cyprus may have joined the ranks of post-imperial states, but it was primed to fail.⁶ The declaration of independence of the Republic of Cyprus in 1960 marked a new phase of the Cyprus problem. That phase may be defined as the strive of a tiny island in the Eastern Mediterranean to survive as a sovereign and independent state amid internal and external challenges. Since 1960, the Cyprus problem forms an intractable regional security complex that involves local, regional, and international actors.⁷

Since the declaration of independence, Cyprus' survival struggle took a number of turns. In 1961, just two years after the completion of the London-Zurich Agreements, the Republic of Cyprus dealt with a constitutional crisis. Turkish Cypriot House Representatives rejected a law that would prolong government's tax policy and the Turkish Cypriot Vice President exercised his right of veto over the implementation of a constitutional provision for the establishment of the Cypriot Army. That crisis was a bad omen for Cyprus. Two years later, in 1963, the President of Cyprus put forth some amendments over the Constitution of 1960.⁸ Turkey and the Turkish Cypriot leadership rejected Makarios' proposition for constitutional amendments. Within days, the uneasy political situation in Cyprus was cultivated into a violent crisis.⁹ The year that followed was crucial, for it restructured the political, social, legal and demographic situation on the island for good. In an effort to protest against the proposed constitutional amendments and promote a certain political agenda, Turkish Cypriot law makers, the Turkish Cypriot Vice President, and other members and officers of the governmental apparatus

“failed to turn up and were persistently refusing to exercise the functions of their respective offices.”¹⁰ Hence the Republic of Cyprus had to function under a peculiar legal doctrine of necessity.¹¹

After the events of 1963, Turkey and Turkish Cypriot leadership pursued a policy of secession. In parallel, some groups of Greek Cypriots thought that the struggle for self-determination must continue. Union with Greece (enosis) was their ultimate goal.¹² The Turkish policy of secession and the new political movement of enosis had some ramifications for the Republic of Cyprus. At the political level, the state of Cyprus faced an existential threat. Turkish Cypriots were organized in pockets and Turkey threatened to use physical force against Cyprus, which it actually did in the summer of 1964.¹³ At the international level, the UN Security Council issued a pivotal resolution on Cyprus and established a peacekeeping force on the island.¹⁴ The situation on the ground gradually evolved into a highly unstable political turbulence. Inter- and intra-communal violence, as well as foreign intervention, drew Cyprus into a deep crisis. By late 1960s, the government of the Republic of Cyprus could neither exercise its sovereign rights over its territory and population in an effective way nor deter internal and external threats. The coup in Greece in 1967 seems to have set a teleological design for the Cyprus problem.¹⁵ After a brief coup against Makarios’ government in 1974, Turkey invaded Cyprus and by August 1974 some 40% of the island’s territory came under its occupation. The status quo was dramatically changed and the demographic structure of Cyprus was artificially and violently altered.¹⁶

After the events of 1974, Turkey and Turkish Cypriots thought that they were in a more advantageous position to further, and ultimately complete, their secessionist policy. In 1975, Turkish Cypriots unilaterally declared the establishment of “The Turkish Federal Republic of Cyprus”, an alleged constituent part of a future federal structure in Cyprus. Eight years later, in 1983, Turkish Cypriots made a second unilateral declaration; this time they declared the establishment of the “Turkish Republic of Northern Cyprus” (“TRNC”). With 13 votes to, 1 against (Pakistan) and 1 abstention (Jordan), the UN Security Council deplored “the declaration of the Turkish Cypriot authorities of the purported secession of part of the Republic of Cyprus,” considered “the declaration referred to above as legally invalid and calls for its withdrawal,” and called upon all States “to respect the sovereignty,

independence, territorial integrity and non-alignment of the Republic of Cyprus” and “not to recognize any Cypriot state other than the Republic of Cyprus.”¹⁷ Apart from Turkey, no other state recognizes the breakaway “TRNC.”

UN efforts to mediate a comprehensive settlement of the Cyprus problem yielded no fruition. Since 1964 and up until 2004, a number of ideas, proposals, and plans were submitted and discussed by various actors, without however any concrete outcome.¹⁸ The most comprehensive proposal for the solution of the Cyprus problem was submitted in 2002 by the UN Secretary-General, Kofi Annan. After two years of negotiations that involved the two Cypriot communities, Greece, Turkey, the UK, the US, the UN, the EU, and a number of other mediators, that plan was put on two separate, simultaneous referenda in April 2004. The Greek Cypriot Community rejected that plan by 76%, while the Turkish Cypriot community endorsed that plan by 65%.¹⁹

The evolution of the Cyprus problem, however, must be also considered beyond the confines of the UN. Having established an Association Agreement with the European Economic Community in 1972, the Republic of Cyprus managed to develop and enhance its relationship with the European Union (EU), and gradually join the Union in 2004.²⁰ Greece and Greek Cypriots considered Cyprus’ route to the EU a means to safeguard the independence and sovereignty of the Republic of Cyprus. Entrance to the EU was deemed essential for achieving a settlement of the Cyprus problem in accordance with the Union’s founding principles.²¹ Turkey and Turkish Cypriots, on the other hand, considered Cyprus’ bid for EU accession a negative development that would undermine their negotiating position. Ultimately, Cyprus’ progress to EU accession was closely linked with the UN efforts to promote a comprehensive settlement to the Cyprus problem and Turkey’s bid for joining the Union.²² Although it is difficult to take a firm position, on retrospect, the “EU factor” had a negative impact on the Cyprus problem. The stance of some pivotal officials of the EU during, and after, the Annan plan process, alienated both Greek and Turkish Cypriots, who gradually became skeptical on the Union’s impact on the Cyprus problem. Greek and Turkish Cypriots may have different take-off points on the EU, but they seem to have come to the same point, i.e. that the EU is not trustworthy.²³

The long history of, and the relevant complexity around, the Cyprus problem make it an intractable international conflict which is quite difficult to be settled. This paper takes stock of the most recent UN initiative to mediate a comprehensive settlement of the Cyprus problem, and critically reflects upon the possibility of a breakthrough under a peculiar historical contingency that emerged in Cyprus in 2012-2013. That historical contingency comprises a number of factors, the most important of which are: 1. the deep economic crisis of the Republic of Cyprus, the worst in its history, 2. the discovery of abundant hydrocarbon reserves in Cyprus' Exclusive Economic Zone (EEZ), 3. the uncertainty that surrounds the region of Eastern Mediterranean, and 4. the coming into power of Mr. Anastasiades, who was elected President of the Republic of Cyprus in February 2013. All these factors are considered by the UN, the EU and other international actors to form a unique momentum for pushing a comprehensive solution to the Cyprus problem "in the coming months or years."²⁴ Although there is little substantial evidence (if any), some commentators convey systematically the idea that the ongoing historical contingency entails a grand opportunity for the Cyprus problem.²⁵ There is maybe a good chance for shifting the Cyprus problem from the current state of affairs into a new one, but, in any way, the Cyprus problem has been shifted to a number of states of affairs in the past. The question is always whether the new state of affairs would be better or worse than the previous one. It remains to be seen whether there is a chance for a new dramatic shift in the coming months or years or whether this is just another bombastic announcement of a new UN initiative that will vindicate the rule of thumb, i.e. that in the aftermath of a UN initiative on the Cyprus problem things are getting terribly worse.²⁶

The Discourse of "Lost Opportunities"

By doing away the complexity that surrounds the Cyprus problem, one may opine that the history of that problem is a history of lost opportunities.²⁷ There is some value in contemplating such an approach. Maybe there are some lessons to be drawn from a problem's history and the contingency upon which certain political agents acted and/or failed to act. The way in which one looks into a problem's past, however, depends on how they perceive history, agency and causality.²⁸ An investigation into the history of an international conflict

without a concrete philosophical and methodological account of inquiry would confine one's account into a certain interpretive analysis of "facts."²⁹ In the particular case of the Cyprus problem, political preferences and biases may frame one's sense of "opportunity."³⁰

Although a discussion on "lost opportunities" is relatively problematic – from an academic and a practical standpoint –, the history of the Cyprus problem is saturated with proclamations about "new opportunities" that should not be lost and/or assertions about "new windows of opportunities" that shall stay open for a limited time. The paradox with that "opportunity fixation" is that every previously "lost opportunity" for the Cyprus problem was deemed the last one.³¹ After so many errors in judgment about "missed" or "new" opportunities, it is maybe reasonable to reconsider that line of reasoning about the Cyprus problem and its future.³² Maybe the discourse about "opportunities" could be part of that problem and a considerable obstacle for its solution.

For quite a long time now, the situation on the ground is undeniably fabricated around a discourse of "opportunities." On that account, some reflection on the fixation of "lost opportunities" may be instructive. How could such a trend be explained? Why the deliberators of the culture of "opportunities" are keen in reproducing that discourse? How does a "lost opportunity" ultimately bear a new one? The discourse on "opportunities" is like déjà vu all over again, and again. On reflection, the reiterated public discourse of "opportunities" seems to be pertinent to an exercise of "expectation elevation" and/or a process of a self-imposed mission to deliver on a perceived sense of "opportunity." Sometimes this seems to be a tactic of a deliberate effort to drive the process into a certain direction.

Taking, for instance, the case of the Annan plan, those who talked about an "opportunity" were those who, one way or another, supported that plan. A media report that compares reactions on the Annan Plan in Cyprus, Greece, Turkey, the UK, Germany, Italy, the US and other countries and regions on December 2002,³³ shows that there was a mixture of perceptions about that plan. Only an empirical investigation may show "who" and "why" considered that plan "opportunity" or "misfortune." The very use of the concepts of "opportunity" and "misfortune" in the context of a discourse on the Cyprus problem presupposes a strong bias toward certain political preferences. These

preferences however are not necessarily incompatible with one another, i.e. a person who saw the Annan plan as an “opportunity” was not necessarily a “pro-solution” figure, like a person who saw the Annan plan a “misfortune” was not necessarily an “anti-solution” figure, and vice versa. It is only in cases where political bias drives one’s considerations all the way down that absolute conclusion(s) may be drawn.

Looking into a sample of academic scholarship one may discern various political biases. The work of Tocci, for instance, is a paradigmatic contribution to the discourse of “lost opportunities.”³⁴ On the other hand, Palley, for instance, suggests that the Annan plan was a “misfortune” for Cyprus, the UN and the broader international community.³⁵ Individual biases and standpoints may shape preferences and lead to certain conclusions, but they should not be considered in an “either/or” perspective. It is quite problematic to try to frame the political “reality” around the Cyprus problem over certain biases and/or standpoints. To the contrary, the Cyprus problem should be considered from a pluralistic angle.

Unfortunately, the UN team that dealt with the Cyprus problem in the aftermath of the Annan plan failure perpetuated the discourse of “opportunities.” In one of his reports on his mission of good offices, the UN Secretary-General epitomized that discourse:

*The Cyprus problem has been on the agenda of the Security Council for close to 47 years. The Secretary-General was first asked to use his good offices to seek out a durable solution in Cyprus in March 1964 (Security Council resolution 186 (1964)). Since then successive Secretaries-General and their Special Advisers have undertaken efforts, including the intense yet unsuccessful efforts between 1999 and 2004, to assist the two sides in achieving a comprehensive settlement. As more than four decades of reports to the Security Council have documented, there have been many missed opportunities...The Security Council subsequently adopted resolution 1930 (2010) on 15 June 2010, in which it strongly urged the leaders to increase the momentum in the negotiations to ensure the full exploitation of this opportunity to reach a comprehensive settlement.*³⁶

Although there is an understanding of the many challenges that the Cyprus

problem entails, the emphasis is mostly attached on the “opportunity discourse.” This may be a deliberate effort to encourage and push the parties for a compromise. At the same time however the “opportunity discourse” is coupled with a number of “warning signals,” such as “this is the last opportunity,” if it is not seized “the status quo in Cyprus will be unattainable.”³⁷ With the benefit of hindsight, the “opportunity discourse” is used as a political instrument for communication purposes. The aim is always to lever the parties into agreement, especially the party which is considered the most vulnerable one.

Another “Lost Opportunity”?

The latest UN initiative that was commenced in March 2008 was heavily premised on the well-established – yet ineffective – “opportunity discourse.” That was supposed to be the “greatest opportunity ever.” Before exploring the credentials of that “opportunity,” it is worth referring to the way in which the previously “lost opportunity” was rationalized by the UN.³⁸ Overall there are two major lines of rationalization. The first one relates to the decision of the EU to invite Cyprus to join the Union without a solution of its political problem being a precondition. According to a report prepared by David Harland:

In the years leading up to 2004, both sides [Greek and Turkish Cypriots] had an incentive to cooperate on a settlement, knowing that a compromise settlement might help get them into the EU. This was presumably a major factor to the Turkish ‘yes’ vote in 2004 referendum. Once the EU decided that the Republic of Cyprus could be admitted to the EU even without a settlement, the Greek Cypriots had very little incentive to compromise. This presumably helps to account for the size of the Greek Cypriot ‘no’ vote in 2004... When the EU was enthusiastic about “enlarging,” Turkey had an incentive to be cooperative on Cyprus, as a way to smooth its own path to the EU. Now the EU is less keen on enlarging, and conspicuously less keen on enlarging in Turkey’s direction, Turkey’s incentives to cooperate on a Cyprus settlement are less.³⁹

That line of reasoning about the “EU factor” is prevalent across the “opportunity discourse” literature.⁴⁰ The aforementioned report however seems to consider the nexus between the Cyprus problem, the EU, and Turkey in isolation of the historical contingency within which that nexus was

developed in the years leading up to Cyprus accession to the EU (1990-2004). Although this is not the primary aim of this paper, some thoughts about that issue could be put forth:

1. In 1990, the Republic of Cyprus made an application for EU accession on behalf of all Cypriots. That application was accepted by the EU, but, when invited to participate in the Cyprus team for accession negotiations (March 1998), Turkish Cypriot leadership decided not to participate and harden its position in the Cyprus problem.⁴¹
2. On December 2002, the newly elected Turkish government of Gul-Erdogan rejected Annan plan II. Had Turkey accepted that plan in Copenhagen, Greek Cypriots would have left with very few options.⁴²
3. In March 2003, Turkey and Turkish Cypriot leadership rejected Annan plan III and declined the Secretary-General's proposal to put that plan on referendum.⁴³
4. The way in which the UN team exercised arbitration in finalizing Annan plan V is highly contested.⁴⁴ In a detailed report on the post-referendum situation in the Cyprus problem, Sir Kieran Prendergast, Under Secretary-General for Political Affairs, admitted that the Annan plan failed to accommodate some major concerns of Greek Cypriots.⁴⁵

If considered out of context, all these stages could be considered as “lost opportunities” for a settlement of the Cyprus problem. In the case at hand, some proponents of the “opportunity discourse” camp see the transformation of “the Greek Cypriot incentive structure” as a primary cause of the Annan plan “lost opportunity”.⁴⁶ This seems more like a blame game than a comprehensive analysis. Oversimplification and monothematic approaches form an integral part of the Cyprus problem.

The second most popular line of rationalization for the Annan plan “lost opportunity” relates to the prevalence of a rejectionist attitude across the Greek Cypriot community. Following the first point above, had the Greek Cypriots not been given assurances about EU accession without a settlement, they would have probably developed a more reconciliatory attitude toward the Annan plan. At this point, the UN stresses the factor of leadership. Greek Cypriot leadership, it is assumed, was rejectionist all the way down.⁴⁷

Once again, “opportunity discourse” proponents miss some important points. Greek Cypriots never had crystal clear assurance for EU accession without settlement. Paragraph 9b of the Helsinki Council Conclusions, on which that assumption is premised, refers that:

*The European Council underlines that a political settlement will facilitate the accession of Cyprus to the European Union. If no settlement has been reached by the completion of accession negotiations, the Council’s decision on accession will be made without the above being a precondition. In this the Council will take account of all relevant factors.*⁴⁸

On careful examination, that paragraph carries both a carrot (i.e. “the Council’s decision on accession will be made without the above [settlement] being a precondition”) and a stick (i.e. “the Council will take account of all relevant factors”). In the years leading up to the 2002 decision of the European Council, which actually invited Cyprus to join the EU,⁴⁹ Greek Cypriot leadership thought that it had no other choice but to behave in a reconciliatory mode during a critical period of negotiations (1999-2002).⁵⁰ Greek Cypriot reconciliatory attitude yielded a number of concessions, the greatest of which was the acceptance of Annan plan I as a basis for the settlement of the Cyprus problem.⁵¹ EU accession was never taken as a given up until the very last moment.⁵²

The “opportunity discourse” camp may admit that Greek Cypriot leadership was acting on a reconciliatory purpose, but up to a point. The election of Tassos Papadopoulos to the Presidency of the Republic of Cyprus in 2003 is thought to have shifted the Greek Cypriot attitude. After all, Papadopoulos was the one who rejected that plan and urged Greek Cypriots to do the same.⁵³ In other words, the second argument for rationalizing the Annan plan “lost opportunity” is reduced to the preferences and choices of the Greek Cypriot leadership.⁵⁴ Paradoxically the UN saw Papadopoulos as both a reconciliatory figure (February 2003-February 2004)⁵⁵ and a rejectionist figure (February 2004-April 2004).⁵⁶ The UN (and other critics of Papadopoulos) can hardly claim to be objective judges. The weeks leading up to the finalization of the Annan plan and its rejection (March-April 2004) took place in a highly polarized environment.⁵⁷

For a period of four years the “opportunity discourse” camp saw no “window of opportunity” for the Cyprus Problem. For as long as Tassos

Papadopoulos—an allegedly rejectionist figure—was in power, no “true opportunity” was expected to emerge. The proponents of “opportunities” saw no actual hope when Mr. Papadopoulos mended ties with Mr. Kofi Annan in Paris in February 2006, and together they reached an agreement on how to move forward.⁵⁸ Neither did they see a “new opportunity” after Mr. Talat and Mr. Papadopoulos met and reached a five points agreement in July 2006.⁵⁹ Conventional wisdom mouthed by the “opportunity discourse” proponents suggests that Papadopoulos was an “opportunity damper.” There was no expectation for a “window of opportunity” under his reign. To the contrary, the expectation was a drift to partition.⁶⁰

On the assumption that “opportunities” derive from individual attitudes and preferences the UN (and other interested parties) saw the defeat of Papadopoulos in 2008 as a clear indication of a new “window of opportunity.”⁶¹ Having the rejectionist figures out, the pro-solution figures in and the EU role in limbo, a new “window for a settlement” opened. According to a high ranked UN official:

*On the island, it has never been more promising for a settlement. For the first time since the Turkish invasion of 1974, there are two leaders – Mr. Christofias and Mr. Talat—who are, in the terminology of the process, “pro-solution.”*⁶²

Some prominent followers of the “opportunity discourse” camp seconded that optimistic outlook. Following its typical tactic, the International Crisis Group (ICG) published a number of reports for claiming that the “new opportunity” is “the last one.”⁶³ If that opportunity was not seized, ICG estimated, “partition” would have been the certain outcome. In its monthly report, the Economist Intelligence Unit presented a similar assessment, suggesting that “[t]his is the first time that a solution is openly favored by both Cypriot leaders.”⁶⁴ That report however was cautious on the potential outcome of the new process; it put “the chances of a settlement during the outlook period at about 40%,” without giving any further explanation on how that percentage was calculated.

According to a DPA report, the new “window of opportunity” had some “veiled’ timelines.”⁶⁵ In view of leadership shift in the Turkish Cypriot community, the UN pushed (once more) for an “endgame” approach to the

Cyprus problem. In April 2009, following closed door consultation with Alexander Downer, the Security Council issued a report that “strongly urge[d] the leaders to increase the momentum in the negotiations to ensure the full exploitation of this *opportunity* to reach a comprehensive settlement based on a bi-communal, bi-zonal federation with political equality as set out in the relevant Security Council resolutions.”⁶⁶ The Council “also emphasized the importance of all parties engaging ‘fully, flexibly and constructively’ and looked forward to decisive progress in the negotiations in the near future.”⁶⁷

UN strategy was twofold. First, the process had to be accelerated before a possible leadership shift in the Turkish Cypriot community and second, Mr. Talat had to be provided with any help needed in order to consolidate his power and stay in the leadership of his community. The schedule of negotiations was implemented as it was originally planned.⁶⁸ Some progress was achieved, but the relevant UN reporters could not be optimistic about a swift outcome.⁶⁹ Some of the so-called negotiation chapters, such as property, territory and security could not be concluded without the express consent of Turkey. In view of the first political challenge for Mr. Talat in April 2009, UN officials took some extraordinary steps in order to keep “the window of opportunity” open. Two of these initiatives stand out.

In view of a visit of Mr. Talat to New York and in anticipation of political challenge that the latter would likely face, Under Secretary-General for Political Affairs, Lynn Pascoe, wrote a strictly confidential note to the Secretary-General “to strongly advise” him “to grant Mr. Talat an audience on one of the suggested dates.”⁷⁰ The UN official urged the Secretary-General to meet Talat with two political goals in mind. On the one hand, such a meeting would send a political message to the Greek Cypriot community that the process needs to be accelerated. In particular Pascoe wrote:

Although the strong link between them [Christofias and Talat] remains the bedrock of the negotiation process, their bond alone will not be sufficient to reach a comprehensive settlement. The meetings thus far have already exposed a plethora of divergent views where the flexibility of the two leaders will be required for a settlement to be reached. However, this is a time where the political environment on the island seems to be hardening.⁷¹

Knowing the political sensitivity of the Greek Cypriot community with Turkey and Turkish Cypriot efforts to upgrade “TRNC’s” international status, Pascoe stated implicitly his intention to irritate Mr. Christofias with the aim of signalling him the potential repercussions of a delayed process. That old tactic however just adds to the scepticism of the Greek Cypriot community with regard to the true intentions of UN officials.

The second goal of Pascoe was stated in an explicit manner. He wrote that:

Mr. Talat faces problems of his own. His party is likely to suffer electoral defeat in the upcoming “Parliamentary” elections on 19 April. The hard-line opposition National Party (UBP) is expected to unseat Mr. Soyer of the CTP, the current “Prime Minister.” This will narrow Mr. Talat’s scope for negotiating. The meeting with Mr. Talat would offer an opportunity to pass on, at the highest level, some messages to the Turkish Cypriot leader including the need to remain committed to reaching a comprehensive settlement and send positive signals to a public which is increasingly losing confidence in the process...Failure to meet Talat would certainly be perceived by the Turkish Cypriot community and in particular its media, as a “snub.” Such a perception should be avoided, as it could further undermine Mr. Talat’s pivotal position in the negotiations.⁷²

Independent of the many efforts of Mr. Pascoe and other UN officials, Mr. Talat could not consolidate his political power. Although UN people knew that Talat would lose ground, not due to his negotiation tactics, but mainly due to other factors,⁷³ they refused to reflect on their tactics. Neither did they reflect on the damage that these tactics would inflict on the Greek Cypriot public opinion nor did they make any second thoughts. In his report, Mr. Pascoe is indifferent with the impact of his stratagems on the Greek Cypriot community.

It may sound like a typical cliché, but it seems that UN officials never learn from their mistakes. After the April 2009 failure to boost Talat’s chances in avoiding a political defeat, UN officials thought that, in view of the April 2010 challenge, they should try even harder. This time Talat’s leadership in the Turkish Cypriot community was “threatened” by Mr. Eroglu, an allegedly hardliner. On the assumption that Eroglu’s leadership would tarnish the momentum and take the negotiation process into a different direction, some

UN officials thought that they should take some drastic measures. The decision was to intensify the negotiation process and invite the Secretary-General in Cyprus at the end of these intensified negotiations. After two rounds of intensified negotiations in January 2010 no agreement was reached in the sensitive chapters. The UN opined that “we will need even more courage and determination in the period ahead to bring these talks to a successful conclusion.”⁷⁴ Still, the UN was “convinced that these two leaders can achieve a mutually beneficial solution.”⁷⁵

The ultimate result however was disappointing. After 40 meetings in the first round of negotiations (September 2008-August 2009), several other meetings in the second round (September 2009-January 2010), two intensive rounds of talks in January 2010 and three meetings in March 2010, the “Christofias-Talat opportunity” was “lost.” A more systematic and careful analysis of these negotiations would show whether the rhetoric of the “opportunity discourse” camp had any credentials whatsoever. With the benefit of the hindsight such an “opportunity” hardly ever existed.

UN officials could not resist the temptation to make a last minute move. In an effort to project the image of Mr. Talat as their preferred leader of the Turkish Cypriot community, UN officials arranged a “surprised” meeting of the Secretary-General and Mr. Talat to the “presidential palace” of the latter when the former was in Cyprus in January 2010. That was the first time that a UN official visited the Turkish Cypriot leader in a place that symbolizes the “Turkish Cypriot state,” and that person was the Secretary-General. All these tactics and stratagems by UN officials yielded no result. In April 2010, Mr. Eroglu succeeded Mr. Talat to the leadership of the Turkish Cypriot community. UN seem not to understand that the scepticism about their true intentions across Cyprus is such that when they try so explicitly to promote and impose their preferences the public opinion will generally move into the opposite direction.

The alleged “window of opportunity” may have closed in April 2010, but UN-sponsored negotiations continued. In May 2010, inter-communal talks were resumed. The new round of negotiations entailed regular meetings between Mr. Christofias and Mr. Eroglu, meetings with the UN Secretary-General, shuttled diplomacy, and Working Group discussions at a technical level.⁷⁶ A number of new “veiled deadlines” were tried out without any

concrete result however. The chasm between the positions of the two communities remained unbridgeable. Ultimately, in May 2012 the process reached another stalemate. UN officials however never expressed resentment about their error in judgment and their misleading tactics. In retrospect, there are some things that the UN officials who planned and pursued policies and tactics which were proven essentially flawed must re-consider, as well as some lessons to learn.

Enter Anastasiades, etc.

There is one crucial lesson to learn from the Cyprus problem: Individual preferences and choices, personality and personal relations alone do not have a decisive impact on conflict resolution. This does not only apply to the case of Cyprus. It is common sense understanding in the broader domain of International Relations.⁷⁷ An estimation or assessment of a situation must take into account other level dynamics, beyond the individual level, as well as a number of contingent dynamics. With that caveat in mind, the election of Mr. Anastasiades to the Presidency of Cyprus alone shall not yield a dramatic shift in the Cyprus problem.

Some prominent speculators of the “opportunity discourse” camp see in Anastasiades’ election the missing part of an emerging perfect storm in Cyprus.⁷⁸ The assumption here is that Cyprus’ terrible economic situation and the cumulative trouble around its energy resources would exert enormous psychological and political pressure on Greek Cypriots in the coming months and/or years.⁷⁹ That situation entails a unique “opportunity,” so the argument goes, for driving Cyprus and Turkey together into common enterprises and mutual gains. What is missing is a determined leader in the Greek Cypriot community who will be eager to make the best out of that “opportunity.” In this section I take up these two assumptions, i.e. that a set of unprecedented factors were recently fused to create a sense of perfect storm in Cyprus and that Anastasiades would be keen to bandwagon on a master plan that will reconstruct Cyprus-Turkey relations.

The first assumption has some merit, but, at the same time, the emerging economic situation on the island may take different shapes. Nobody denies the fact that Cyprus is in a deep economic crisis. A survey shows that the economic crisis engendered an even deeper crisis of confidence and trust

across the entire socio-political spectrum in Cyprus.⁸⁰ Macroeconomic trends do not look good in terms of fiscal policy, national debt, national deficit, unemployment, consumer spending power, etc.⁸¹ Uncertainty prevails across all social strata. A bailout agreement between Cyprus and troika (i.e. the European Commission, the European Bank, and IMF)⁸² – which also entailed a painful bail-in for the depositors of the two largest Cypriot banks⁸³ – shall be implemented in Cyprus as of April 2013.⁸⁴ By submitting to the terms of a Memorandum of Understanding and a bailout loan, Cyprus will secure some 10 billion on a relatively low interest rate.⁸ The implementation of that agreement however will come at a high price. Cyprus will lose sovereignty over crucial economic, fiscal and financial affairs. All decisions that relate to these affairs shall be made in consultation with troika, with the latter having the last say. Troika shall review Cyprus' adjustment program on a periodical basis and, if it deems necessary, push for further austerity measures and economic/financial adjustments.

The record of troika-sponsored bailouts is pathetic⁸⁶ and there is no guarantee that Cyprus will be different. With the financial sector of Cyprus at the break of collapse – a sector that provided more than 45% of Cyprus' GDP – the country shall suffer a dramatic decline of its overall GDP and may find its economy embroiled in a spiral of recessions. In practical terms this implies that Greek Cypriots will see a remarkable dwindle in their standard of living, employment chance, property ownership, and life-chances in general. Foreign direct investments are expected to wane significantly. Tourism – which accounts to 9-10% of Cyprus' GDP – is the only sector that has a potential to stay intact or even grow.

The only hope is the anticipated income from the exploitation of Cyprus' natural resources. Natural gas upstream however shall yield substantial income in some years from now (2016-2018). The government of Cyprus licensed six plots of its EEZ to multinational corporations. Noble energy already explores block 12, ENI/KOGAS consortium shall explore blocks 2, 3 and 9 and TOTAL blocks 10 and 11. In summer 2013, Noble Energy shall proceed with a verification drilling in plot 12. That plot is estimated to have at least one reservoir worth of seven trillion cubic feet of natural gas and potentially some considerable reserves of crude oil. Noble is considering an exploitation drilling in a second reservoir in the same plot. If the verification

drilling is successful, the content of plot 12 shall be readily available for monetization.⁸⁷ Noble and the government of Cyprus came to an agreement over the construction of an LNG plant, which is likely to be developed in Vasiliko, Cyprus.⁸⁸ At this point, some plans are on the making on how to proceed with that plant and seek the relevant investment for constructing it.

It is rather difficult to estimate how and when energy plans will reverse the gloomy picture of the economy.⁸⁹ There are a couple of scenarios that may be considered here. The proponents of the “opportunity discourse” believe that Cyprus may attract some foreign investment and secure the revenues it urgently needs if it decides to channel its natural gas to Turkey and from there to Europe via a pipeline.⁹⁰ Such a prospect requires a package deal between Cyprus and Turkey in the context of a comprehensive settlement of the Cyprus problem. Turkey and Turkish Cypriot leadership are keen on that scenario.⁹¹ That prospect is promoted by others as well.⁹²

The monetization of Cyprus’ natural gas however has other chances in both the short and the long run. The current government of Cyprus pursues a number of deals with neighboring countries. In particular, Cyprus looks forward to making an agreement with Israel, Lebanon and potentially the Palestinian Authority. Turkey is not part of that planning. The aim is to strike individual agreements so that Cyprus may become an energy hub in the Eastern Mediterranean. The main idea is to have natural gas from Cyprus, Israel, Lebanon and, at the later stage, the Palestinian Authority or the Palestinian state, channeled to Vasiliko LNG plant for liquefaction and export. The government of Cyprus will be satisfied if it strikes one agreement, more likely with Israel.⁹³ If that plan does not pay off, the government of Cyprus is determined to proceed with the construction of the LNG plant for exporting its own natural gas. The “pipeline to Turkey” option is a non-starter.⁹⁴

Turning now to Anastasiades’ intentions, one needs to note that he is a man who speaks with two mouths. Looking into his record, the scenario that he will be keen to embark on the “opportunity discourse” wagon—i.e. to work for a package deal on the Cyprus problem and the co-exploitation of Cyprus’ natural resources—is quite plausible. Concerning the Cyprus problem, Anastasiades was a fervent supporter of the Annan plan. When that plan was submitted in 2002, he was among the first to support it and recommend to be accepted as the basis for a solution to the Cyprus problem. He also supported

the New York agreement of February 2004, urged President Papadopoulos to accept Annan plan V, and campaigned for the endorsement of that plan in April 2004. After the rejection of that plan, Anastasiades stressed that this was a “lost opportunity” for Cyprus and that any future negotiations for a comprehensive settlement must be based on that plan. He even suggested putting that plan to a second referendum.

Anastasiades view on the Annan plan was reiterated in many occasions. For example, in a meeting with the US Ambassador in Nicosia in 2008, Mr. Anastasiades was so adamant to claim that Tasso Papadopoulos “was stupid beyond belief not to negotiate that plan [the Annan plan] in good faith.”⁹⁵ “Renegotiating the basis of a Cyprus solution,” Anastasiades was recorded to say to the Ambassador, “seemed contradictory to Greek Cypriot goals.”⁹⁶ Anastasiades “actually favored retabling the Annan plan and aiming for changes designed to assuage G/C concerns over Turkish-T/C non-implementation.”⁹⁷ During Christofias-Talat negotiations, he accused the Greek Cypriot leader for not taking the Annan plan as the basis for an agreement.⁹⁸ In a meeting with the UN Secretary-General’s Special Adviser, Alexander Downer, in January 2009, he contended that “[h]ad agreement been reached over the use of the Annan Plan as a basis for the current negotiations, the process could have moved more quickly.”⁹⁹

Concerning Anastasiades’ view on the monetization of Cyprus’ natural gas, in the past he maintained a pluralistic attitude. In an interview to a Cyprus-based daily newspaper “*O Fileleftheros*” he did not discard the “pipeline to Turkey” option.¹⁰⁰ He rather considered it one among other options. Greek Cypriot critics of Anastasiades suggest that what matters is not what he is saying in public, but what he is capable of doing. During the presidential campaign in 2013, Anastasiades was accused by his two major opponents, Mr. Malas and Mr. Lillikas, for promoting the “pipeline to Turkey” option. Anastasiades rejected that criticism and stated that he shall not consider that option when President.

As a candidate for the Presidency of the Republic of Cyprus, and as a President afterwards, Anastasiades appeared with a new face in both fronts (i.e. the Cyprus problem and energy policy). As already stated, he rejected the “pipeline to Turkey” option and he works on the “LNG plant” option. In April 2013 he made a public announcement that his government made a final decision on the construction of an LNG plant. In May 2013, he will visit Israel

to discuss possible synergies between the two countries. Nicosia appears to have a strong intention toward a comprehensive agreement on energy security with Israel. If such an agreement is reached, and especially if Israel decides to export some of its natural gas via Cyprus' LNG plant, a new geo-political structure shall emerge in the Eastern Mediterranean. Such a structure will be incompatible with the ideas conveyed by the "opportunity discourse" camp. Turkey will not make it easy for Cyprus, but if some credible multinational companies express an interest in investing for an LNG plant, that new geo-political structure will have some implications for the Cyprus problem as well.

Concerning the pre- and post-election face of Anastasiades in the Cyprus problem, he made a number of commitments, public statements, as well as he gave pledges in writing for a new approach to that problem. If pursued and turned into policy, his record will be reversed completely. Looking into his manifesto for the Cyprus problem,¹⁰¹ one may discern a number of interesting remarks that indicate a comprehensive depart from his old views. For example, he states that:

1. He is not committed to Christofias proposals on government (i.e. the proposal for rotating presidency and a standardized voting system) and on demographics (i.e. the proposal for awarding citizenship to 50000 Turkish settlers). His commitment is that these proposals will be waived from future Greek Cypriot propositions.
2. The so-called Cyprus-led, Cyprus-owned process has failed. His commitment is that he will pursue a new process and claimed that the EU will be an integral part of that process.
3. He will not accept any timelines or UN arbitration.
4. He will not follow the established trend in the negotiations whereby the President of Cyprus was, at the same time, the Greek Cypriot negotiator. His commitment is that, although he will keep that role, he will also assign a Greek Cypriot chief negotiator so that talks with the Turkish Cypriot community may be preceded without the community leaders being present.
5. No new round of negotiations will be commenced before the economic situation in Cyprus is relatively stable.
6. He contends that the rejection of the Annan plan is irreversible and he is thus committed to that rejection and he shall not accept that plan to be

brought back for negotiation as a whole, in part, or with some “cosmetic amendments.”

7. Before a new round of talks, the basis of the negotiations must be clarified and agreed upon by the leaders of the two communities.

If Anastasiades sticks to his manifesto (and other commitments he made in public) it is hard to see how a new round of talks may begin. In the end, what matters is not what commitments he made during his campaign and afterwards, but what decisions he will make in the future. Much will depend, of course, on the intentions and decisions of the Turkish Cypriot leadership and Turkey. As Mirelli notes, the current position of the Turkish side is akin to a two-state solution.¹⁰²

Another dimension that matters is domestic politics. Anastasiades coalition government comprises of his party, right-wing Democratic Rally (DISI), center-right Democratic Party (DIKO), and right-wing European Party (EYROKO). The preferences of the current leadership of DISI are closer to Anastasiades’ old record, but it is keen to lean into any direction, for as long as Anastasiades is happy with that. DIKO and EYROKO are typically considered to promote a much harder line in the Cyprus problem. Looking into DIKO, the current leadership of that party is difficult to predict.¹⁰³ The leader of that party, Karoyian, who in the past supported Christofias government, seems to be at odds with the “rejectionist camp” in his party. In a meeting with Downer in 2009, when challenged about his party’s intention to support a settlement, Karoyian “insisted that the base would follow the leadership and he would face the challenge from rejectionists who have been fielded as candidates stated.”¹⁰⁴ Things are quite different today. In public, at least, Anastasiades’ political reverse in the Cyprus problem was deemed essentially necessary for securing the support of DIKO followers. At this stage, Karoyian is not in position to support any choices of Anastasiades in the Cyprus problem that will divert from the detailed agreement the latter made with DIKO in summer 2012. The case of EYROKO is much clearer. For securing the support of that party, Anastasiades was willing not to make any express references to a bi-communal, bi-zonal federation during his campaign. Traditionally, EYROKO supporters reject federation as an option for the constitutional reconstruction of Cyprus in the framework of a comprehensive settlement.

On a final remark about the domestic dimension, one needs to note that Anastasiades will hardly get AKEL's support. Due to an ineffective Christofias term in power, AKEL lost considerable political ground that wishes to take back. It has no other choice but to play a hard role in the opposition. AKEL leadership believes that the troika arrangement provide the party with a "golden opportunity" to attack popular support and re-capitalize its political power. AKEL expressed skepticism over that arrangement and it took a firm position against the provisions of the Bailout. Concerning the Cyprus problem, one needs to note that the leadership of AKEL was split over the Annan plan. In the end, the party had to adjust with the vast majority of its supporters who made a strong petition for the rejection of the Annan plan. It is also worth referring that, to some extent, Christofias negotiated in accordance with certain provisions of the Annan plan, but he rejected vital aspects of that plan (e.g. security arrangements, territorial adjustments, transitional period, certain structures of the federal arrangement, and some other provisions). Putting everything together, if Anastasiades enters negotiations with his old views, he should not expect that AEKL will be a readily available ally in the Cyprus problem.

In the end, some may think that the crucial question is which of the two Anastasiades will prevail. Even though this cannot be predetermined, what matters is not what intentions and preferences he may have, but how he will respond to domestic and international constraints.

Conclusion

Any consideration about the Cyprus problem must take into account its long past. The history of that problem draws much beyond the Greco-Turkish disputes and certainly it entails more dimensions that these which are contemplated in the context of inter-communal talks. The Cyprus problem will have a chance of being settled if it is considered away from the current banality.

This paper makes an argument for banning the "opportunity discourse" and looking beyond the unit-level aspects of the problem. Individual perceptions and intentions do matter, but, in the end, it is not that much what an individual thinks or intents, but how he acts. The Cyprus problem is a

victim of a naïve and/or a deliberate effort of the UN and other international mediators to extol the virtues and deprecate the vices of individual leaders at the expense of other, maybe more important, dimensions of the problem.

In effect, it is high time to take onboard second- and third-level dimensions of the problem. History suggests that the Cyprus problem is a problem of geo-political and geo-economic antagonism and the quest for a viable sovereign arrangement on the island in accordance with the standards of international society.¹⁰⁵ All these vital dimensions of the problem can hardly be addressed by the “opportunity discourse” camp. If another deadly “perfect storm” is to be avoided,¹⁰⁶ the stability and security of the region, as well as human life and dignity, must be put ahead of any opportunity phantoms.

NOTES

1. There is some disagreement over the proper reference to the situation in Cyprus. Most of the literature refers to a Cyprus problem. There are some authors, mostly of Turkish origin or affiliation, who prefer a reference to a Cyprus Question, e.g. Zaim M. Necatigil, *The Cyprus Question and the Turkish Position in International Law* (Oxford: Oxford University Press, 1993); Nasuh Uslu, *The Cyprus Question as an Issue of Turkish Foreign Policy and Turkish-American Relations, 1959-2003* (Nova Science Publications, 2013); Michael Stephen, *The Cyprus Question: A Concise Guide to the History, Politics and Law of the Cyprus Question* (London: Northgate Publications, 2001).
2. Thucydides, *The Peloponnesian War*. Translated by J. M. Dent. (New York: E. P. Dutton, 1910), I.94, I.112.
3. George Hill, *A History of Cyprus* (Cambridge: Cambridge University Press, 1940).
4. Ball, G. *The Past has Another Partner* (New York: Norton, 1982); Stern, L. *The Wrong Horse: The Politics of Intervention and Failure of American Diplomacy* (New York: Time Books, 1977); Van Coufoudakis ed., *Essays on the Cyprus Conflict* (New York: Pella Publishing Company, 1976).
5. For a comparative discussion, see Tözün, Bachel, *Greek-Turkish Relations Since 1955* (London: Westview Press, 1990); Monteagle Stearns, *Entangled Allies* (New York: Council on Foreign Relations Press, 1992); James Corum, “British Strategy

- Against the Cyprus Insurgents, 1955-1959” in J. Corum, *Bad Strategies: How Major Powers Fail in Counterinsurgency* (Minneapolis: Zenith Press, 2008), pp. 79-122.
6. Adams, T. W., “The First Republic of Cyprus: A Review of an Unworkable Constitution,” *The Western Political Quarterly*, 1966, Volume 19, Issue 3, pp. 475-470.
 7. On the theory of Regional Security Complexes, see Barry Buzan, *Regions and Powers: The Struggle of International Security* (Cambridge: Cambridge University Press, 2004).
 8. These amendments are known as Makarios’ 13 points. For a brief discussion, see William Mallison, *A Modern History of Cyprus* (London: I.B. Tauris, 2005), Chapter 3.
 9. Since 1959, Turkey has been systematically arming Turkish Cypriot para-military groups in Cyprus. In reaction, Greek Cypriots organized a number of ad-hoc security forces with the aim of defending the constitutional order in Cyprus in case Turkey and Turkish Cypriot para-military groups resorted to the use of physical force against the state. Later community para-military forces turned against one another, as well as they resorted to intra-communal violence. Foreign intervention was an integral part of the situation. For an interesting discussion see Parker Hart, *Two NATO Allies at the Threshold of War: Cyprus, A Firsthand Account of Crisis Management, 1965-1968* (Durham: Duke University Press, 1990).
 10. Criton G. Tornaritis, *Cyprus and its Constitutional and Other Legal Problems*. Second Edition (Nicosia, 1980), p. 74.
 11. Tornaritis 1980 op. cit.
 12. The movement of enosis in 1960 did not enjoy any political support by the Greek state.
 13. A. Mark Weisburd, *Use of Force: The Practice of States Since World War II* (Pennsylvania: The Pennsylvania State University, 1997), pp. 128-131. It is worth noting that Turkey threatened to invade Cyprus in 1964. Its plans were thwarted by the US and the Soviet Union.
 14. UN Security Council Resolution 186 (1964).
 15. Brendan O’Malley, *The Cyprus Conspiracy: America, Espionage and the Turkish Invasion* (London: I. B. Tauris, 2001).
 16. For a comparative discussion see Yael Ronen, “Status of Settlers Implanted by Illegal Territorial Regimes” *The British Yearbook of International Law 2008*, pp. 194-263. References to the situation in Cyprus may be found in pages 217ff.
 17. UN Security Council Resolution 541 (1983).
 18. Ideas and plans about the settlement of the Cyprus problem were submitted in the past by various actors. For a comprehensive discussion of the relevant ideas and plans between 1948 and 1978, see (in Greek) Νίκος Χριστοδουλίδης, *Τα Σχέδια*

Λύση του Κυπριακού (1948-1978) (Αθήνα, Εκδόσεις Καστανιώτη, 2009).

19. For a comprehensive discussion of the Annan plan, its ramifications for Cyprus, and its aftermath, see Claire Palley, *An International Relations Debacle: The UN Secretary-General's Mission of Good Offices in Cyprus 1999-2004* (Oxford: Hart Publishing, 2005).
20. Joseph Joseph, "Cyprus at the Threshold of the European Union" *Mediterranean Quarterly* Volume 7, pp. 112-22.
21. These principles are spelled out in Article 6 of the Treaty on the European Union.
22. This is explicitly stated by the UN Secretary-General, Kofi Annan, in a report, see United Nations, "Report of the Secretary-General on his Mission of Good Offices in Cyprus" [S/2003/398], April 1, 2003.
23. It is worth mentioning here that in December 2003, Turkish Cypriots were demonstrating in favor of EU accession. After Cyprus joined the EU without settlement, Turkish Cypriots lost faith to the EU, Greek Cypriots who thought that the EU would be a catalyst to a "fair" and "viable" solution to the Cyprus problem have equally lost faith to the EU. The way in which Union officials treated the Republic of Cyprus after the rejection of the Annan plan is quite traumatic to Greek Cypriots. According to recent Eurobarometer surveys, Cypriots are among the Eurosceptic populations. The way in which the EU dealt with the economic crisis agitated Greek Cypriot skepticism even further.
24. This is what Mr. Downer, the UN Secretary-General's Special Adviser believes. See Stefanos Evripidou, "Downer hoping to restart talks", *Cyprus Mail*, March 7, 2013.
25. Since November 2012, a number of articles about a potential new initiative for the Cyprus problem have been published. Among the contributors to that impression, "The Economist", "New York Times", "Financial Times", "Reuters", and "The Wall Street Journal" stand out.
26. The UN has a long record of failures. See, for instance, Jair Van Der Lijn, *Do UN Peacekeeping Operations Actually Contribute to Durable Peace?* (Amsterdam: Rozenberg Publishers, 2006); Othman Mahmood, *The Root Causes of the United Nations' Failure in Somalia* (Universe books, 2011); Dore Gold, *Tower of Babel: How the United Nations Has Fuelled Global Chaos* (New York: Three Rivers Press, 2004). Judged from a consequentialist viewpoint, the contribution of the UN to the Cyprus problem is hardly successful. For a portrayal of the UN role in Cyprus, see Margaret Bartlett, *Cyprus, United Nations and the Quest for Unity* (Cambridgeshire: Melrose Book Company, 2007).
27. Cf. Evangelos Averoff-Tossizza and Timothy Cullen, *Lost Opportunities: The Cyprus Question, 1950-1963* (Athens: Aristide D. Caratzas Pub., 1986); Natalie Tocci, "The missed opportunity to promote reunification in Cyprus" in N. Tocci, *The EU and Conflict Resolution* (Oxon: Rutledge, 2007), pp. 28-52.

28. For a basic discussion of that issue, see Day, M., *Philosophy of History: An Introduction* (London: Continuum, 2008); M. Stanford, *An Introduction to the Philosophy of History* (Oxford: Blackwell, 1998).
29. Patrick Thaddeus Jackson, *The Conduct of Inquiry in International Relations* (Oxon: Routledge, 2011).
30. For a paradigmatic account, see Lord Hannay, *Cyprus: The Search for a Solution* (London: I. B. Tauris, 2005). Hannay makes some three dozen of references (maybe more) to the concept of “opportunity.” The main problem with his account is that these “opportunities” are sometimes incompatible with one another.
31. The Annan plan process may be considered as the epitome of the discourse on “opportunities.” For example, the day after Mr. Annan put forward his plan for Cyprus, Javier Solana stated that “[t]here is now a window of opportunity for Cyprus. It will be up to the different actors to take their responsibilities and adopt a constructive approach”; (Council of the EU, “EU HR Solana’s statement on Cyprus”, ref. CL02-44EN).
32. Unfortunately, the old-fashioned trend of “missed/windows of opportunities” pertains even today. See, for instance, Chrysostomos Pericleous, “Cyprus: A Last Window of Opportunity?” *Insight Turkey*, Vol. 14 No. 1, pp. 93-108.
33. Foreign Media Reaction, “Cyprus: Is Annan Plan ‘The Last Chance of Peace’”? (http://rejyy.freeshell.org/Foreign_Media_Reaction/2002/wwwwh21219.html, last accessed April 2013).
34. Tocci 2007, *op. cit.*
35. Palley 2005, *op. cit.*
36. United Nations, “Report of the Secretary-General on his Mission of Good Offices in Cyprus” [S/2010/603], November 24, 2010 (emphasis added).
37. I will get back to these points in the next section.
38. The analysis that follows presents the assessment of a DPA work plan (UN, Department of Political Affairs, “2009 Europe Division Work Plan,” February 2009) and the assessment of a “strictly confidential note” to Mr. Le Roy by David Harland (“Cyprus: Half Stick, No Carrots and a Difficult International Context,” March 22, 2009). These are unpublished UN documents.
39. Note to Mr. Le Roy, *op. cit.*
40. Cf. Nathalie Tocci and Thomas Diez eds., *Cyprus: A Conflict at the Crossroads* (Manchester: Manchester University Press, 2009); Nathalie Tocci, *EU Accession Dynamics and Conflict Resolution: Catalyzing Peace or Consolidating Partition in Cyprus?* (Aldershot: Ashgate, 2004).
41. European Commission, “Regular Report on Cyprus’ Progress Towards Accession,” November 15, 1998.

42. It is worth mentioning here that, in view of ongoing negotiations, the European Council prepared two draft Presidency Conclusions for Cyprus; one in case of agreement and one in case there was no agreement. The former forged a strong link between Cyprus accession to the EU and the finalization of the Annan plan.
43. Report of the Secretary-General on his Mission of Good Offices in Cyprus, 2003, *op. cit.*
44. Palley 2005, *op. cit.*
45. Sir Kieran Prendergast Under Secretary-General for Political Affairs, “Briefing to the Security Council on the Secretary-General’s Mission of Good Offices in Cyprus”, June 22, 2005.
46. Tocci 2004, 2007, *op.cit.*
47. *Cf.* United Nations, “Report of the Secretary-General on his Mission of Good Offices in Cyprus,” May 28 2004 [S/2004/437].
48. European Union, Presidency Conclusions, Helsinki European Council, December 10 and 11, 1999.
49. European Union, Presidency Conclusions, Copenhagen, December 12 and 13, 2002.
50. This was overtly admitted by Mr. Vassiliou, the chief negotiator of Cyprus in a television interview just after the Helsinki meeting in 1999 (Mega Channel Cyprus) and reiterated in many occasions by members of Clerides’ administration, including the President himself. Also see, Vassiliou, G. “Foreword by President Vassiliou”, in C. Stefanou (ed.), *Cyprus and the EU: The Road to Accession* (Aldershot: Ashgate, 2005).
51. On credible sources of information that the UN plans to put forward a comprehensive plan that would include a number of problematic provisions, President Clerides asked Attorney General Markides to send a letter to Mr. Annan asking him not to do that without consultation with the parties in Cyprus. That incident was reviled by Mr. Markides himself during a book presentation event at the University of Nicosia in 2010. He also admitted that, even though Annan plan I was in many respects problematic, in view of the European Council in Copenhagen, President Clerides had no choice but to accept it as a basis for the settlement of the Cyprus Problem.
52. This was admitted by Tassos Papadopoulos in a television interview in February 2008 (Mega Channel Cyprus).
53. For a typical “opportunity discourse” account on Papadopoulos’ televised address to the Greek Cypriot community, see Harry Anastasiou, *The Broken Olive Branch*, Volume 2 (Syracuse: Syracuse University Press, 2006), pp. 142ff.
54. *Cf.* Hannay, 2005, *op. cit.*

55. Cf. Report of the Secretary-General on his Mission of Good Offices in Cyprus, 2003, op. cit.
56. Cf. Report of the Secretary-General on his Mission of Good Offices in Cyprus, 2004, op. cit.
57. Cf. Letter by the President of the Republic, Mr Tassos Papadopoulos, to the U.N. Secretary-General, Mr. Kofi Annan (June 7, 2004), which was circulated as an official document of the UN Security Council.
58. Giorgos Kentas, "The Paris Agreement: Why it was Possible?" *In Depth* 13, 2006 (<http://www.rcenter.intercol.edu/Newsletter/issue13/art03.htm>, last accessed April 2013).
59. UNFICYP, "Statement read out by Under-Secretary-General Ibrahim Gambari following today's meeting at the SRSg's official residence in the UNPA, Nicosia with H.E. Tassos Papadopoulos and H.E. Mehmet Ali Talat" (http://www.unficy.org/nqcontent.cfm?a_id=2116&tt=graphic&lang=11, last accessed April 2013).
60. Cf. International Crisis Group, "Cyprus: Reversing the Drift to Partition" (Europe Report N°190, January 10, 2008).
61. Cf. International Crisis Group, "Reunifying Cyprus: The Best Chance Yet" (Europe Report N°194, June 23, 2008).
62. Note to Le Roy, op. cit. (emphasis in the original).
63. International Crisis Group, Europe Report N°190, op. cit.; International Crisis Group, Europe Report N°194, op. cit.; International Crisis Group, "Cyprus: Reunification or Partition?" (Europe Report N°201, September 10, 2009).
64. Economist Intelligence Unit, "Country Report: Cyprus," February 2009.
65. DPA work plan, 2009, op. cit.
66. Security Council 6115th Meeting, "Security Council Welcomes Progress Made In 'Fully Fledged Negotiations' Aimed At Reunification of Cyprus, In Presidential Statement", April 30, 2009 (emphasis added).
67. Ibid.
68. "Special Adviser of the Secretary-General in Cyprus" (unpublished UN document). Cf. "Mediation Support Unit Potential Assistance to 'Second Reading' Phase in the Talks on the Future of Cyprus, July-December 2009" June 22, 2009 (unpublished UN document).
69. Wlodek Cibor, Steven Burke, Donatella Giubilaro, and Fiona Mullen, "Negotiations Review and Observations on Next Steps", May 21, 2009 (unpublished UN document).

70. B. Lynn Pascoe, "Note to the Secretary-General," March 18, 2009 (unpublished UN document).
71. *Ibid.*
72. *Ibid.*
73. Steven Burke, "Final Report before Sunday, 19 April Vote in North Cyprus," April 17, 2009 (unpublished internal document of the UN).
74. Statement by the United Nations Secretary-General Mr. Ban Ki Moon at a joint press conference with President Christofias and Turkish Cypriot leader Mr. Talat in Cyprus, February 1, 2010.
75. *Ibid.*
76. For a synopsis of inter-communal negotiations, see Republic of Cyprus, Press and Information Office "Recent Developments". (http://www.moi.gov.cy/moi/pio/pio.nsf/developments_en/developments_en?OpenDocument, last accessed, April 2013). A more detailed synopsis is made by Morelli, see Vincent Morelli, "Cyprus: Reunification Proving Elusive," Congressional Research Service, March 5, 2013.
77. Consider the seminal accounts of Waltz and Holsti and Smith; Waltz, Kenneth (1959) *Man, the State and War: A Theoretical Analysis*. New York: Columbia University Press; Hollis, Martin and Steve Smith (1990), *Explaining and Understanding International Relations*. Oxford: Clarendon Press.
78. Cf. Chris Morris, "Crisis Offers Opportunity to Heal Cyprus Division," BBC News, March 29, 2013 (<http://www.bbc.co.uk/news/world-europe-21974466>, last accessed April 2013); Stephanos Evripidou, "Downer Hoping to Restart Talks," *Cyprus Mail* March 7, 2013 (<http://www.cyprus-mail.com/alexander-downer/downer-hoping-restart-talks/20130307>, last accessed April 2013).
79. James Kanter, "For Cyprus, a Sudden Need to Play Nice with Turkey," *New York Times*, March 27, 2013.
80. This survey was published in "Kathimerini," a Cyprus-based weekly newspaper on April 28, 2013.
81. Central Bank of Cyprus, "Annual Economic Indicators". (<http://www.centralbank.gov.cy/media/pdf/ANNUALECONOMICINDICATORSAPRIL2013engNEW1.pdf>, last accessed April 2013).
82. This is an ad-hoc, extra-institutional, arrangement that was formed in order to deal with EU countries in need of financial and technical assistance.
83. Brain Blackstone, "Cyprus Averted Contagion, Says ECB," *Wall Street Journal* April 26, 2013. (<http://online.wsj.com/article/SB10001424127887324743704578446713186211992.html>, last accessed April 2013).

84. Certain provisions of a package agreement between Cyprus and troika have been implemented since 2012. Cyprus' bailout evolved in many stages to finally reach the March 2013 "consensus."
85. Interest rate is estimated around 2.5%, but this may slightly change.
86. Cf. Ambrose Evan-Pritchard, "Portugal Warns EU-IMF troika to back off on Austerity Demands," *The Telegraph*, January 2, 2013.
87. On the prospects of monetization, see Anastasios Giamourides, "The Offshore Discovery in the Republic of Cyprus: Monetization Prospects and Challenges," The Oxford Institute for Energy Studies, NG 65, July 2012.
88. Elias Hazou, "Creation of LNG Plant Looks Certain," *Cyprus Mail*, April 19, 2013.
89. Giorgos Kentas (2012), "Promised Gas Bonanza has yet to Dispel Economic Gloom", *Europe's World* 20:2.
90. James Kanter 2013, *op. cit.*, International Crisis Group, "Aphrodite's Gift: Can Cypriot Gas Power, a New Dialogue?" (Europe Report N° 216, April 2, 2012).
91. International Crisis Group, N° 216, *op. cit.*
92. Cf. John Reed, "Israel Eyes Gas Exports to Neighbors", *Financial Times*, April 14, 2013.
93. There are some bilateral consultations on that potential (Interviews with a Cypriot and Israeli officials who asked not to be named, January-March 2013).
94. Stefanos Evripidou, "LNG terminal is the 'only way forward'," *Cyprus Mail*, March 7, 2013.
95. "Opposition Leader Pledges Full Support to Government's Negotiation Efforts," Confidential/Unclassified for Official Use Only, Reference ID 08NICOSIA273, April 30, 2008.
96. *Ibid.*
97. *Ibid.*
98. Cf. Interview to M. Drousiotis, *Politis* (Cyprus-based daily), April 11, 2008.
99. "Note of SASG Downer's Meeting with Nicos Anastasiades, President of the Democratic Rally (DISY) on 16 January, 2009, at 12:30, DISY Party HQ" (unpublished confidential UN document)".
100. Interview to *Phileletheros* (Cyprus-based daily), September 18, 2011.
101. <http://www.anastasiades.com.cy/index.php?id=66>, last accessed April 2013.
102. Morelli, 2013, *op. cit.*
103. At the moment, DIKO has some serious internal problems to deal with.
104. "Note of SASG Downer's Meeting with Marios Karoyian President of the House

of Representatives, Republic of Cyprus, President of Democratic Party (DIKO), on 16 January, 2009, at 14:30, DIKO Party HQ” (unpublished classified UN document).

105. Cf. Hedley Bull, *The Anarchical Society* (New York: Columbia University Press, 1995).
106. Cf. James E. Miller, “A Perfect Storm: Cyprus 1967-1974,” in J. E. Miller *The United States and the Making of Modern Greece: History and Power, 1950-1974* (North Carolina: The University of North Carolina Press, 2009), pp. 176-200.

Cyprus: Facing a Double Deadlock

Christos Psilogenis*

RÉSUMÉ

En 1974, Chypre a réussi à survivre malgré le fait qu'elle ait perdu 70% de ses sources de richesse à la suite de l'invasion turque. Va-t-elle réussir à survivre cette fois-ci? La découverte des réserves de gaz naturel semble être le seul moyen qui puisse permettre à Chypre de sortir de la situation économique épouvantable dans laquelle le pays se trouve actuellement.

ABSTRACT

In 1974 Cyprus managed to survive despite the fact that 70% of its wealth producing sources had been lost as a result of the Turkish invasion. Will it manage to survive this time as well? The discovery of the natural gas reserves seems to be the only way out from the dreadful economic position that Cyprus currently finds itself in.

With its ascent to power the new Cypriot government immediately found itself against the "Symbligades;" - Clashing Rocks - which in antiquity were two enormous rocks at sea which opened and closed simultaneously thus making the passage of ships difficult, if not impossible. A situation which under today's terms would be called double-deadlock since in addition to the Turkish occupation of the northern part of Cyprus since 1974, we are now faced with a dire economic situation which is threatening the country with bankruptcy.

For the record, it should be noted that Cyprus, which is in the Eastern Mediterranean, was invaded by Turkey on 20th July 1974, resulting in thousands of dead or missing persons, the occupation of 40% of its territory by Turkey, 200,000 displaced persons and a loss of 70% of its wealth-producing resources. The invasion was preceded by the coup d'état on 15th July 1974, organized by the Greek military junta. After a three-day battle, the Cypriot National Guard,

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manned by officers from the Greek mainland together with the Greek contingent stationed in the island, managed to overturn the President, Archbishop Makarios. The latter escaped abroad and while he denounced the coup at the United Nations forum, he was unable to prevent the military attack by Turkey. He returned to Cyprus in December 1974, after Turkey had already completed the second round of the invasion. The new government of Constantine Karamanlis, was also unable to help Cyprus. The latter had come to power in Greece just after the end of the dictatorship, which coincided with the end of the first round of the Turkish invasion on the 23rd of July 1974.¹

Having had expansionist designs on Cyprus for decades, Turkey used the coup by the junta as a pretext for the invasion. It used the right of intervention based on the terms of the Treaty of Guarantee.² The parties were the Republic of Cyprus, Greece, Turkey and the United Kingdom of Great Britain and Northern Ireland. However, the sole objective of the respective terms of the Treaty was the restoration of the constitutional order which forbids both the union of Cyprus with another state as well as its partition. This Treaty is at odds with the Charter of the United Nations³ which forbids both the intervention into the internal affairs of another state (article 2, paragraphs 3 and 4), as well as the use of force between states. In fact, even the threat of the use of force in the relations between states, is also prohibited. The use of force is exceptionally allowed, only on condition of legitimate defense (article 51) or on the authorization of the Security Council (Article 42) of the UN Charter.

Following the membership of Cyprus to the United Nations, the right of intervention, obviously ceased to be valid since according to article 103, in the event of a conflict between the obligations of members under the UN Charter and their obligations under any other international agreement, their obligations under the UN Charter shall prevail. Specialists such as Ian Brownlie suggest that if article IV of the Treaty of Guarantee formulates a power of forcible intervention, then the Treaty is in conflict with the principle prohibiting the threat or use of force by states in their international obligations⁴, an opinion also shared by St. J. McDonald⁵. On the same subject, Kelsen suggests that the obligations under Article 103 of the Charter, shall prevail even for treaties concluded by members with non members of the United Nations (the case of Cyprus before entering the UN)⁶. The primacy of this article is also accepted by other International Law specialists such as L

Dubouis, while Higgins indicates that any treaty with unlawful object is void, such as the case of one permitting aggression or piracy.⁷

Even with the strict interpretation of the Treaty of Guarantee, for the right of intervention to have been valid, Turkey's aim should have been the restoration of the constitutional order (article 4 of the Treaty of Guarantee), which as mentioned earlier, forbids the union of Cyprus with another country as well as its partition. Nevertheless, almost thirty nine years after the invasion, Turkey insists on the violation of the Treaty that she herself now invokes, keeping Cyprus divided. This is because the ongoing Turkish occupation violates article 2 of the Treaty of Guarantee with which the three guarantor powers are obliged to maintain the independence and territorial integrity of the Cypriot state. The invasion equally violates Article II of the Treaty of Alliance under which Greece and Turkey undertake "to resist any attack or aggression against the independence or the territorial integrity of the Republic of Cyprus".⁸

In this particular case it is worth noting that, following a relevant question by the Greek Government, the legal department of the United Nations replied on 15/5/1959 that the right of intervention could be exercised, but without the use of force. Based on the above, both the air raids of the Turkish military against Cyprus in 1964 and the invasion of the island in 1974 have the characteristics of aggression, as described in the definition given by the United Nations under the Resolution of the General Assembly no 3314 of 14/12/1974.⁹ The definition of aggression has been achieved after much discussion without of course being able to prevent the invasions that followed in various parts of the world, mainly by the Great Powers. This helps to confirm once again that it is possible for the General Assembly to be a kind of international parliament but the real power remains in the hands of the five permanent members of the Security Council which have the power of veto. The principles of the United Nations are enforced by the Security Council, as long as the interests of these five countries are not threatened.

This fact was confirmed in the case of Cyprus. Even though, especially since 1974 and onwards, Cyprus has benefited from numerous important resolutions in its favour¹⁰, both by the General Assembly as well as by the Security Council, the geopolitical interests of the US and Britain in the extended area of the Middle East, have never allowed the United Nations to proceed with sanctions against Turkey (in accordance with Chapter VII of the

Charter) and to enforce a solution based on its principles. This is further evidenced by the fact that although many of the above resolutions provided for the withdrawal of foreign troops and the return of displaced persons to their homes, in practice the occasional propositions by the United Nations for the solution of the problem have been influenced more by the results of the Turkish invasion rather than the UN's principles.

An obvious example is the Resolution of the General Assembly of the United Nations, number 3212 1/11/1974 which was unanimous and was also voted by Turkey. The latter continues to refuse to implement it despite the fact that this Resolution was also adopted by the Security Council by its Resolution 365 of 13/12/1974, thus gaining increased effect. Fortified by the fact that this Resolution contains a provision for negotiations, Turkey followed a method of procrastination, with a view to rendering permanent, with the passage of time, the result of the occupation. This was achieved by continuously raising new demands each time the Greek-Cypriot side moved towards new concessions in order to meet the Turkish-Cypriot positions. At the same time instead of working towards the return of the Turkish-Cypriots to the institutions of a common Cyprus state that was inaugurated in 1960 and from which they withdrew in 1964, it proceeded to organize in the occupied areas an illegal Turkish Cypriot state. Specifically in 1974, it drove away all the Greek-Cypriots who were in fact the overwhelming majority in those areas, as well as in the whole of Cyprus and at the same time, together with the cooperation of the British, settled in the occupied areas the Turkish-Cypriots of the free areas, forcefully creating a clearly Turkish-Cypriot area which had never existed before in the history of Cyprus.

One must note that the Turkish-Cypriots, with the encouragement of Turkey, had rebelled in 1963 against the legitimate state after the Greek-Cypriot side had submitted a list of 13 points for the amendment of the 1960 Constitution.¹¹ The reason for this was that the existing text afforded excessive privileges to the Turkish-Cypriot minority which comprised only 18% of the population and who were settled all over the island. (We are referring to the right of an extensive veto by the Turkish-Cypriot vice president of the state, the provision for separate municipalities in the six main cities, the 30% quota in the ministerial council, the parliament and the civil service, a percentage which increased to 40% in the army and the police). It is indicative of the fact that the British Constitutional expert De Smith characterized the Cypriot

Constitution as one of the most rigid, if not the most rigid in the world¹². The rebellion of Turkish-Cypriots which was supported by Ankara with air-raids against Cypriot towns and villages, including schools and hospitals, aimed at the creation of a separate Turkish-Cypriot state and the permanent partition of the island. The Cypriot Government however, with the support of Greece and the United Nations, managed to block the Turkish plans.

It should be mentioned that in this particular case the United Nations, with Security Council Resolution Number 186/64 protected the state of Cyprus by dispatching a peace-keeping force to the island while Greece sent an army division ready to intervene if Turkey attempted any landing action. There followed the report of the United Nations mediator Galo Plaza who recognized that the Cypriots were entitled to enjoy the right to self-determination without any commitments.¹³ Nevertheless, he rejected the Greek-Cypriot demand for the union of Cyprus with Greece, for the benefit of international peace, even though he considered it to be a legitimate right of the Cypriot people. Furthermore, he rejected the demands of the Turkish-Cypriots for partition as groundless. In general the role of the United Nations, with its General Secretary U. Thant, had, during this time, been very determined with actions that clearly do credit to the authorities of this organization. Particularly if one bears in mind the fact that Britain, one of the Guarantor Powers of the Cyprus Republic, had suggested at the London Conference in January 1964, the effective dissolution of the Cyprus state and the replacement of the Cyprus Government with a tripartite committee that would administer Cyprus from the British capital!

In the end, Turkey effectively materialized its threats in 1974, since the Greek junta had already recalled its army-division in 1967 and the coup had basically neutralized the Cypriot National Guard. The illegal Turkish-Cypriot state that relied upon the de facto results of the 1974 invasion and proclaimed itself a separate state in 1983, was vigorously denounced by the Security Council Resolutions 541/1983 and 550/84 and until today only Turkey recognizes the pseudo-state. However, because of the opposition by the Anglo-American axis, this denouncement never led to the imposition of sanctions as these are provided for in Chapter VII of the United Nations Charter. They could have obliged Ankara to withdraw its occupation-army and allow a viable solution to the problem. This result bears the responsibility, at least in part, of the Greek-Cypriot political leadership who under the influence of a painful balance of

power and a miscalculation of events, instead of commencing negotiations from the removal of the illegal occupation, agreed to a number of concessions which could lead to the establishment of a new state based on the results of the Turkish invasion. So the long-standing negotiations did not allow for a just solution to the problem despite the continuous and unilateral concessions by the Greek-Cypriot side. On the contrary, Ankara, by neutralizing every voice of moderation among the Turkish-Cypriots, managed to promote its partitionist targets. These were effectively adopted by the United Nations in 2004 with the Annan plan¹⁴, named after the General Secretary of the United Nations at the time, which instead of serving the interests of the Cyprus people as a whole, served the expansionist plans of Turkey.¹⁵

The Plan was overwhelmingly voted down by the Greek Cypriots, with the majority vote approaching 76%, whereas the Turkish Cypriots together with the Turkish settlers, who numerically were, as is the case now, more than the Turkish Cypriots, voted for it. Turkey had from the following day of the invasion, applied a programme of colonization in the occupied areas and even though this has been condemned by the UN, it continues to this day.

It is of course very disappointing that the UN, having prepared a solution with considerable deviation from its principles, also ended up accepting its imposition, despite the violence of the occupation and the illegal participation of settlers in the voting procedure. Nevertheless, the plan was rejected by the Greek Cypriots because instead of starting from the initial structure of the state and through the talks, modifying it with the agreement of both communities, it actually tried to create a new state which was based more on the irreversible “achievements” of the Turkish invasion, rather than the principles of the UN.

Specifically, it had to do with the notorious “parthenogenesis” which foresaw from the onset, the establishment of two constituent states and led not to the restructuring of the Cypriot state, from a unitary one to a federal one, but to a virtual confederation of two equal states, which could easily be separated into two separate independent states. In addition, the Turkish-Cypriot constituent state, despite the fact that it would represent the minority of the Cypriot population, would have Turkish-speaking majority, which meant the deprivation of the basic human rights of Greek-Cypriots (right to property, settlement and free movement), who had been displaced from this area and were its legal residents.

Finally, this plan, which in fact was impeaching the basic provisions of the Universal Declaration of Human Rights and the European Convention of Human Rights, also lacked in security for the Greek-Cypriots, since it maintained Turkey's right to intervention, with the parallel demilitarization of Cyprus. Finally, the return of displaced Greek-Cypriots to the Turkish controlled areas, would have been limited and over a long period of time, whereas the dissolution of the Cypriot state would have been immediate. Furthermore, Mr Erdogan, the Turkish Prime Minister, had stated that if Turkey was not accepted into the EU as a full member, then these obligations would no longer apply. This would literally make the Greek-Cypriots hostages of Turkey, bearing in mind that there are still objections to the full membership of Turkey from powerful member-states of the EU, such as France and Germany, the latter preferring a special agreement with Turkey.

With regard to the economic consequences of the Annan Plan if it were applied, it is enough to say that under the most basic of predictions, roughly 15 billion euros would have been required, which given the Cypriot economy's problems today, would mean its complete and immediate collapse.¹⁶

The rejection of the Annan Plan, infuriated the Anglo-American axis, as well as the UN officials, who took it for granted that the plan would have been voted for, despite the fact that, as it was later admitted by the US Assistant Secretary for European and Eurasian Affairs Daniel Fried, it was a gift towards Turkey. Most of their anger was directed towards Tassos Papadopoulos, who as President of Cyprus at the time had asked the Greek-Cypriots to vote against the plan. However, with the cooperation of the UN's representative in Cyprus Ibrahim Gambari, he quickly came up with a new formula whereby the main aspects of the Cyprus problem would have been discussed by respective committees of both Greek-Cypriot and Turkish-Cypriot experts, in order to reach a basis for negotiations. With this basis, the main talks between representatives of both communities could begin. This was the agreement that came to be known as the 8th of July Agreement.

This endeavour, that was the right move made by the Greek-Cypriots in order for them to avoid a solution that obviously was neither fair, nor practical, and certainly the worst that had ever been proposed by the UN, came to an end with the election of the next President of the Republic, Demetris Christofias. The new President, who was the General Secretary of AKEL, a traditionally left

wing party with a communist background and deep long lasting roots in the Cypriot community, won the elections after receiving the support of the centre-right democratic party DIKO, the social democratic party EDEK and the Green Party. President Christofias quickly agreed to a new basis for negotiations which ignored basic democratic principles such as the majority rule as well as the consequences of the Turkish Invasion and proceeded to a new round of talks, based on the two component states as described in the Annan Plan. However, until the end of his 5-year term and despite his serious concessions (the remaining of 50,000 Turkish settlers, presidency by rotation, cross-voting, free movement of Turkish citizens to Cyprus, even before the accession of Turkey to the EU), not only did he not manage to sway the Turkish demands but instead, made them even more stringent.¹⁷

In reality, both the previous leader of the Turkish Cypriots, Mehmet Ali Talat and the new one, Dervis Eroglu, obviously with the backing of Ankara, claimed that in Cyprus we do not have one people consisting of Greek-Cypriots and Turkish-Cypriots, but two separate peoples who have a separate right of self-determination and thus are entitled to a separate state each! It is definitely notable, that the new stance of the Turkish-Cypriots was in obvious contrast to international law, the UN resolutions and the basis for negotiations that referred to one federal state with a federal structure and not two states. However, the talks continued with no reaction from the UN representative Alexander Downer, or President Christofias, who representing the Greek-Cypriots at the talks, could have brought them to a halt, if the Turkish-Cypriots did not return to the basis for negotiations that had been agreed to.

This is in short the situation the new president, Nicos Anastasiades, is faced with. The latter, president of DISY, traditionally a right-wing politician, had strongly supported the Annan Plan during the 2004 referendum and has not appeared to change his mind since.

This new Government is currently at a dead end; a political one due to the Cyprus problem and an economic crisis that cannot wait. Things have become even more difficult due to the fact that the previously blossoming economy is now in a disadvantageous position, making the Greek-Cypriot position obviously more vulnerable. We have already noted that despite the fact that due to the Turkish Invasion of 1974, Cyprus received a great economic blow losing 70% of its wealth-producing resources, it survived and just before the end of the 80's,

its economy managed to return to the level it had been before the invasion, due to the extreme effort of its people and a long period of industrial peace.

Christofias' administration, albeit taking over an economy with excellent fiscal finances characterized by a sizeable budget surplus and low debt levels, had unfortunately managed to create a feeble fiscal situation. The imprudent and at times economically irrational policies implemented during his administration led to unproductive overspending and the accumulation of high deficits – without taking any corrective measures – that resulted in the build-up of much higher debt. Not being able to access the international market since 2011, maturing debt was basically refinanced through the issuing of Treasury-bills, which creates another issue for Cyprus: its over-reliance on shorter-term debt and the ensuing refinancing risk. The above actualities, in conjunction with the haircut on Greek sovereign bonds and the ill-guided decisions taken by the two largest banks (explained in subsequent paragraphs), led to the current crisis.

As a result, the new administration that came into office in march 2013 inherited a situation of an unprecedented magnitude and dimension: based on PIMCO's adverse scenario on the potential recapitalization needs of the bank sector and the Troika's assessment (November 2012 estimates), total needs were estimated close to 17,5 bln - 7,5 bln for the public sector (deficit financing and debt rollover needs) and 10 bln for the banking sector. However, due to the delay in reaching an agreement and, to a much greater extent, owing to the punitive nature of the "solution" imposed by the Troika, recent estimates raise the potential amount to 20-23 bln.¹⁸

The projected capital needs of the banking sector are, in principal, the result of the following factors: -

The first shock came from the substantial chunk of capital (about 4,5 bln) that had to be written-off due to the (political) decision taken at an EU council level meeting in Brussels (26-27 October 2011), where European leaders decided to impose an 80% haircut on Greek debt held by private investors. Surprisingly, and to our dismay, president Christofias did not request any provision to protect the country's banks or secure their recapitalization from Troika funds, similar to the one agreed for Greece on that particular day. It is worth noting that, relative to each of the affected country's GDP, the financial hit on Cypriot banks was the highest

of all. Nonetheless, the reckless behaviour of the Bank of Cyprus and Laiki Bank executives who in effect, speculated and overloaded their portfolios with Greek bonds, should also be highlighted here.¹⁹

An additional determining factor was their substantial operational exposure to the Greek economy and the subsequent sharp rise in non-performing loans. However, in the case of Laiki Bank, this was only one side of the story. Laiki's (Marfin Popular Bank at the time) high exposure to the Greek economy was exacerbated by its best-practice lending activities that took place in Greece through its largest Greek subsidiary, the Marfin-Egnatia Bank in the period 2006-2011. It is alleged that preferential loans, the majority of which were either written off or became non-performing amount to around 4bln euros.²⁰

With regard to the Bank of Cyprus, although it suffered lower losses from the haircut imposed on its Greek bond holdings, its decision to expand rapidly in Russia through the acquisition of Uniastrum Bank – admittedly at a hefty premium and contrary to its consultants' opinions – is a chapter still under investigation.

The new Cypriot administration was strongly unwilling to endorse the Troika demand for depositors' contribution. The admittedly selective, shock treatment rendered by the Eurogroup on 15 March 2013 meeting was extremely dissimilar to the rescue packages given to other EU countries that sought assistance (i.e. Greece, Ireland and Portugal). More specifically, the agreement entailed: a 10 bln loan from the Troika, proceeds of around 1,4 bln from privatizations and another 5,8 bln to be collected from a one-off levy-haircut imposed on depositors.²¹ Contrary to international and domestic law protecting property rights and calling into question the EU guarantee on deposits under 100,000, the agreement provisioned for a 6.75% loss of insured depositors and a 9.99% loss/haircut on funds, in excess of the insured threshold of 100,000.

The proposed levy would have been a great blow not only to Cypriot depositors but also to Russian depositors and businesses that long supported the Cypriot financial system. Realizing the potential ramifications of a deal entailing a haircut on depositors, protests against the agreement were organized in Spain and Italy. As expected, the political parties in Cyprus, highly displeased with the provisional agreement reached at the Eurogroup

on 15 March 2013, rejected it. All political parties voted against it, with the exception of the party supporting president Anastasiades that decided to abstain in the vote.²²

Being small and inconsequential to the EU as a whole, Cyprus proved the ideal means to test the effectiveness of the new resolution tool, bail-in of creditors including depositors. Thus, during the early hours of Saturday 23 March 2013, a revised deal was agreed upon which, while sparing insured depositors, required amongst other things, the use of creditors and depositor funds (bail-in funds), for the restructuring of Bank of Cyprus and Laiki Bank.

Parties involved in the deal rushed to proclaim that the deal had averted the disorderly bankruptcy of the two banks and the Cypriot state. However, the true magnitude of its ramifications will be felt once the temporary capital restrictions – placed for the first time in the Eurozone’s history – are lifted. Although EU officials and Eurogroup members depicted the deal as a one-off to calm investors and markets, the consequences of the Cyprus precedent at the EU level is more of a medium-term nature - and will haunt its markets.

As mentioned previously, the cornerstone of the new agreement was the restructuring of the two largest banks. Laiki Bank was resolved using a good/bad bank model. Its healthy assets were transferred to the Bank of Cyprus along with its guaranteed deposits and its 9,1 bln in Emergency Liquidity Assistance (ELA) commitments to the Central Bank of Cyprus. Assets not transferred to Bank of Cyprus will go through a liquidation process, the proceeds of which will be used to pay all creditors – including uninsured depositors – that were left behind. Bank of Cyprus will be recapitalized through bailing-in creditors and uninsured depositors. Depositors with funds of more than 100,000 at Bank of Cyprus could lose up to 60% of those holdings. Laiki Bank and the Bank of Cyprus were also forced to sell, at a substantial discount, their Greek operations to Piraeus Bank as part of the Troika’s demand to reduce the country’s banking sector size to the EU average by 2018 (350% versus 750% in 2012).²³

The financial sector was the driving force propelling the Cyprus’s economy in recent years; it is by far the single biggest GDP contributor. The banking sector, high-quality financial services and low corporate tax, which will be raised by 2.5% aligned with Troika demands, were the pillars of the Cypriot business model. Now, a new economic system has to be found. It is worth

noting that delegates from firms located in other countries such as Germany, France and Latvia are already approaching customers (primarily wealthy businessmen of Russian origin) of local banks, accounting offices and law firms. They are in essence, going after the money that they themselves deemed to be of uncertain business origin. In all likelihood, money laundering suspicions vanish and dirty money is instantly purified when these are in one of the banks located in the core countries of Europe or in a country within their realm! At any rate, the veiled intentions of the punitive “rescue” plan imposed on Cyprus are rather evident and none of the bigger EU countries would have ever been treated in the same fashion.

Admittedly, the Troika rescue plan has severely damaged the country’s reputation as a financial center by crippling its banking sector - hopefully not fatally considering the high probability of a bank run once capital restrictions are lifted. At the same time though, it succeeded in irritating Moscow. Right after the announcement of the first agreement, Moscow expressed her strong disapproval of the agreement’s content as well as her irritation to the fact that no prior consultation took place with her although Russian interests were to be heavily affected. Moscow appeared also displeased with the Cypriot government for not informing them accordingly prior to agreeing to the deal. When the then Cypriot Finance Minister Michalis Sarris flew to Moscow in search of additional financial assistance and/or find a buyer for the ailed Laiki Bank, the result was one that many had not anticipated. Even after several days of talks, Sarris returned to Cyprus with no tangible results except Moscow’s promise to resume negotiations for the restructuring (possible extension and lower interest rate) of the existing 2,5 bln loan given to Cyprus in 2011 and maturing in 2016 after, however, an agreement would have been reached with the Troika.²⁴

Undeniably, Moscow that had in numerous times in the past assisted Cyprus in both political and economic matters, opted not to damage Russian-EU relations, at least not in this particular point in time. After all, EU countries are Russia’s largest consumers of its natural gas production. On the other hand, Cyprus is far less important, at present at least, given the long horizon that will take for her to become an important player in the EU natural gas market. Moreover, Turkey, citing her usual allegation of Turkish-Cypriots’ entitlement on Cyprus offshore gas fields and disputing, once more, the Cypriot Exclusive Economic Zone, seized the opportunity to raise her

objections in using the gas fields in any way, either to strike a deal with Russia or to sweeten the deal with Troika.

On account of the developments that took place in the past weeks, namely the heavy hit on Russian interests and the alarming to Nicosia statements made by the Russian Prime Minister following the announcement of the deal, many deem that Russia may reexamine its relationship with Nicosia. Unfortunately, Greece and Cyprus are highly vulnerable in a period that geopolitics in the area appear more shadowy than ever before and recent developments in the whole Middle East signify a potential reshaping of power equilibrium. It is worth noting that there is also a new chapter that is being written: the EU has shown for the first time that it is definitely not afraid of conflict with Moscow despite Europe's high dependency on Russia's natural gas. How this will affect Russia's relationship with the EU, and primarily Germany, is yet to be seen.

Being under constant economic surveillance and scrutiny has not only economic implications but also several political repercussions and a state sovereignty dimension. The German Federal Minister of Finance, Wolfgang Schaeuble, already reminded the Cypriot people that in 2004 they had rejected the Annan Plan.²⁵

All in all, the Cyprus economy is now under severe stress and there are serious concerns that the economy will dip into a prolonged recessionary spiral. The controversial, but definitely unjust, decision of the Eurogroup to bail-in uninsured depositors has created two major hazards: it flattened the financial sector, the main driver of economic development, and gave rise to the possibility of massive capital flights once capital restrictions are lifted. It is likely that the Troika's apparent one-size-fits-all austerity mentality will exacerbate things leading to a prolonged slump that will shrink the domestic economy beyond recognition. In particular, consumption, production and welfare state have shrunk significantly over the last few quarters, while unemployment rate climbed to around 14%.

Ironically, the "unique" Cyprus deal is admittedly not so unique. As clearly stated by the President of the Eurogroup, Mr. Jeroen Dijsselbloem - albeit retracting it after witnessing the market's reaction including the tail spin of the euro rates - the participation of all shareholders, unsecured creditors and large depositors, as in the Cyprus bailout deal, should be the model for the future.²⁶ Despite the rushed reassurances given by many EU politicians and

technocrats at the EC level that Cyprus is a unique case with exceptional challenges, the particulars of the Cyprus deals continue to fuel market uncertainty particular in the EU peripheral countries.

Tactlessly, the crisis is aggravated by the situation in the political front, where politicians began a blame-game over responsibility for the country's economic misfortune. Even though the majority of the people consider ex-president Christofias's administration as the one to blame the most, the current administration has not shown that it possesses the right people or holds the solutions desperately needed to lead the country out of this situation. The termination of the Central Bank's deputy governor by President Anastasiades and the constant pressure put on the Central Bank's governor, Mr. P. Demetriades, by everyone except left-wing party AKEL in order to resign, seems more like part of the widened blame-game rather than actions aiming to benefit the country. Mr Demetriades, who is considered an AKEL man, is being accused by lawmakers that he misled the Parliament over events relating to the crisis and that he commissioned a private firm, Alvarez & Marsal, to investigate only Bank of Cyprus for potential responsibilities whereas Laiki Bank is considered to have the greater share of blame.²⁷

Even though the Cypriot state is going through trialing times and is even in danger of bankruptcy, the natural gas fields that have been located in the Cypriot Exclusive Economic Zone seem to offer a solution to the economic problem of Cyprus. The reserves could in the medium term, rectify the economic situation and simultaneously offer the potential for a viable solution to the Cyprus Problem, provided of course that the necessary tact is used during its management, in a timely manner. However, Cyprus should first convince the most powerful of its partners that its natural gas fields not only suffice in meeting the Cypriot needs but it is decidedly contributing to the solution of the energy problem of the European Union which currently depends on the energy reserves of Russia.

This strategy could be more productive if Cyprus cooperates with Greece and Israel. The latter, due to its geographical position, its power and the economic strength of Jews internationally, has great influence over the EU and the USA. However, at least some of Cyprus's Partners, which at the same time are potentially her lenders, are following a completely opposite strategy. Specifically, bearing in mind that the dreadful economic situation of Cyprus

is making her more vulnerable, they have threatened and pushed for conditions which, ridiculing the notorious partner solidarity, enables them future control over the exploitation of the Cypriot fields of natural gas, as well as the solution of the Cyprus Problem.

At the same time, the recent reconciliation between Israel and Turkey, following the intervention of the USA, should be considered as a negative outcome for Cyprus, even though during a recent visit to Israel of the Cypriot Ministers of Foreign Affairs and of Commerce, Industry and Tourism, Mr Kasoulides and Lakkotrypīs respectively, appeared to be assured of the contrary. The intervention of the USA is possibly connected to their strategic interest in the area. Nevertheless, not wanting to put all her eggs in one basket, Israel is not expected to completely align her interests with those of Turkey and the USA, who would both prefer Israel to export her natural gas via Turkey.²⁸

In short, the lenders believe that with such conditions, they would not have to upset Turkey wherein lie the interests of USA and the most powerful of the EU states and which of course, do not favour Cyprus or Greece. In reality, the discovery of the fields of natural gas in the eastern Mediterranean, has not only revived the notorious Eastern Question but it has also created the conditions for a tough game of strategic poker, based on the significant fields of natural gas in the Eastern Mediterranean.

P.S.: After the finalisation of this article, the parliament of Cyprus approved the international rescue loan deal on the 30th April 2013, by a slim majority, with 29 lawmakers voting in favour and 27 against.

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Chypre: chronologie de la crise financière (juin 2012-avril 2013)

Jean Catsiapis*

25 juin: Chypre fait appel à l'aide de l'UE afin de contenir les risques encourus par son économie du fait des lourdes pertes (4,5 milliards d'euros) de ses banques dûes à la crise financière de la Grèce. Le montant de l'aide demandée serait de l'ordre de 4 à 10 milliards d'euros.

4 septembre: L'Archevêque Chrysostomos II et les évêques chypriotes décident une baisse de 25% de leur salaire et une renonciation à leur 13ème mois.

8 octobre: L'agence de notation Moody's abaisse de 3 crans à B3 la note de la dette souveraine de Chypre, note synonyme de faible sécurité de remboursement à long terme pour les créanciers du pays.

4 novembre: Le journal allemand Der Spiegel se fait l'écho d'un rapport des services secrets allemands (BND) qui indique qu'aider Chypre reviendrait à aider la mafia russe.

22 novembre: Accord technique entre la Troïka (UE, BCE, FMI) et Chypre sur le principe d'une aide. Chypre devient le 5ème Etat de la zone euro à être placé sous assistance.

13 décembre: L'Eurogroupe invite Chypre à finaliser ses négociations sur le projet de Mémoire proposé par la Troïka.

25 janvier: L'agence de notation Fitch abaisse de 2 crans la note de Chypre de BB – à B, soit à 2 rangs des pays considérés comme en cessation de paiement.

4 mars: Olli Rehn, Commissaire européen aux affaires économiques, déclare: «Si Chypre se trouvait en faillite de façon désordonnée, le résultat serait quasi-certainement une sortie de la zone euro».

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Le Ministre chypriote des Finances Michel Sarris estime qu'il n'est pas question d'imposer des pertes à quelque déposant que ce soit.

15 mars: L'Eurogroupe adopte un plan d'aide financière à Chypre: un prêt de 10 milliards d'euros est accordé à Nicosie moyennant une taxe de 6,75% sur les comptes bancaires chypriotes d'un montant inférieur à 100 000 euros et d'une taxe de 9,9% pour les comptes d'un montant supérieur à cette somme. Le gouvernement décide la fermeture des banques.

19 mars: La Chambre des Représentants de Chypre rejette par 36 voix et 19 abstentions le plan d'aide financière décidé par l'Eurogroupe. Les autorités chypriotes s'efforcent de mettre en place un plan B à la suite du rejet du plan de sauvetage.

19 – 21 mars: Echec de la mission à Moscou du ministre des finances, Michel Sarris, pour obtenir une aide financière de la Russie.

20 mars: L'Archevêque Chrysostomos II met le patrimoine de l'Eglise orthodoxe à la disposition du pays pour éviter sa faillite.

21 mars: Les distributeurs de la banque Laïki sont pris d'assaut par ses clients. Les retraits sont limités à 260 euros par jour. La Banque centrale européenne menace de priver les banques chypriotes de liquidités à compter du 25 mars si le plan de sauvetage élaboré par l'Eurogroupe n'est pas adopté.

22 mars: Le prix Nobel chypriote d'économie Christopher Pissaridès déclare s'opposer au démantèlement du système bancaire de Chypre.

25 mars: L'Eurogroupe et le FMI s'accordent pour un prêt de 10 milliards d'euros à Chypre (9 milliards déboursés par le premier et 1 milliard consenti par le second). Ce prêt a été soumis à des conditions: réduction de moitié du secteur bancaire chypriote (démantèlement de la banque Laïki), taxation de l'ordre de 30 à 50% des comptes bancaires des particuliers supérieurs à 100 000 euros.

2 avril: Création d'une commission d'enquête composée de 3 anciens juges à la Cour suprême pour déterminer les responsabilités, y compris pénales, relatives à la crise financière. Le président Anastasiadès a précisé que cette commission n'épargnerait personne, pas même sa propre famille.

Démission du ministre des Finances Michael Sarris, ancien dirigeant de la

banque Laïki démantelée par le plan de sauvetage. Il est remplacé par Harris Georgiadès, qui venait être nommé ministre du travail.

11 avril: Sur les 6 000 noms de personnes ayant retiré leur argent du 1^{er} au 15 mars figurent la fille du président Anastasiadès (15 millions d'euros) et Michel Sarris, l'ancien ministre des finances (3 millions).

Les besoins de Chypre dans le cadre d'un plan de sauvetage de l'île au bord de la faillite sont passés de 17,5 à 23 milliards d'euros, a indiqué aujourd'hui Christos Stylianides le porte-parole du gouvernement chypriote.

17 avril: Harris Georgiadès, le ministre des finances, annonce que Chypre envisage de vendre une partie de ses réserves d'or dans les prochains mois.

21 avril: Le gendre du Président Anastasiadès, accompagné de son père, a rencontré l'Archevêque de Chypre. Les deux hommes ont fait don à l'Eglise de Chypre d'une somme de 3 millions d'euros.

24 avril: Selon des sources de Bruxelles Chypre obtiendrait en mai une tranche de 2 milliards d'euros et en juin une autre tranche d'un milliard d'euros. Le taux d'intérêt serait de l'ordre de 2%.

30 avril: La Chambre des Représentants adopte par 29 voix [Disy(droite) Diko (centre démocratique) et le président du parti européen Evroko] contre 27 [Akel (communiste) Edek (socialiste) Ecologiste] le plan de sauvetage de 10 milliards d'Euros à Chypre mis au point par l'Eurogroupe et le FMI moyennant des clauses draconiennes.

Andros Kyprianou, Secrétaire général de l'Akel, préconise la sortie de Chypre de la zone euro, qui serait approuvée par referendum.

European Approaches to Illegal Migration in the Mediterranean: An Overall Assessment

Panayotis J. Tsakonias*

Dimitris K. Xenakis**

RÉSUMÉ

La migration irrégulière de la Méditerranée a fait l'objet d'une attention considérable dans l'agenda politique de l'UE et de ses États membres au cours de la dernière décennie. La gestion des frontières en Méditerranée demeure cependant une politique fragmentée qui présente des défis internes et externes. Dans cet article Tsakonias et Xenakis tentent d'explorer la mosaïque de la migration illégale / irrégulière en Méditerranée en identifiant les schémas traditionnels, les nouvelles tendances et les routes qui ont émergé au cours des sept dernières années surtout depuis le début du printemps arabe. L'article fournit également une évaluation globale des approches européennes pour lutter contre l'immigration illégale en Méditerranée en abordant de manière critique le développement de la politique européenne de l'immigration ainsi que les mesures et les instruments que l'UE a institutionnalisés de même que les politiques extérieures qu'elle a adoptées pour la gestion des relations régionales et l'atténuation des «facteurs d'incitation».

ABSTRACT

Irregular migration from the Mediterranean has received extensive attention on the policy agenda of the EU and its member states over the last decade. Border management in the Mediterranean remains however a fragmented policy that presents internal and external challenges. An attempt is made in this article to explore the mosaic of illegal/irregular migration in the Mediterranean by identifying both traditional patterns and the new trends and routes that emerged in the last seven years and especially since the beginning of the Arab Spring. The paper also provides an overall assessment of European approaches to tackle illegal migration in the Mediterranean by critically discussing the development of European immigration policy along with the relevant measures and instruments that the EU has institutionalized and the external policies it adopted for managing regional relations and for mitigating 'the push factors'.

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1. Introduction

The Mediterranean has always occupied a decisive role in the attainment of European peace and security, not least due to its crucial geostrategic position, representing simultaneously the crossroad and natural bridge between three continents: Europe, Asia and Africa. The traditional role of the Mediterranean as an economic and cultural crossroad has assumed even greater significance since the 1990s and its geopolitical situation has taken on even more importance in the strategic calculus of the European Union (EU). Since then, the Mediterranean has witnessed the breakout and prosecution of diverse conflicts (both within and between nations), and the appearance of shaky socio-political dynamics. At the same time, the Mediterranean has seen a sharp rise in migration movements, both from the Balkans and from North Africa to Europe. The immense economic gap and high demographic disparities between the two shores of the Mediterranean, a series of environmental causes in North and sub-Saharan Africa, and political depression and instability on the countries of origin prompt illegal migration. Today, “migration ranks as one of the most important factors in the global change”¹ and “the Mediterranean and the Middle-East are, perhaps the most representative areas in the world concerning migratory flows”².

Migratory flows in the Mediterranean area are not specific, featuring a relatively geographical proximity, colonial bonds especially for Iberian countries and France, and flows connected to the globalization of international migrations.³ On the one hand the countries of the southern Mediterranean shore form a major region of emigration. On the other hand, southern Europe is all-too familiar with migration from North African countries such as Morocco, Algeria, and Tunisia. Since the early 1990s, millions of North Africans have attempted to cross the Mediterranean to reach Greece, Spain, and Italy. The dramatic images of African migrants massively scaling the tall border fences separating the Spanish enclaves of Ceuta and Melilla in the autumn of 2005, their daily attempts to cross the Mediterranean by small fishing boats from the Tunisian and Libyan coasts, the arrival of large numbers of African boat migrants on the shores of the Canary Islands in the summer of 2006 and, more recently, the massive exodus during the Arab uprisings have reinforced the perception of mounting migration pressure on Europe’s southern borders. Indeed, millions of sub-Saharan Africans are commonly

believed to be waiting in North Africa to cross to Europe, as well as, a large number of Middle Eastern and Asian migrants in the neighboring countries to Syria, which fuels the fear of a threatening invasion.⁴

Alarmed by these images, the EU and its member states have increasingly put migration issues high on the policy agenda. Even more after the events of September 11th, the tackling of increased migration flows from the Mediterranean South and the closely linked problem of human trafficking became the dominating challenge of better control in Europe's borders, as have concerns of related crime such as smuggling of drugs, weapons and, in a wider sense, even terrorism.⁵ In the last twenty years, illegal/irregular migration has been perceived and approached as a threat, and thus migration and border policing have become securitized, as it is illustrated by the common image of "Fortress Europe".⁶ This has also been reflected in the process of institutionalization and the partial supranationalization of the immigration policy domain at the EU level. The Treaties of Amsterdam, Nice and more recently of Lisbon made consecutive amendments to this policy which is also governed by the Stockholm Programme, for the period 2010-2014.

In recent years, irregular migration from the Mediterranean has received extensive attention on the policy agenda of the EU and its member states. Both have exerted pressure on North African countries to clamp down on irregular migration through increasing border controls, toughening migration law to re-admitting irregular migrants and deporting them from their own national territories. Although reinforced border control and cooperation via the readmission agreements have already proved their effectiveness in some Member States, however, there is still need for improving the effectiveness of readmission agreements at the EU level,⁷ as it is for the European Agency for the Management of Operational Cooperation at the External Borders of the EU, known as FRONTEX (a contraction of the French *frontières extérieures*). The latter, since its establishment in 2005 has become a powerful actor with a key role in enforcing EU immigration policy, by organizing European member states' resources for operations along EU's external borders, as well as, by coordinating increasing numbers of joint operations, both maritime and land-based, that have dramatically reduced the number of illegal migrants from the central and western Mediterranean routes. More recently, supplemented by the Rapid Border Intervention Teams (RABIT) Regulation, the EU's agency

launched its first such mission at the Greek-Turkish land borders to support Greece's authorities in the massive arrival of illegal migrants.

Nonetheless, as Wolff has rightly argued, border management in the Mediterranean is a fragmented policy that presents internal and external challenges: at an internal level, border management remains a sensitive issue where the principles of burden sharing and solidarity between EU member states are difficult to operationalize, while at an external level, effective border management is dependent on cooperation with EU's neighbours.⁸ On the other hand and at the same time it is fair to say that migration policies at the Euro-Mediterranean Partnership followed by the Union for the Mediterranean have not been sufficiently effective in reducing migratory flows. Despite the launch of European Neighborhood Policy since 2004, there is little doubt however that due to social tensions caused by labour market pressures⁹ and the widening North-South economic inequality as well as the depressing non-democratic regimes in the Southern Mediterranean countries, migratory flows to Europe will continue. Therefore the trend towards a process of institutionalization of border management in the Mediterranean, suggests that European border control interests will continue to take priority, placing the EU and its member states in the rather 'awkward' position of maintaining a dual, if not contradictory, agenda: on the one hand promoting an open rhetoric on regional development and cooperation issues, while on the other hand implementing a Eurocentric cross-border security agenda based on the need to control illegal migrant flows. Hence, the development of a broad, forward-looking and comprehensive European migration policy is not only a key objective for the EU but also a key dimension in the Europe's response to the Arab Spring and the current transformations in the Mediterranean political landscape.

In the light of the above considerations, this paper examines the mosaic of illegal/irregular migration in the Mediterranean by identifying, firstly, both traditional patterns and the new trends and routes that emerged in the last seven years, and especially since the beginning of the Arab Spring. More important, an overall assessment of European approaches to tackle illegal migration in the Mediterranean is provided by critically discussing the development of European immigration policy along with the relevant measures and instruments that the EU has institutionalized and the external

policies it adopted to manage regional relations and mitigate the 'push' factors, either through foreign development and aid policies or bilateral agreements related to border control.

2. Regional Routes and New Trends for Illegal Border Crossing

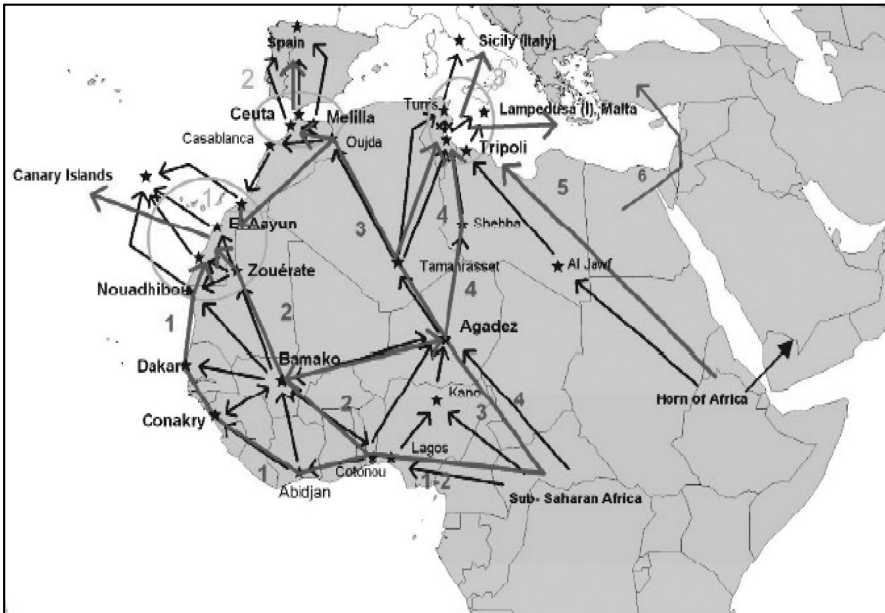
In geographical terms, the Mediterranean encompasses North Africa (Maghreb), the South-western part of Asia (Mashreq), and Southern Europe. The Mediterranean waters link up the Black Sea by the Turkish straits and the Red Sea by the Suez Canal, while the Gibraltar passage offers them access to the Atlantic. Particular types of climate, as well as a complex geology determine its coastal landscape characteristics, 'resulting', in Siegfried's words, 'in aggressive contrasts - sea, mountain, desert'.¹⁰ The Mediterranean coastline itself defines a virtually enclosed body of water, a sort of 'liquid continent'. Simple geography means that there is a link between Europe and the Mediterranean; the former being contiguous with the Middle East at its Asian end, whilst only 16 kilometers away from its African end. Yet, the Mediterranean Sea appears to form a dividing line, an imaginary equator between a prosperous European North and a troubled Arab South. While EU members along the northern rim are increasingly prosperous as they find themselves locked in a dual process of economic and political integration, most countries located at the southern rim seem to be moving in the opposite direction.

This is evident as Europe's Mediterranean zone, consisting of Greece, Italy, Portugal and Spain, has experienced a drastic change, given that the member states of this group - once providers of emigrants for what is known as the central zone (Belgium, Denmark, Germany, France, Luxembourg, Holland and Austria) - have undoubtedly changed into *de facto* countries of immigration coming largely from North Africa, Balkans and Turkey. Indeed, every year thousands coming from the Atlantic coasts of Mauritania, Western Sahara, and Southern Morocco are trying to reach the Spanish Canary Islands, from the northern shores of Morocco to the Spanish mainland and the Spanish enclaves of Melilla and Ceuta, from Libyan and Tunisian shores to Malta or the Italian islands of Sicily and Lampedusa, or from Turkey to the Greek islands in the Aegean Sea and the northwestern area of Greek-Turkish Borders through Evros river.

The Mediterranean is a major area of emigration, and at the same time it receives significant flows of illegal immigration, whether destined for the region itself or as transit to the central European zone. Large numbers of sub-Saharan Africans but also Asians travelling through North Africa and more recently through Turkey on their way to Europe. It is estimated that 48% arrive from the Maghreb (Morocco 33%, Algeria 10%, Tunisia 4,8%) and 45% from Turkey. According to Aragall, data provided by the countries of origin show that the EU is the single largest destination of first generation emigrants from these countries ranging between 10 and 15 million, representing some 4,8% of their aggregated population which amounted to 260 million in 2005, and hosts 50% of all such emigrants worldwide. Sub-Saharan migrants failing or not venturing to enter Europe often prefer to settle in North Africa or move to the oil-rich Gulf States as a 'second best option' than to return to their substantially poorer or unsafe origin countries.¹¹

Within this migration process and because of the existence of major geographical obstacles and natural barriers for unlawful crossing (the Sahara desert, the Atlantic Ocean, the Evros River and the Mediterranean), as well as the increasingly restrictive EU members' border controls, transport is vital as migrants have to use a great variety of means to reach their destination including airplanes, trains, buses, trucks, cars, different kinds of sea vessels and ships.¹² Using a variety of maritime means, migrants depart from the seaports of Dakar (Senegal), Conakry (Guinea), Abidjan (Cote d'Ivoire), Accra (Ghana), Lagos (Nigeria) in sub-Saharan Africa, Port Sudan (Sudan) and Suez (Egypt) on the Red Sea, Port Said and Alexandria (Egypt), Beirut and Tripoli (Lebanon), Antalya and Istanbul (Turkey) in the Eastern Mediterranean, Zilten, Tripoli and Zuwarah (Libya), Sfax, Port El Kantaoui and La Goulette (Tunisia) in the central Mediterranean Region and Tangier (Morocco) in the Western Mediterranean Region. On the other hand, by land, there are only two main reachable destinations, the Spanish enclaves of Ceuta and Melilla, on Moroccan territory. Besides the cities of Ceuta and Melilla, the only other land migration route is via Egypt and the Eastern Mediterranean countries to Turkey and from there to Greece. The latter has become a popular route not only for Africans, but also for Middle Eastern and Asian migrants.¹³ The following map (Map 1) illustrates the complex geographical context in which migrants move within the broader Mediterranean area.¹⁴

MAP 1



Available data on the evolution of international migration over the last twenty years in the Mediterranean region highlight that the Spanish case has been the most dramatic one given its growth from 2000 onwards, whereas France has been experiencing a very discreet evolution - given that its migratory model has been much more dilated in the time - although until 2004 it was leading the table regarding the number of international migrants as a percentage of the population. As Ureta has illustrated, the annual change of the migrant stock in Southern European countries (Tables 1, 2 and 3)¹⁵ indicates that Spain, has experienced a very sharp growth between 2000 and 2005, whereas in Italy, Malta and Greece this growth has been more limited, with the French case being almost negligible.

TABLE 1

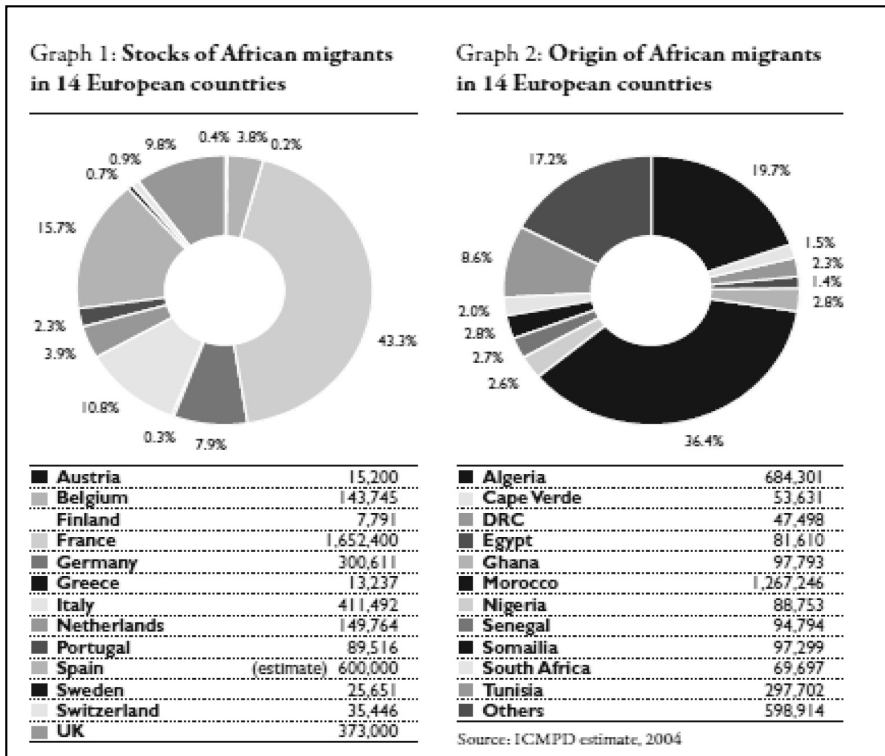


TABLE 2: International Migrants as a percentage of the population

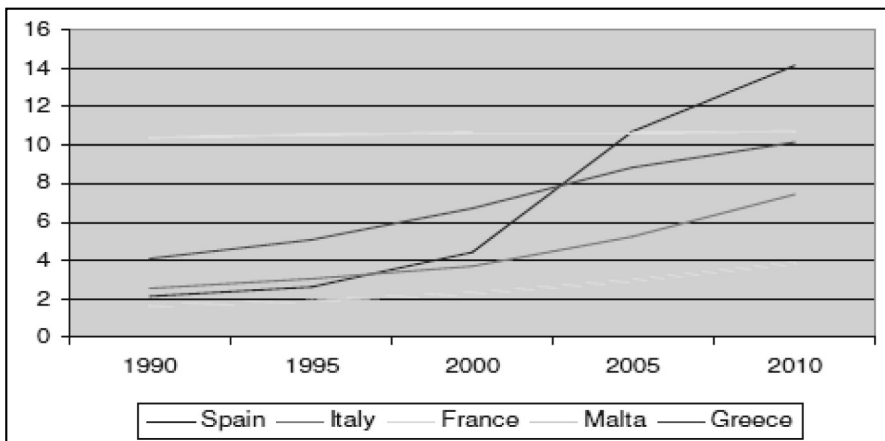
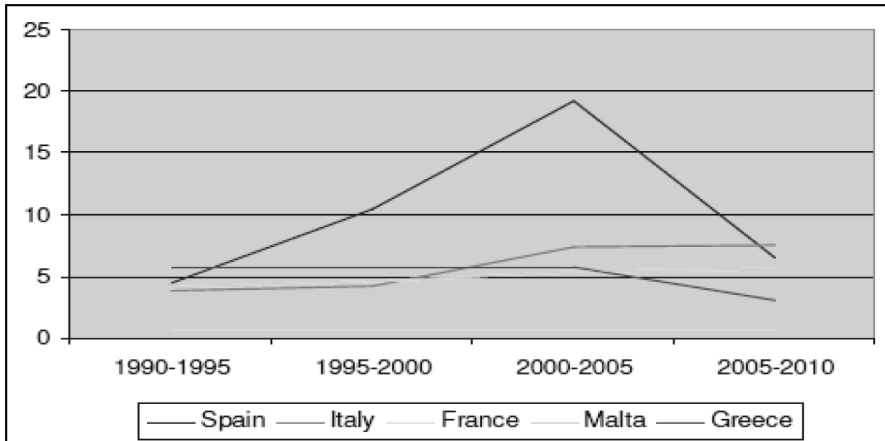


TABLE 3: Annual Rate of change in the Migrant Stock

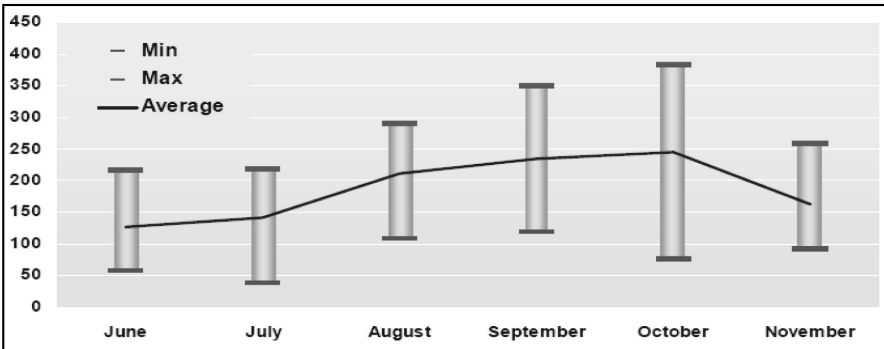
The last seven years have seen important geographical shifts of illegal border-crossing pressure points and changes in both the composition and the size of detected irregular flows at Mediterranean land or sea borders of the EU. In 2006, the Canary Islands were under the greatest migratory pressure, with as many as 31,700 migrants crossing this border illegally. Flow to the Canaries decreased by 60% in 2007 as a consequence of various measures undertaken by the Spanish authorities, including two bilateral Agreements with Mauretania and Senegal and additional patrolling activities in the framework of FRONTEX's Joint Operation HERA.

At the same time, the number of detections increased in the Central Mediterranean route, affecting mainly Italy registering 20,500 illegal migrants. The year 2008 saw a steadily decreasing migratory trend in the Canary Islands (9,200), however, migratory pressure at the Italian maritime borders reached a new peak with 37,000 migrants departing from Libya. This flow however stopped on May 15, 2009, when Italy signed a bilateral agreement with Libya. In 2008, Greece also noted a significant migratory pressure, mainly at its land border with Albania (38,600, mostly Albanians) and at its land and sea borders with Turkey (46,200, from the Middle East). The year 2009 saw an overall decrease of one third in illegal border crossings. The decreasing trend in the Canary Islands was most notable with only 2,200 detections in the entire year. Similarly, Italy saw a decrease in detections (9,600), while Greece continued

to record high numbers of migrants illegally crossing along both its sea (28,800) and land (8,800) borders with Turkey, as well as with its land border with Albania (37,800).¹⁶ In contrast to the increase in the Eastern Mediterranean route, illegal migration through the Western and Central Mediterranean routes was decreased as it was evident in the significantly reduced number of the overall detections of West Africans, who in the past were the most commonly detected irregular migrants on those routes.¹⁷

Based on FRONTEX’s data, around 95,000 detections of illegal border crossing took place across the EU’s external borders in Greece in 2010. Among the Greek border sections, most detections took place along the land border between Turkey and Greece near the Greek city of Orestiada (47,700), representing in 2010 about 45 % of all detections at the EU level.¹⁸ The increase in detections of illegal border crossings at the Greek-Turkish land border (as it is shown in Table 4),¹⁹ reached its peak in October 2010, with about 350 detections a day recorded. The increased number of illegal border crossings detected around Orestiada corresponds to a shift in detections for illegal border crossing from the maritime to the land border with Turkey, as near Orestiada, migrants can easily cross the Evros River that delineates the border using a bridge on the Turkish side of the border.

TABLE 4: Detections per day at the Greek-Turkish borders in 2010



Indeed, by 2010 Greece became the main entry point for illegal/irregular migration into the EU, and Turkey the main transit country for irregular migrants coming from North Africa, Central and Southeastern Asia.²⁰ The most

commonly detected nationalities were citizens of Asian countries (Afghanistan and Iraq), but there was also an increasing number of detections of irregular migrants coming from the Maghreb, taking advantage of low fares and Turkish visa liberalization. Unfortunately, Greek authorities can't return illegal immigrants to Turkey because the latter refuses to sign readmission agreement, demanding that Turks should be eligible to travel visa-free into the Schengen area. The large flow of illegal immigrants from Turkey is aggravated by problems such as the lack of reception centers, lack of readmission agreements with some countries of origin, the proximity of Istanbul to the border, the low prices of airline flights, the low visa regime to Turkey and the large number of trafficking networks operating in the Greek-Turkish borders.

Between January and October 2010, figures combining operational data and reports by the Greek authorities totaled 44,000 detections for illegal border crossing, compared to 34,000 detections for the same period in the previous year. Hence, after receiving a request on October 24 from the Greek Minister of Citizen Protection for deployment of Rapid Border Intervention Teams (RABITs)²¹, FRONTEX finalised arrangements for human and technical resources to be deployed to the Greek-Turkish land border in the region of Orestiada and neighbouring areas. In total, 175 border-control specialists (first and second-line border guards, as well as dog handlers, screeners, de-briefers and interpreters) have been made available by Member States and Schengen-Associated Countries (Norway) participating in the first ever RABIT deployment.²² Present since 2 November 2010, FRONTEX supported the Greek government's efforts to manage the influx of migrants mainly with patrolling the border and collecting information about the people-smuggling networks facilitating the arrival of the migrants. The swift deployment of the RABIT stabilized the situation and brought down the number of arrivals compared to the peaks in 2010. Although this operation was provisionally planned for two months' duration since its initiation, it actually lasted four months (ended on 2 March 2011). During this period over 11,800 migrants were detected and the number of illegal entries dropped over 70%.²³ Currently FRONTEX continues to support Greece in the Evros region (along Greece's common borders with Bulgaria and Turkey) with the Joint Operation Poseidon Land.²⁴

2011 was a record year in terms of the number of arrivals in Europe from the Mediterranean region, with more than 58,000 people arriving (the

previous high was in 2008 when 54,000 people entered Europe). From 2009 border control measures sharply reduced arrivals in Europe, yet there was again a sharp increase in early 2011, as the regimes in Tunisia and Libya collapsed. In February, after the ousting of Tunisian President Ben-Ali, large flows of migrants arrived in Italy, mainly in Lampedusa and the Pelagic Islands. Since the outbreak of the popular uprisings in the region - known as 'the Arab Spring' - European media have been obsessed with the fear of massive waves of North Africans invading Europe. Despite the conflicting responses from European leaders at the time of the Arab uprisings,²⁵ more recent assessments have revealed that the Arab uprisings have not fundamentally altered the long-term regional migration patterns and trends, although they might have accelerated them. For instance, although the falling away of policing has encouraged more Tunisians and Egyptians to cross the Mediterranean on fisher boats, these are anything but a new phenomenon.²⁶ Although only four EU countries provide annual statistics of immigrant stocks by country of nationality until 1 January 2012 (Germany, Italy, Spain and the United Kingdom), in all of them, flows of migrants from Morocco, Algeria, Tunisia, Egypt, Lebanon and Syria have been increasing in 2011.²⁷ However, while the uprisings in Tunisia and Egypt have remained relatively peaceful, the violent conflicts in Libya, and more recently in Syria, have generated large flows of refugees, most of whom had, nevertheless, gone to neighbouring countries such as Tunisia, Algeria and Egypt in the case of Libyans and Turkey, Lebanon, Jordan and even Libya for Syrians. Indeed, only 25,000 out of more than one million who fled Libya, reached Europe; and only a few hundreds out of 100,000 who fled Syria will find their way to Europe.²⁸

From an operational perspective, the impact of the Arab Spring on illegal migration in the Mediterranean was outlined by Gil Arias Fernandez, Deputy Director of the European border control agency FRONTEX, in November 2011 in Athens with the publication of figures that highlighted an influx of Maghreb migrants trying to enter the EU. More specifically, between January and September 2011 the number of illegal immigrants increased by 50% compared to the same period of the previous year: 112,844 immigrants were registered by national authorities compared to 76,697 the year before.²⁹ After this period, however, the arrival of illegal migrants dropped significantly, because the Tunisian authorities have improved border control and signed a

readmission agreement with Italy while FRONTEX launched for two months the Joint Operation EPN Hermes Extension 2011. The situation was also improved regarding illegal immigrants coming from Libya when the National Transitional Government took over the control of Tripoli and other cities.

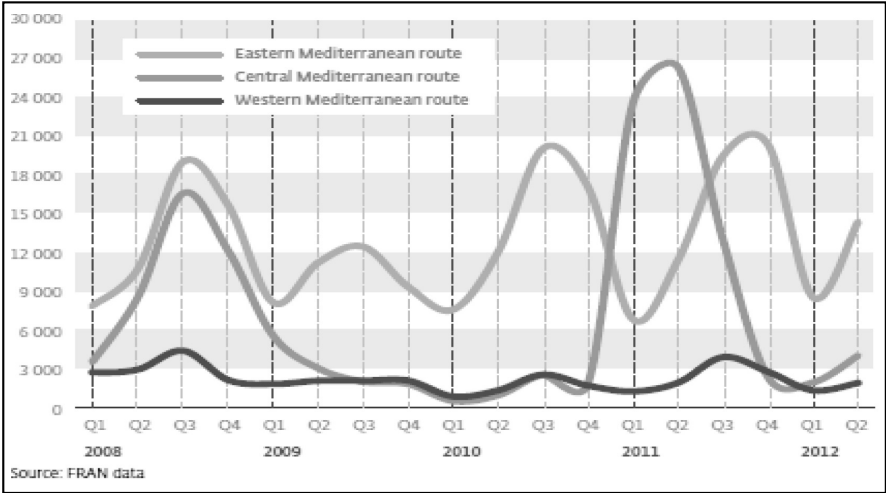
According to most recent data provided by FRONTEX³⁰, in the first quarter of 2012 detections of illegal border-crossing were reduced by nearly half compared to the same quarter in 2011 due to the simultaneous effects of the winding down of the Arab Spring and fewer Albanian circular migrants entering Greece. However, due to increased detections of migrants from Bangladesh and particularly Syria and in contrast to the EU decrease in detections of illegal border-crossings, in the undisputed long-term hotspot for irregular migration, namely the Greek land border with Turkey (where two-thirds of all detections at the EU-level were reported), there was a 29% increase compared to 2011.³¹ It is not a coincidence that for the first four months of 2012, the most significant development in terms of irregular migration to the EU was the increased detections of migrants from Syria where the security situation has progressively deteriorated after March 2012.

Interestingly, the detections in the Greek-Turkish land border seemed to also have a direct impact on detections in the Ionian Sea. It was thus estimated that in 2011, more than 15% of migrants reported at the Greek-Turkish land border were detected soon after in Apulia and Calabria. At the EU level, the second most affected border section after the Greek-Turkish border was the Greek-Albanian border, an undoubtedly significant location for illegal border-crossings, albeit of mostly Albanian circular migrants. Therefore, "Poseidon Sea", the FRONTEX operation which used to cover the sea border between Greece and Turkey, was extended in 2012 to also cover the west coast of Greece, where migrants trying to reach Italy by boats. More recently Greek officials have made new requests to FRONTEX for assistance to respond to increasing migratory pressures on the islands of the Eastern Aegean. The Greek islands of Lesbos, Samos, Patmos, Leros and Symi in particular, have reportedly seen an increase in the number of persons entering from nearby Turkish territory.³²

According to data provided by FRONTEX and illustrated in Table 5, the Eastern and Central Mediterranean routes reported the most detections of illegal border-crossing in the second quarter of 2012, and were characterized with seasonal increases consistent with previous years, aside the Central

Mediterranean region, during 2011. More specifically, there were 14.125 detections of illegal border-crossing on the Eastern Mediterranean route (an increase of 27 % compared to the same period in 2011, rendering this region the undisputed hotspot for illegal entries to the EU during the current reporting period). Elsewhere, detections in the Central Mediterranean showed a seasonal increase but were much reduced (-86%) compared to the dramatic peak during the same period in 2011. Indeed, in the second quarter of 2012 detections in this region resembled the pre-‘Arab Spring’ levels reported during the summer of 2010. Detections in the western Mediterranean were almost equally comparable to the same period of 2011, whereas detections increased to a large degree, although from lower bases, on the Eastern Borders route (+103%), Western Balkans route (+50%) and Western African route (+29%).

Table 5: Detections of Illegal Border Crossing by Main Irregular Migration Routes



3. Assessing EU Approaches to Illegal Migration

In 2009, the number of irregularly staying third country nationals apprehended in the EU-27 was about 570,000 (7% less than in 2008) with member states managing to return about the half of third country nationals,

i.e. 253,000 (4.7% more than in 2008) to their home countries. When asked (Eurobarometer 2009), which political issue the EU should focus on, people in Europe view migration as the largest concern after the economy and unemployment.

Unsurprisingly, EU member-states have made different historical experiences with the questions of migration. According to their geographical position, i.e. whether they are surrounded only by other EU member states or have either land or sea-borders with external countries, they have followed different approaches to handle irregular migration flows. Nevertheless, today with most EU states facing a multiplicity of challenges to their mechanisms of societal integration and political legitimacy, illegal migration is being presented as a danger to public order, cultural identity, and domestic labor market stability of the EU states and it has therefore been securitized.

a. Regulating and Institutionalizing Migration

Debate on European migration policies started during the 1950s and 1960s when in most western European countries migrants were considered primarily as an extra workforce. Countries like France, Germany and the Netherlands used a permissive or even promotional migration policy motivated by the need for additional labor. In the 1970s migration became increasingly a subject of public concern with a shift from permissive immigration policies to more restrictive policies in these countries. But it was only in the 1980s when the Europeanization of migration policy took off, as policy co-ordination and development were institutionalized.³³ Migration regulation became important first in intergovernmental fora, such as Trevi, the Ad Hoc Group on Immigration and the Schengen Group.³⁴ Despite that these fora were established outside the formal framework of European integration, however, they pre-structured the development of migration policy within the EU. In the framework of the intergovernmental and bureaucratic fora, transnational and intergovernmental policy networks developed, which were interested in a cooperative regulation of migration, and contributed considerably to a gradual incorporation of migration policy into the constitutional structure of the EU.³⁵

Specifically, following the momentum developed after the Single European Act in 1986, the Treaty of Maastricht introduced in 1992 a Third Pillar on Justice and Home Affairs in which migration was an explicit subject of

intergovernmental regulation. By the end of the 1980s, despite the establishment of other freedoms of movement of goods, capital and services, the establishment of free movement of persons was still pending due to the reluctance of Member States in eliminating the barriers without harmonized rules on the crossing of the EU's external borders, such as common visa requirements and asylum policies.³⁶

Moving migration from the Third to the First Pillar of the new EU's architecture became one of the key issues in the Intergovernmental Conference reviewing the Maastricht Treaty and later in 1996, with the Treaty of Amsterdam, where the sections of the Third Pillar relating to immigration, asylum and refugees were communitarized, yet not supranationalized.³⁷ Despite all efforts however, it soon became evident that third pillar cooperation was not producing any serious results and European governments felt obligated to incorporate the Schengen Agreement³⁸ into EU *aquis* in order to prepare for the Eastern enlargement.³⁹

In order to tackle some of these problems, the Tampere European Council in 1999 called for a Common Asylum and Immigration Policy, based on four important elements: (a) partnership with the countries of origin, (b) fair treatment of third country nationals, (c) comprehensive approach for the management of migration, and (d) a common asylum policy that would fully respect the terms of the Geneva Convention and the Member States' obligations under international treaties.⁴⁰ However, in a couple of years it became obvious that "rhetoric did not result in policy shift and Tampere failed to make substantive institutional changes".⁴¹ The same applies to the Open Method of Coordination which was introduced in the Common Immigration and Asylum Policy since 2002. Based on guidelines and indicators, benchmarking and sharing of best practices, this soft-law mechanism did not prove effective.⁴²

It took the EU ten years after Amsterdam to set in the Lisbon Treaty the aim to develop common immigration and asylum policies "aimed at ensuring at all stages, the efficient management of migration flows, fair treatment of third country nationals residing legally in Member States, and enhanced measures to combat illegal immigration and trafficking in human beings"⁴³. As the whole of the EU institutional architecture has been reconstructed, a fundamental change brought by the Lisbon Treaty is that it removed the

existing split in the Justice and Home Affairs domain between asylum, immigration, border controls and judicial cooperation in civil matters that were falling under Title IV TEC (first pillar) and, on the judicial cooperation in criminal matters and police cooperation falling under Title VI TEU (third pillar). No doubt, Title IV of Part III of the Lisbon Treaty that abolishes the Third Pillar altogether and brings all co-operation on police matters and on civil and criminal law, together with “Visas, Asylum and Immigration”, into a shared competence, now entitled “The Area of Freedom, Justice and Home Affairs” has several major implications for police and judicial cooperation in criminal matters as co-decision, qualified majority voting and the European Court of Justice’s jurisdiction will be extended to this area.⁴⁴

Equally important is that for the first time, it is stated that the EU competences in this field are shared with the Member States notably concerning the quantity of migrants entering a Member State. As Fitchew put it “[v]irtually, the only major policy decision left in the hands of Member States is that of deciding how many nationals from non-EU countries they are prepared to admit directly from third countries. In short, the Lisbon Treaty gives the EU almost as much power over asylum and immigration issues as the CAP gives it over agricultural policy”.⁴⁵ The Union’s competence regarding migration issues is an autonomous competence which differs, in terms of its objectives, from the competence relating to border checks and the competence regarding asylum. Of course, the management of migration flows, which is an objective of the Union in relation to immigration, is dependent upon the policy on border checks.⁴⁶

b. Externalizing and Securitizing Migration

Since the mid-1990s, European governments have responded to persistent irregular immigration flows from the South by upgrading the EU’s Mediterranean Policy and setting up the Euro-Mediterranean Partnership with the assorted Barcelona Process to create a rather ambiguous regional regime,⁴⁷ as well as, by intensifying border controls. The latter has involved the deployment of semi-military and military forces and hardware in the prevention of migration by sea.⁴⁸ What is important here is that the EU countries have attempted to externalize border controls towards the Mediterranean countries by transforming them into a “buffer zone” to reduce migratory pressures.⁴⁹

They have done so by cultivating a cooperative/ responsible culture in the multilateral framework of the Barcelona Process and by pressing certain North African governments to clamp down on irregular migration and to re-admit irregular sub-Saharan migrants from Europe and expelling them from their own national territories.⁵⁰ Facing the increase in trans-Mediterranean migration from sub-Sahara Africa, Italy and Spain, in particular, concluded agreements with southern European countries, in exchange for developmental aid and financial and technical support for (joint) border controls with Morocco and Libya, and since 2003 they collaborate in joint naval patrols and readmission of migrants in exchange for aid.

The events of 9/11 changed the global security agenda, catapulting terrorism to the top of the agenda and controlling the free movement of people became a national security priority. The responses to 9/11 issued by the key EU institutions made clear links between terrorism, security, migration and borders, and as such they amount to securitizing moves. Considering that both, international migration and terrorism imply a logical border crossing, the link between them appeared almost automatically, not least because the global “securitization” of migration is able to stimulate emotive judgements and behaviours and therefore is very profitable politically.⁵¹ It was however before the events of September 11th that irregular movements became security-relevant due to the spread of criminal organizations that manage illegal migratory networks.⁵² However, in the post-September 11th era, the implications of these networks led European governments to dramatically rethink their border controls, and upgrade their migration policies from the technical domain to the one of national security.⁵³ In fact, the institutionalization of Justice and Home Affairs within the EU brought together a broad range of internal threats, including migration, under the same policy umbrella, also encompassing terrorism, crime and drugs.

Further integration in the EU’s external policy was advanced significantly in the European Council of Seville in 2002, where the use of external EU instruments in external relations was called upon in combating illegal migration. Those countries involved in the MEDA program were mentioned specifically. The Seville Council meeting has also introduced a compulsory “re-admission of illegal immigrants” clause in any future cooperation, association or equivalent agreement of the EU or the EC with third countries.

In the same line, the EU's Strategy for the External Dimension of Justice, Freedom and Security issued in 2005 contributed to the further development of the EU's internal area of freedom, security and justice by fostering the rule of law, democracy, respect for human rights, international obligations and good governance in non-EU countries.⁵⁴

In the European Security Strategy issued in 2003, EU seemed to start accepting the linkages between environment and migration flows by referring to competition for natural resources – notably water - which will be aggravated by global warming over the next decades and it is thus likely to create further turbulence and migratory movements in various regions. The EU has also highlighted the importance of the linkages between environment and migration flows in the paper entitled “Climate Change and International Security”, where climate change is considered as one of the most important drivers that together with political instability in North Africa, the Sahel and the Middle East will increase migratory pressure at the EU's Mediterranean borders.⁵⁵ In addition, with Europe being a prime target for organized crime, the European Security Strategy pinpointed that the internal threat of organized crime and the cross-border trafficking of illegal migrants, drugs and weapons can have links with terrorism.

The Hague Programme, adopted at the European Council in November 2004, set out a five-year master plan to promote closer co-operation in justice and home affairs. With four priorities relating to migration issues (defining a balanced approach to migration, developing integrated management of the EU's external borders, setting up a common asylum procedure and maximizing the positive impact of immigration), the EU attempted to strengthen the area of freedom, security and justice. The Hague Programme gave priority to the security aspects of migration and measures that reinforce restriction and control in the fight against terrorism. Within the immigration and asylum policies, the security aspect is central and takes the form of border checks and the “fight against illegal migration”.⁵⁶

The Hague Program thus marked a partial shift from dealing with migration through the external relations framework towards an externalization of migration, focusing on European interests in border management. Adding to this, on October 3, 2005 FRONTEX, the European Agency for the Management of Operational Cooperation at the External

Borders of the Member States of the EU became operational. One year later FRONTEX's activities were complemented by the adoption of the so-called "Schengen Borders Code", namely the EU law governing the movement of persons across the borders, and how the internal border is managed. This has been accompanied by the adoption of the External Borders Fund in 2007, which has been politically presented as a key component of the principle of solidarity on border controls in an enlarged EU, to finance border-crossing control infrastructure, equipment and projects as well as the exchange and training of staff.⁵⁷

During the "anniversary" 2005 Barcelona Summit the progress made since 1995 in terms of political, economic and financial cooperation pillars was reviewed. At the time, all the association agreements with Algeria, Morocco, Tunisia, Israel, Jordan, Egypt, and Lebanon were operational and the ones with Syria and Palestine were in the final stages, while Cyprus and Malta had already joined the EU. It is true that the emphasis placed on political and economic reforms rather than on social, cultural and intercultural communication reforms has not produced a regional regime on migration.

Moreover, after more than ten years of effort, the economic gap between the EU and its Mediterranean neighbors appeared to be one of the most marked, it has widened, and it was causing virtually uncontrollable migratory movements. There is little doubt that although the importance of migration in the Mediterranean cooperation increased, the dominant approach has been maintained. Interestingly, the 2005 Report on Mediterranean Migration, financed by the European Commission, had only focused on the traditional aspects of migration, addressing issues pertaining to both emigration and immigration, while environmentally induced migration was not contemplated.

Despite the overall failure of the Barcelona project, at the 10th Anniversary Summit in Barcelona in November 2005, an action plan encompassing points on Migration, Social Integration, Justice and Security through a comprehensive and integrated approach of six objectives⁵⁸ and a code of conduct on counter-terrorism were adopted.⁵⁹ Apart from holding a Ministerial Meeting on migration, EU decided to develop mechanisms for practical cooperation and sharing experiences on managing migration flows; promote schemes for safer, easier, less expensive channels for the efficient transfer of migrants' remittances; develop ways to assist capacity building for

those national institutions in partner countries; promote legal migration opportunities and integration of migrants; enhance cooperation to fight illegal migration, such as the negotiation of different kinds of readmission agreements, the fight against human trafficking and related networks as well as other forms of illegal migration, and capacity building in border management and migration; develop contacts, training and technical assistance for judicial and legal professionals, building on the EuroMed Justice Programme and the EuroMed Police Programme, encouraging networks in the EuroMed region and drawing on the expertise of Europol.

One year after the Barcelona Summit, the Foreign Ministers of the Euro-Mediterranean Partnership decided in Tampere in November 2006 to “strengthen the management of migratory flows in a comprehensive and balanced manner”, as well as to intensify cooperation on all aspects of migration between all parties concerned, including the fight against trafficking in human beings and negotiations of different kinds of readmission agreements.⁶⁰ The Ministers also decided for the first-ever Euro-Mediterranean Ministerial Meeting on migration to take place in Albufeira, Portugal, on 18-19 November 2007. Interestingly, although this first Euro-Med meeting on migration can hardly be considered as a breakthrough, the participants managed to work out conclusions and agreed to take a number of “appropriate and concrete measures” as a matter of priority for cooperation concerning both legal and illegal migration.

More important, in the Agreed Ministerial Conclusions three principal areas for further actions were established: facilitating legal migration, promoting development in sending countries to curb migration flows, and combating illegal migration. Euro-Med partners had also decided to promote legal migration through determining categories of workers required in EU countries and taking into account the needs of the labour markets of sending countries to prevent brain drain. Moreover, different forms of mobility, such as circular and temporary migration, would be promoted, as well as, professional and linguistic training courses. It was also decided that sustainable development measures for southern Mediterranean countries will include facilitation of the transfer of migrants’ remittances and micro credit opportunities through promotion of transfers by the use of the formal banking systems. Regarding cross-border control, partners decided to adopt measures

to upgrade security standards in southern partners' national travel documents such as introduction of biometry and new technologies at security services and training courses for transit countries on methods for identification of false documents, enhancing capacity building related to departure flows, and search and rescue operation at sea.

At national level, the EU concluded Association Agreements with each and every Southern Mediterranean country (excepting Libya and Syria), which were subsequently complemented by European Neighbourhood Policy Action Plans. This European policy has been progressively established after the EU's enlargement and the European Neighbourhood and Partnership Instrument entered into force in January 2007 to fund EU regional and bilateral cooperation programs at the EU's borders.⁶¹ Since its inception in 2004, the new EU policy has promoted a variety of important initiatives, particularly on the trade and economic domains, which have allowed the EU and its neighbours to develop stronger relationships in virtually all policy fields, including migration. Especially, in its 2007 communication for 'A Strong European Neighbourhood Policy' the European Commission noted that "the promotion of mobility will go hand in hand with the commitment of our partners to increase security and justice and fight illegal migration, with efforts to strengthen our neighbours' capacity to deal with migratory flows to their countries, and with the security of documents".⁶² Therefore, the Commission urged the EU Council and the European Parliament to adopt "its 2006 'package' on legislative proposals aiming at revising the European Visa policy, ensuring a high level of security within the common area and simplifying the procedures for visa applicants". It must be stressed that this issue is one of the priority areas of the ENP Regional Indicative Programme 2007-2013, which identifies a number of concrete projects and programs.

More intensive policies devoted to controlling migration flows were issued since 2007. Without doubt, the 'blue card' started to mark a new era in managing migratory flows. The EU Blue Card scheme puts in place an attractive package of measures such as equal treatment with national workers, favorable conditions for family reunification and intra-EU mobility to attract highly-qualified persons to the EU. Given that European countries attract mainly non-skilled migrants, a new policy was thus launched to overturn this trend.⁶³ This initiative was however contested within the EU since it could

worsen situations of “brain drain” in the less developed countries of the southern Mediterranean rim.⁶⁴ Indeed, while the measure may prove positive, it could also penalize migrants since the blue card aims at reinforcing the idea of circular migration, which means different things to different EU countries: in some of them, the idea to give circular migration rights to highly-skilled migrants dominates, whereas for others the concept of circular migration fits best for seasonal migrants who return regularly to do jobs in the agriculture, construction and tourist industries.⁶⁵

In June 2008 the European Council endorsed the ‘Global Approach to Migration’⁶⁶, intending to bring together all migration-relevant policies in a more coherent way, including: development policy, measures to encourage legal migration and to fight illegal immigration, managing demand for skilled labour in a framework of dialogue, cooperation and partnership with migrant exporting countries. The “mobility partnership” with third countries, is not a readmission agreement, but a broader set of measures ranging from development aid, to temporary entry visa facilitation, circular migration, fight against illegal migration, including readmission.⁶⁷ Four months later the European Council adopted the “European Pact on Immigration and Asylum”, based on five pillars, three of which concern immigration: organize legal immigration to take account of the priorities, needs and reception capacities determined by each EU member, and to encourage integration; control illegal immigration in particular by ensuring that illegal immigrants return to their countries of origin or to a transit country; create a comprehensive partnership with the countries of origin and transit to encourage synergy between migration and development.⁶⁸

The European Pact on Immigration and Asylum was actually the banner issue of Sarkozy’s election campaign in 2007. Given the importance of the migratory challenge within the EU, leading the initiative was viewed by the French leader as France’s chance to regain its dominant position in the region. In July 2008, a refurbished Barcelona Process emerged as the Union for the Mediterranean (UfM). This occurred when the economic downturn started to be recognized by major EU governments. As soon as economic perspectives started to darken, migration issues gathered momentum in the European public discourse and the response was clear during the 2009 European Parliamentary elections.

The European Council of December 2009 adopted the 'Stockholm Programme - an open and secure Europe serving and protecting citizens'.⁶⁹ Continuing on from the Tampere and Hague Programmes, the Stockholm Programme is the five-year strategic work programme for the Area of Freedom, Security and Justice for the period 2010-2014, implementing the new provisions provided by the Lisbon Treaty. The Programme defines the EU priorities in the area of migration, notably: the development of the Global Approach to Migration, based on a true partnership with countries of origin and transit outside the EU; a concerted policy between member states in keeping with national labour-market requirements; a more vigorous integration policy aimed at granting third country nationals who reside legally in the EU rights and obligations comparable to those of EU citizens; effective policies to combat illegal immigration, an effective and sustainable return policy, and conclusion of readmission agreements. On 20 April 2010 the Commission adopted the 'Action Plan Implementing the Stockholm Programme, which has been only partially endorsed by the Council, which asks the Commission 'to take only those initiatives that are in full conformity with the Stockholm Programme'.⁷⁰

The Stockholm Programme called upon the Council and the Commission to "define a comprehensive Union internal security strategy"⁷¹. On the other hand, the Internal Security Strategy, adopted by the Council of the EU in February 2010, should be considered as the first step in this direction.⁷² It sets out the common threats and challenges to the EU's internal security as well as principles and guidelines on how to respond to these challenges. It also called upon the Commission to draft a communication proposing actions for implementing the strategy. The Commission followed up with its Communication on "EU's Internal Security Strategy in Action"⁷³, identified the five most urgent common threats to EU's internal security: serious and organised crime, cybercrime, terrorism, border security and disaster management as well as specific objectives and concrete actions to be undertaken for the period 2011-2014.

It is worth-noting that both documents place an emphasis on a holistic approach to internal security, both on practical action and cooperation. From an operational point of view, EU States are implementing three of the Internal Security Strategy objectives with a new mechanism, the so-called 'Harmony

Policy Cycle on Organised crime 2011-13' focusing on tackling serious, organised crime and cybercrime, as well as on strengthening border management. The EU is treating migration management and the fight against crime as twin objectives of the integrated border management strategy. The instruments improving security in relation to the movement of goods are also complementary, and are constantly being developed to tackle the increasingly sophisticated criminal organisations. In line with this, it was decided to exploit the full potential of EUROSUR, to enhance the contribution of FRONTEX at external borders, to develop common risk management for movement of goods across external borders and to improve interagency cooperation at national level.

More recently, the Arab Spring raised fears of an exodus of irregular migrants and unwanted migration and these fears swiftly resulted in European governments placing their efforts on strengthening border control and on pressuring readmission agreements. The first reaction of the EU was to regard the revolutions in the Mediterranean as a unique political opportunity to expand its Mediterranean focus from development to the promotion of democracy. This was evident as in less than two months after Ben Ali fled Tunisia, the European Commission, in its communication entitled "A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean Countries" linked its financial support to democratic reforms.⁷⁴ In accordance with the traditional EU incentive-based approach introduced with the Neighborhood Policy, those willing to go further and faster with reforms will be able to count on greater funding from the EU to support democratic transitions.⁷⁵ However, although new emphasis and great effort was dedicated to democracy-building, the EU did not invent any new responses to short-term migratory movements or long-term migration. Indeed, as Fargues and Fandrich have aptly observed "[r]ather, EU policies on migration after the Arab Spring reaffirmed old positions regarding Mediterranean migration"⁷⁶. As an incentive, enhanced mobility has been offered to those who reform, which in the end leads to less migration and more secure migration. So far, the EU's response has been to increase slots available for university scholarships and exchanges in Erasmus Mundus programme with extra 30 million Euros funding for the 2011-2012 academic year. At the time of writing, four Mobility Partnerships have also been envisaged with Tunisia, Morocco, Jordan and Egypt.

During the past two years, the EU has faced critical situations at its borders, where it was confronted with high inflows of irregular migrants. This has been a major test for the EU's ability to react efficiently to crises, while the Member States most directly concerned by migratory movements, such as Greece, have required assistance in a spirit of solidarity. The 2011 report on the implementation of the Internal Security Strategy, highlighted the establishment of EUROSUR, but also stressed that further work is needed to improve interagency cooperation at national level. Furthermore, the achievements of FRONTEX are now broadly recognized. It is also worth noting that the EU's Agency for the Management of Operational Cooperation at the External Borders manages a pool of border guards available for the Rapid Border Intervention Teams (RABITs) which are sent to Member States facing urgent and exceptional pressures at their borders. It also coordinates joint operations which can be deployed to assist EU States in managing migratory flows at their external borders.

NOTES

1. S. Castles and M.J. Miller, *The Age of Migration*, 3rd ed., Palgrave MacMillan, Basingstoke and New York, 2003, p. 4.
2. A. İçduygu, «The Politics of Irregular Migratory Flows in the Mediterranean Basin: Economy, Mobility and Illegality», *Mediterranean Politics*, Vol.12 No. 2, 2007, p. 141.
3. IEMed *Foreigners From the MEDA-10 Countries Resident in the EU (2000-2007)*, Map A.17: Institut Europeu de la Mediterrània, Barcelona, 2009, p. 315.
4. Although there has been an incontestable increase in regular and irregular West African migration to Europe over the past decade, available empirical evidence dispels most of these assumptions. See in H. de Haas, "The Myth of invasion: Irregular Migration from West Africa to the Mediterranean and Europe", IMI Research report, International Migration Institute, James Martin 21st Century School, Oxford University, Oct. 2007.
5. See for example among others P. Muus, "International Migration and the European Union: Trends and Consequences", *European Journal on Criminal Policy and Research*, Vol. 9 No.1, 2001, pp. 31-49; and J. Salt, "Trafficking and Human Smuggling: a European Perspective", *International Migration*, Vol. 38, No. 3, Special Issue, 2000, pp. 31-56.

6. P. Bendel, "Immigration Policy in the European Union: Still Building up the Walls for Fortress Europe?», *Migration Letters*, Vol. 2 No. 1, 2005, pp. 20-31.
7. Commission's Communication on the Evaluation of EU Readmission Agreements (COM(2011)76), Brussels, 2011.
8. S. Wolff, "Border Management in the Mediterranean: Internal, External and Ethical Challenges", *Cambridge Review of International Affairs*, Vol. 21 No. 2, 2008, pp. 253-278.
9. I. Martin, "Labour Market Performance and Migration Flows in Arab Mediterranean Countries: A Regional Perspective, *European Economy*" *Occasional Papers*, No. 60, Final Report and Thematic Background Papers, Vol. 1, European Commission D.G. for Economic and Financial Affairs, April 2010.
10. A. Siegfried, *The Mediterranean*, Jonathan Cape, London 1984, p. 29.
11. Migrants from the Maghreb and Turkey are predominantly destined for Europe, while those from Eastern Arab Mediterranean countries instead tend to travel to the Arab oil countries and other regions of the world. X. Aragall, "Migration in the Mediterranean: The Situation of Migrants in the Mediterranean", Institut Europeu de la Mediterrània, Barcelona, 2010.
12. It is also very common that migrants need the services of international smuggling networks to guide them in their travel, provide fake passports, organize small boats on the coasts, and if necessary, provide help to evade detection by customs officers with their people working in the sending, transit and destination countries. D. van Moppes and J. Schapendonk, "Migration as Booming Bussines", *Working Papers Migration and Development Series*, Report No. 17, Radboud University, Nijmegen, 2007.
13. Moppes, *op.cit.*, p. 8-9.
14. D. van Moppes, "The African Migration Movement: Routes to Europe", *Working Papers Migration and Development Series*, Report No. 5, Research Group Migration and Development, Radboud University, The Hague, 2006, appendix 6.. See also IEMed, *Mediterranean Migration Routes*, MA.19, Institut Europeu de la Mediterrània, Barcelona, 2006, p. 239.
15. I. Ureta, *Reassessing the Migration Mobility Nexus in the Mediterranean: International Coordination and National Management Policies*, NATO Parliamentary Assembly, Mediterranean and Middle East Special Group, Rome, 27 June 2010.
16. *FRONTEX Press Pack*, May 2011, pp. 9-11.
17. According to various estimates, before the Arab Spring between 65,000 and 120,000 sub-Saharan Africans entered the Maghreb (Mauritania, Morocco, Tunisia, Algeria, and Libya) yearly, of which 70-80 % to migrate through Libya and 20-30 % through

- Algeria and Morocco. A. Cangiano, S. Strozza, “Foreign Immigration in Southern European Receiving Countries: New Evidences from National Data Sources”, in C. Bonifazi, M. Okólski, J. Schoorl and P. Simon (eds.), *International Migration in Europe: New Trends and New Methods of Analysis*, IMISCOE Research, University of Amsterdam Press, Amsterdam, 2008, pp. 173; and H. de Haas, “The myth of invasion: Irregular migration from West Africa to the Maghreb and the European Union”, *International Migration Institute Research Report*, commissioned by the International Organization for Migration, Geneva, 2007.
18. *FRONTEX Press Pack*, May 2011.
 19. *FRONTEX Press Kit, Situation in Greece*, 29 Nov. 2010.
 20. Irregular migrants entering Greece illegally are increasingly reported transiting to other EU Member States via the Balkans or by air to other European capitals using forged documents. In Germany during 2010, the number of asylum applications of Afghan nationals was doubled compared to 2009. Most of these applicants are believed to have entered the EU illegally from Turkey to Greece. Germany and Sweden suspended the application of the so called Dublin procedure, which would allow the return of the applicants to Greece.
 21. The basic idea of a Rapid Border Intervention Team was to create a mechanism that could allow a rapid deployment of border guards on European level in case of urgent and exceptional migratory pressure. Officers deployed in RABITs operations come from a pool of national experts (border guards, police officers, immigration officers) made available to FRONTEX by the national authorities in EU member states and Schengen Associated Countries. There are currently over 600 experts in the Rapid Pool, a database of border guards created and maintained by FRONTEX.
 22. In addition to the border guards, Frontex sent material support including one helicopter provided by Romania; four buses provided by Austria, Hungary, and Romania; five minibuses provided by Romania, Austria, and Hungary; 19 four-wheel-drive patrol cars provided by Romania, Austria, Slovakia and Germany; nine vans with thermo-visual equipment provided by Austria, Bulgaria, Germany, and Hungary; and three office units (portable buildings) provided by Denmark. FRONTEX, “FRONTEX to Deploy 175 Specialist Border-Control Personnel to Greece”, *Press Release*, 29 Oct. 2010.
 23. *FRONTEX Press Pack*, May 2011, p. 30.
 24. Joint Operation Poseidon was launched in 2006 as a sea-based operation on the Greek-Turkish maritime borders. Following a change in migratory trends, however, Poseidon was amended to provide also a permanent land-based component covering the Greek and Bulgarian land borders with Turkey.
 25. The European attitude of double standards has been evident as European leaders were proclaiming their support for more democracy with humanitarian aid to assist

- refugees and asylum, but at the same time, they were trying to implement measures “to prevent large numbers of irregular migrants, often exploited by unscrupulous criminal networks, from arriving in the EU.” European Commission, *Communication on migration* (COM(2011) 248 final).
26. M. Pugh, “Mediterranean Boat People: A Case for Co-operation?”, *Mediterranean Politics*, Vol. 6 No.1, 2001, pp. 1-20.
 27. The annual increase in total migrant stocks from these was 90,839 in 2011 as compared with 67,214 in 2010 and 111,738 in 2009. Moreover, 72% of the increase in 2011 is due to migrant flows from Morocco alone, a country where street demonstrations remained of limited magnitude and resulted in a smooth political shift. In relative terms, it is the Egyptian emigration that has increased the most between 2007 and 2011: by 19% in Germany, 22% in the UK, 45% in Spain and 58% in Italy. But it has evenly increased with no particular surge in 2011. P. Fargues and C. Fandrich, “Migration after the Arab Spring”, *MPC Research Report 2012/09*, Migration Policy Center, European University Institute, Florence, 2012, p. 3.
 28. In Libya, sub-Saharan migrants still fear retaliations because they are associated to “Black mercenaries” Khaddafi had reportedly employed, and Tuareg and Tebu populations in the south are equally vulnerable and some of them have moved in Saharan towns like Tamanrasset in Algeria. See further on this M. O. Attir, “Illegal Immigration in Libya after the Arab Spring”, Middle East Institute, 18 September 2012. On the other hand, in Syria the Internal Displacement Monitoring Centre estimates that there are some 589,000 internally displaced persons, of whom at least 156,000 have been displaced over the last year, especially from Ma’arat al-Numaan, Homs and Jisr el-Soghour. At the same time, the Office of the United Nations High Commissioner for Refugees estimates that there are over 88,000 registered Syrian refugees, in Lebanon, Jordan, Turkey and Iraq. See further in K. Koser, “Migration, Displacement and the Arab Spring: Prospects for the Next Year”, *Opinion*, Brookings Institute, 2 July 2012.
 29. FRONTEX figures show that March 2011 was the peak point when 20,000 people tried to cross EU borders, 17,000 of whom came from the Maghreb countries.
 30. FRONTEX Risk Analysis Unit, FRAN Quarterly Report, Issue 2, April-June 2012.
 31. Consistent with other nationalities entering via Greece, Syrians were also increasingly detected in the Western Balkans especially at the Croatia-Serbia border while they were also ranked second among applicants for international protection, mostly in Sweden and Germany.
 32. Assistance will include the deployment of four aerial vehicles, four patrol boats, three mobile surveillance units and eight expert officers. To Vima, “Ενίσχυση των δυνάμεων του Φρόντεξ στο Αιγαίο” [Strengthening of FRONTEX deployments in the Aegean], 3 Sept. 2012, <http://www.tovima.gr/society/article/?aid=473212>.

33. J. Huysmans, “The European Union and the Securitization of Migration”, *Journal of Common Market Studies*, Vol. 38 No.5, 2000, p. 755.
34. The establishment of the Schengen Group by France, Germany and Benelux countries in 1985 was an early attempt to reinforce frontiers, regulations and restrictions against immigration and led to two conventions on asylum; the Dublin Convention on Asylum in 1990 to prevent the multiple asylum applications and the External Frontiers Convention in 1991 for the mutual recognition of visas for non-EU nationals. S. Hix, *The Political System of the European Union*, New York: Palgrave/Macmillan, New York, 2005, p. 353.
35. Huysmans, *op.cit.*, p. 755.
36. G. Lahav, *Immigration and Politics in the New Europe*, Cambridge University Press, Cambridge 2004.
37. The Amsterdam Treaty brought the Title IV on “Visas, Asylum, Immigration and Other Policies Related to the Free Movement of Persons” to the first pillar. This predicted greater role for the common institutions. However, the Amsterdam Treaty did not foresee automatic transition from unanimity to qualified majority voting in the decision – making of these issues. See among others in D. Kostakopoulou, “The ‘Protective Union’: Change and Continuity in Migration Law and Policing in post-Amsterdam Europe”, *Journal of Common Market Studies*, Vol. 38, No. 3, 2000, pp. 497-517; A. Caviades, “The Open Method of Co-ordination in Immigration Policy: A Tool for Prying Open Fortress Europe?», *Journal of European Public Policy*, Vol. 11 No. 2, 2004, pp. 289–310; and E. Ucarer, “From the Sidelines to Center Stage: Sidekick No More? The European Commission in Justice and Home Affairs”, *European Integration Online Papers*, Vol. 5 No. 5, 2001.
38. In 1995 five EU member states – Germany, France, Belgium, the Netherlands and Luxembourg – signed the so-called Schengen Agreement. The agreement aims at abolishing inspections of people at internal borders and in return it obliged the participating states to improve security along their state borders.
39. D. Herz, “European Immigration and Asylum Policy: Scope and Limits of Intergovernmental Cooperation”, Research Paper presented at the 8th EUSA Conference, 27-29 March 2003, p. 6.
40. Tampere European Council Presidency Conclusions, 1999, p. 37.
41. Lahav, *op.cit.*, p. 47.
42. The Open Method of Coordination is a process of policymaking which does not lead to binding EU legislative measures nor require Member States to change their law. The Method aims to spread best practices and achieve greater convergence but there are no official sanctions for laggards. Its effectiveness relies on a form of peer pressure and naming and shaming and although it appears to be an appropriate mechanism for effecting co-ordination leading to a common European immigration regime, the

- member states have not embraced the format to avoid the further introduction of new ideas and actors into the process. See further in A. Caviedes, “The open method of co-ordination in immigration policy: a tool for prying open Fortress Europe?», *Journal of European Public Policy*, Vol. 11 No. 2, 2004, pp. 289-310.
43. K. Hailbronner, “Implications of the Lisbon Treaty on EU Immigration Law”, Research Paper presented at the Fourth Workshop of the Transatlantic Exchange for Academics in Migration Studies, San Diego, on March 29-30, 2010, p. 4 [<http://migration.ucdavis.edu/rs/files/2010/hailbronner-implications-of-the-eu-lisbon-treaty.pdf>].
 44. See more analytically in S. Carrera and F. Geyer, “The Reform Treaty and Justice and Home Affairs: Implications for the Common Area of Freedom, Security and Justice”, CEPS Policy Briefs, No. 141, CEPS, Brussels, 2007.
 45. The Lisbon Treaty significantly widens the EU’s competences for asylum and immigration questions. First, the Treaty sets the EU the specific aim of developing “common policies” for both asylum and immigration (legal as well as illegal) and accordingly empowers it to legislate for “uniform standards” (as opposed to the “minimum standards” provided for in the Amsterdam Treaty) and for “the gradual introduction of an integrated management system for external borders.” Second, the Treaty widens the EU’s power to legislate to define all the rights of third country immigrants legally resident in one Member State, including their rights to move to and reside in other Member States. G. Fitchew, “The Lisbon European Reform Treaty Impact on Asylum and Immigration Policy”, *Briefing Papers*, No 4.10, Migration Watch UK, March 2008.
 46. See more analytically in E. Neframi, “Division of competences between the European Union and its Member States concerning immigration”, Note, Policy Department C: Citizens’ Rights and Constitutional Affairs, DG for Internal Policies Civil Liberties, Justice and Home Affairs, PE 453.178, European Parliament, Brussels, 2011, p. 6.
 47. D. K. Xenakis and D. N. Chrysochoou, *The Emerging Euro-Mediterranean System*, Manchester University Press, Manchester and New York, 2001.
 48. Indeed, when groups of immigrants started to push their way into Ceuta and Melilla, fences were erected by 2000. Between 2000-2010, Spain has attempted to seal off its borders. Besides erecting fences at Ceuta and Melilla, the government installed an early warning radar system (SIVE or Integrated System of External Vigilance) at the Strait of Gibraltar, a system that has recently been extended to the Canary Islands. J. Carling, “The Merits and Limitations of Spain’s High-Tech Border Control”, *Migration Information Sources*, Migration Policy Institute, 2007.
 49. A. Betts and J. Milner, “The Externalisation of EU Asylum Policy: The Position of African States”, *Working Papers*, No. 36, Center on Migration, Policy and Society, University of Oxford, 2006.

50. Readmission agreements include reciprocal cooperation commitments between the EU and its third-country partners on the return of illegally staying persons to their country of origin or transit. To date, negotiations have been concluded and the agreements have entered into force with Hong Kong (March 2004), Macao (June 2004), Sri Lanka (May 2005), Albania (May 2006), Russia (June 2007), Bosnia and Herzegovina, F.Y.R.O.M., Montenegro, Serbia and Moldova (January 2008), Pakistan (Sept. 2008) and Georgia (April 2010). Negotiations are still underway with Algeria, China, Morocco and Turkey.
51. See among others in T. Faist, “Extension du domaine de la lutte”. *International Migration and Security before and after September 11, 2001*”, *International Migration Review*, Vol. 36 No. 1, 2002, pp. 7-14; and F. Adamson, “Crossing Borders. International Migration and National Security”, *International Security*, Vol. 31 No. 1, 2006, pp. 165-199.
52. The relationship between irregular migration and smuggling of migrants has been discussed in the literature, with most authors acknowledging the crucial role of smuggling of migrants in facilitating irregular migration, as they may provide a wide range of services, from physical transportation and illegal crossing of a border to the procurement of false documents. According to Salt and Stein, smuggling of migrants is an established branch of a well-organized “international gangster syndicate”. J. Salt and J. Stein, “Migration as a business: the case of trafficking”, *International Migration*, Vol. 35, No. 4, 1997, p. 472. Smuggling of illegal migrants is a crime defined in international law as “the procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into a State of which the person is not a national or a permanent resident”, according to article 3 (1) of the Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the UN Convention against Transnational Organized Crime. United Nations, *Treaty Series*, Vol. 2241, No. 39574. See more analytically in UNODC, *Smuggling of Migrants: A Global Review and Annotated Bibliography of Recent Publications*, United Nations Office on Drugs and Crime, New York, 2011.
53. I. Ureta, ‘Migration, Development and Policy Coherence in the Mediterranean’ in I. Ureta and D. Lutterbeck (eds.) *Migration, Development and Diplomacy: Perspectives from the Southern Mediterranean*, The Red Sea Press, New Jersey, USA, 2010, pp. 169-190.
54. Council of the European Union, “A Strategy for the External Dimension of JHA: Global Freedom, Security and Justice and to forward it to the GAERC Council”, 14366/3/05 REV 3, Brussels 30 Nov. 2005.
55. By implication, the paper recommended the EU Council to consider environmentally triggered additional migratory stress in the future development of a comprehensive European migration policy, in liaison with all relevant international bodies. Paper

from the *High Representative and the European Commission to the European Council*, “Climate Change and International Security”, S113/08, 14 March 2008.

56. The main elements of these policy measures are: a) Harmonisation of asylum applications between the member states (including f.e. harmonized visa regulations, repatriation policies and measures relating to border management); b) Information systems: Linkage of SIS II (Schengen Information System), VIS (Visa Information System) and EURODAC (identification of asylum seeker’s fingerprints) and FADO (Image archiving system) in order to combat illegal immigration; c) Discussions on the exterritorialisation of asylum procedures in the countries themselves; and d) Establishment of FRONTEX and the management of restrictive border control in EU member states.
57. Regarding the European Refugee Fund, External Borders Fund, the European Return Fund and the European Integration Fund see further in *European Commission’s Proposal in the Communication on a Framework programme on Solidarity and the Management of Migration Flows for the Period 2007-2013*, SEC(2005) 435, COM/2005/0123 final, 6 April 2005.
58. a) Promote legal migration opportunities (facilitation of the legal movement of individuals, recognising that these constitute an opportunity for economic growth; - fair treatment and integration policies for legal migrants. - facilitation of the flow of remittance transfers and address “brain drain”); b) Reduce significantly the level of illegal migration (trafficking in human beings and loss of life through hazardous sea and border crossings); c) Pursue the modernisation and efficiency of the administration of justice and facilitate access to justice by citizens; d) Reinforce judicial cooperation (including on cross border issues); e) Facilitate solutions to problems arising from mixed marriage disputes and child custody cases and encourage cooperation in accordance with the principle of the UN Convention of 1989 on the Rights of the Child and national legislation; and f) Promote the ratification and further implementation of the relevant UN conventions on combating organised crime and drugs, and improve cooperation by law enforcement agencies.
59. Council of the European Union, “Euro-Mediterranean Code of Conduct on Countering Terrorism”, 15075/05, (Presse 328), Brussels, 28 November 2005.
60. Council of the European Union, “Tampere Conclusions”, 8th Euro-Mediterranean Conference of Ministers of Foreign Affairs (Tampere, 27-28 November 2006), 15921/1/06 REV 1 (Presse 344), Brussels, 30 November 2006.
61. Currently the EU has sixteen immediate neighbours: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Ukraine.
62. European Commission, “A Strong European Neighbourhood Policy”, Communication from the Commission COM(2007) 774 final, 5 Dec. 2007.

63. E. Guild, “EU Policy on Labour Migration: A First Look at the Commission’s Blue Card Initiative”, *CEPS Policy Briefs*, No. 145, CEPS, Brussels, 2007.
64. J. Ouchó, “African Brain Drain and Gain, Diaspora and Remittances: More Rhetoric than Action” in A. Zoomers, A. Adepoju, T. Van Naerssen, (eds.), *International Migration and National Development: An introduction to Policies in Sub-Saharan Africa. Viewpoints and Policy Initiatives in the Countries of Origin*, Afrika-Studiecentrum Series, Vol. 10, 2008, pp. 49-70.
65. See further in S. Vertovec, “Circular Migration: The Way Forward in Global Policy?», *Working Papers*, No. 4, International Migration Institute, Oxford 2007; and D. Rannveig Agunias and K. Newland, “*Circular Migration and Development: Trends, Policy Routes and Ways Forward*”, Policy Brief, Migration Policy Institute, Washington, DC, April 2007.
66. The European Council had agreed in December 2005 on a new “Global Approach to Migration” and that “the migration and development agenda will be intensified by increasing coherence between the EU’s various policies, including their financial instruments, with a view to addressing the root causes of migration”. Presidency Conclusions of the Brussels European Council, “A Comprehensive European Migration Policy”, Brussels 14/15 December 2006.
67. Under those agreements, third countries must readmit own nationals and third-country nationals who crossed their territory in transit to an EU country, carry out specific information campaigns to discourage illegal migrants, strengthen border controls and take stronger measures to tackle forged documents.
68. Presidency Conclusion 14368/08, based on Commission’s Communication on “A Common Immigration Policy for Europe: Principles, Actions and Tools”, COM(2008) 359 final.
69. The Stockholm Programme—An Open and Secure Europe Serving and Protecting the Citizens, OJ C 115, 11 May 2010.
70. Conclusions of 3018th Justice and Home Affairs Council Meeting, Luxembourg, 3 June 2010.
71. European Commission, “The EU Internal Security Strategy in Action: Five Steps Towards a More Secure Europe”, Communication from the Commission to the European Parliament and the Council, COM(2010) 673 final, Brussels, 22 Nov. 2010.
72. Council Document, “Internal Security Strategy for the European Union: Towards a European Security Model”, 5842/2/10 REV 2 JAI 90, 23 Feb. 2010.
73. European Commission, “The EU Internal Security Strategy in Action: Five Steps Towards a More Secure Europe”, Communication from the Commission to the European Parliament and the Council, COM(2010) 673 final, Brussels, 22 Nov. 2010.

74. European Commission, “A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean”, (COM(2011) 200 final, Brussels 2011).
75. One of the strongest proposals, the EU-Tunisia Task Force, was meant to provide 4 billion Euros to support democratic transition between 2011 and 2013 (EU-Jordan and EU-Egypt Task Force will be created in 2012). The Support for Partnership Reform and Inclusive Growth (SPRING) programme (created in September 2011) also foresees 350 million Euros to support democratic transformation and sustainable growth. In Morocco, assistance for development and democratic reforms was increased by 20% to 580.5 million Euros. Furthermore, the EU budget for the Neighbourhood (South and East) is proposed to be massively increased by 40% to 18.1 billion Euros. European States also played an important political role at the UN in post-crisis Libya and Syria, and they continue to play a role. Fargues and Fandrich, *op.cit.*, p. 5.
76. *Ibid.*

Obama's Elusive Foreign Policy "Doctrine" and its Impact on the MENA Region

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RÉSUMÉ

Depuis sa première inauguration, l'absence d'une «doctrine» en politique étrangère du président américain Barack Obama a fait l'objet d'un débat constant et féroce entre les analystes et les décideurs publics. Bien qu'accusant de sévères critiques de la part des idéalistes acharnés ainsi que de leurs homologues réalistes, l'administration Obama a effectivement opté pour une approche distincte, non doctrinale, du cas par cas pour les affaires internationales. Cette stratégie, qui peut être décrite comme celle de l'engagement et de la persuasion, approuve l'action multilatérale et se fonde sur la nécessité de l'émergence d'un monde multipolaire, post-américain. La grande stratégie d'Obama, met l'accent sur les changements dans la région de l'Asie du Sud-Est, privant ainsi les autres parties du monde, de l'engagement américain total, et plus important encore, les régions du Moyen-Orient et de l'Afrique du Nord (MENA) tourmentées par les réverbérations du «printemps arabe». Ainsi la région MENA subit les conséquences de changements politiques, sociaux et démographiques sans précédent et sera au premier rang des préoccupations internationales de sécurité pour les années à venir, subissant les conséquences d'un éventuel changement dans la politique étrangère américaine.

ABSTRACT

Even from his first inauguration, US President Obama's lack of a single overarching foreign policy "doctrine" has been the subject of a constant and fierce debate among analysts and policy-makers alike. Despite suffering severe criticism from staunch idealists as well as their realists counterparts, the Obama administration has actually opted for a distinct, non-doctrinal, case-by-case approach to international affairs. This strategy, which can be described as one of engagement and persuasion, endorses multilateral action and it is based on the necessities of the emergence of a multi-polar, post-American world. Obama's grand strategy, puts emphasis on the developments in the Southeast Asia region, thus depriving other parts of the world of total US commitment, most importantly the, plagued by the reverberations of the 'Arab Spring', Middle East and North Africa (MENA) region. Suffering the consequences of unprecedented political, societal and demographic change, the MENA region will be at the forefront of international security concerns for the coming years, bearing the brunt of a potential shift in US foreign policy.

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Introduction

President Obama's re-election in November 2012, implied the continuity and the consolidation of a serious shift in US' approach to international affairs, already apparent from his first presidency in 2009. Abandoning the doctrinal approach to foreign policy for a pragmatic one, based on a cost-benefit logic, and abstaining from traditional foreign policy divisions and dealing with international crises on an ad hoc basis, Obama sought since assuming the presidency, for a balanced but energetic foreign policy, emphasizing on a style of international leadership that requires broad consensus, favors the build-up of strong alliances and endorses collective action.

This "leading from behind approach"¹ was dictated primarily by Obama's conviction of adjusting US foreign policy commitments to its limited capacities; Furthermore it was imposed by the trends and constraints of the international system and the tectonic changes that have taken place in the global environment:

The emergence of a multi-polar² or even non polar, more interdependent world, where after two decades of undisputed US hegemony, US primacy is seriously contested on multiple fronts by rising powers such as China, Russia and India; American economic stringency at a time when international competition for influence and resources has been given new impetus; The US Military's exhaustion, suffering the consequences of overstretch; the public image of the US, especially in the Muslim World, which has reached its lowest point after two inconclusive and costly wars in Iraq and Afghanistan; Last but not least, large regions of the world, namely the MENA region, have been put under unprecedented political transformation and the security architecture of the Cold-War establishment is disintegrating, threatening international order and regional stability.

Obama's second term administration is faced with serious challenges, both domestic and external, on all fronts, with East Asia, bearing the brunt of his attention, albeit the MENA region and the Eastern Mediterranean in particular, will pose the most immediate and significant threat to international security as it has already been shown during the Arab "Spring" uprisings.

The region itself is plagued by a myriad of security challenges of post-revolution transition which include constant and violent conflict, religious and

sectarian strife, organized crime, human and drug trafficking (the region has become a hub for cocaine trafficking), illegal migration, piracy and environmental threats.

The region, deemed vital for US and Western interests in the Cold War security setting, will be at the forefront of international attention for the coming years. Obama's foreign policy approach exerts a broader influence in this region where insecurity and uncertainty constitute the prevalent trends in a post-revolution security setting.

Obama's Foreign Policy in Retrospect: Bridging the Gap between Realism and Idealism

Obama's distinctive foreign policy approach, has created dissensus among scholars and policymakers alike, regarding the definition of the president's stance in international affairs, as well as the efficacy of the administration's grand strategy and the direct and indirect implications of the absence of a comprehensive US foreign policy doctrine, for US interests and international security and order. Frustrating realists and idealists alike and resisting traditional foreign policy categories and conventional ideological tendencies, Obama opted for a foreign policy of retrenchment and restraint, introducing a case to case³ foreign policy approach, chose to disregard the either hard power-driven realist or ideological doctrinal one, and embarked on deploying a pragmatic grand strategy of persuasion⁴ which appreciated the utility of "smart power"⁵ in an interconnected era, supplemented with aspects of an "offshore balancing"⁶ strategic concept with regard to his tactics employed.

The shift in US foreign policy was by no means imperceptible. As his 2008 election campaign had already revealed, Barack Obama's election as forty-fourth president entailed major change in US foreign policy and a new chapter in the history of America's international affairs; one adjusted to the arrival of a "post-American world."⁷

There exist however, certain drivers for his decision to introduce this ambitious approach, even it confronted traditional foreign policy norms.

Obama's public record of statements and speeches prior or after his inauguration to the White House, put emphasis primarily on the necessity of the US to adapt to a rapidly changing global environment, characterized by

growing interdependence and interconnectivity, security challenges from terrorism and failed states to climate change, nuclear proliferation and pandemics.

Furthermore the Obama administration's exposure to an inherited series of problems both domestic and external, compromised his foreign policy choices to a large extent. The counter-productive war in Afghanistan, the strategic nuclear threat of North Korea and Iran, the unending Israel-Palestinian conflict, Muslim extremism coupling with a financial crisis of unprecedented magnitude, as well as a disinclined US public to support further foreign policy endeavors⁸, notwithstanding the administration's abiding commitment⁹ to preserve and enhance US primacy in the world, obliged the US president to calibrate US foreign policy options to its real capacities.

Obama's more engaged and less combative approach to international affairs was precipitated by the ill-fated grand strategy of his predecessor, who acted in unilateral fashion, overemphasizing American exceptionalism, promoting the singularity of US leadership, a fact that dissuaded other states to jointly contribute to the tackling of the international challenges and favored exclusively hard power politics over the alternative use of soft power instruments regarding foreign policy, depriving the US from essential foreign policy tools, at a time when it was most needed.

Although the US still maintained their supremacy as the strongest single power, it was undoubtedly clear, that they could no longer afford to act unilaterally with regard to the management of the international system. As former US national security advisor Z. Brzezinski argued, "Washington's great task after the Bush years would be to align America with a "global political awakening" in which, for the first time in human history, "all of humanity is politically active".¹⁰

Obama's response to the shifting international order was the employment of a grand strategy defined, by the terms "persuasion" or "engagement", both elements of a smart power strategy: Persuasion can be interpreted as employing positive and negative inducements to convince or cajole others to change their behavior, as their most rewarding or least harmful course of action. The National Security Strategy (NSS) document of May 2010 defined engagement rather broadly as "the active participation of the United States in relationships beyond US borders."¹¹

His engagement strategy was built on three main perceptions: That in order to continue having a strong military support, the US should rebuild their economy, thus the National Security Strategy begins from domestic policies¹²; That the multi - faceted nature of the international threats and challenges demands the heavily investment in alliances and the endorsement of international cooperation and global partnerships based on shared interests, instead of isolation¹³. Moreover the US must undertake a central role in coordinating and enabling such cooperation to grow¹⁴.

The predominant problem for the Obama administration was how to facilitate strong US leadership in a transitory era of domestic imbalances, fiscal constraints, with minimal legitimacy across the globe, combined with the reluctance of other states allies or not to embark on a common purposeful action. The administration's response was to place continuing importance on five main sets of interlocutors which could be identified as: civilizations, allies, new partners, adversaries and institutions. Obama's engagement strategy encouraged the reinforcement of relationships with key players in the international system such as China, Russia and India, as well as with rising powers such as Brazil, Turkey and Indonesia. He further proposed the reinvigorated of multilateral action through the international institutions like the UN, NATO and G20 that bestowed legitimacy upon collective action; he favored the engagement of US principal adversaries in a mutually respectable manner; while he promoted the restoration of the severely damaged -under the Bush administration- US ethical paradigm.

Strategic engagement under Obama's leadership "redefines international politics as a complex problem-solving exercise¹⁵. By rendering every stakeholder in the international order, responsible for the solving of international problems, on the basis of shared interests, he tried to alter the parameters of international action, by offering incentives for other powers to exert a greater role in imposing rules of international conduct and thereby, sending clear and unambiguous messages to the entities that violate international law and international conventions, that such conduct would not be tolerated by the broader international community. As the NSS expressly stated, "Rules of the road must be followed, and there must be consequences for those nations that break the rules – whether they are non-proliferation obligations, trade agreements, or human rights commitments."¹⁶.

Strategic engagement therefore applied to the international order's shifting tectonics, recognizing America's precarious position in the international field. A more modest US foreign policy was deemed imperative in a post-American world. Consequently Obama opted for smart power strategy in contrast of the transformational diplomacy¹⁷ used by his predecessor, favored vigorous diplomacy over single military action, engaging the principal actors in the international system, addressing traditional allies as well as long-established adversaries and, moreover, appealed to civil societies and governments regardless of their standing as friends or foes. Last but not least, Obama embraced certain aspects of the tactics of "Offshore Balancing" policy, regarding the defense of US interests across the globe. Containment of potential hostile powers would be achieved by the preponderance of air and naval power over land warfare and the building and strengthening of a string of military offshore bases to countries which would act as a counterweight to US adversaries¹⁸.

While no American administration, either Democrat or Republican, would completely discard the promotion of democracy and liberal idealism, nevertheless such an agenda was clearly subordinate to concrete security concerns. However, it is quite debatable that Obama turned completely to realism as the idealist strains, imposed by international events have been apparent throughout his first term administration. His approach should better be defined as pragmatic.

Realist or not, he is considered by his followers the one qualified to bridge the gap between traditional political lines, thus introducing a bridge-building approach, combining aspects of realism with liberal values, taking a stance, inspired by his days as a community organizer in Chicago while he adjusted his foreign policy principles to his instinct, personality and style. According to Colin Dueck: "Obama's most fundamental instincts seem to be not so much realist as accommodationist¹⁹."

The MENA region: Current Strategic Trends and the Limits of American Power

The seismic shift that has transformed the broader Middle East and North Africa region, cannot be limited to just the "Arab Spring" and its aftermath. Two other trends are proving catalytic to the region's future: the prospect of a

nuclear-armed Iran and the “retreat” of the United States as part of their “leading from behind” approach and their prioritization of the “Pacific Pivot”.²⁰

The Arab Spring revolutions clearly indicate that instead of democracy, they could result in bringing up Salafist rule. Furthermore the corrupt Arab nationalist regimes that were brought to power by the end of European colonialism are nearing their end, as their lack of legitimacy condemns their future.

Meanwhile, the Islamic Republic of Iran’s durability in spite of the economic sanctions and internal strife could prove decisive in the struggle for regional dominance. Apart from the opaqueness of its nuclear program, Iran’s influence in Syria, Lebanon and the Palestine is rising due to the vast Shiite population in these countries, reinforced nonetheless by sectarian strife in those areas as a result of the Arab Spring.

The most important trend that may prove vital to the geostrategic balance in the region is undoubtedly the US decision under the Obama administration to avoid any direct involvement in MENA affairs due to economic constraints, limited resources and as part of Obama’s strategy design. Although Obama stressed the importance of the MENA region for US interests in his famous Cairo speech,²¹ since then, there’s been a series of events—the fall of Egyptian President Hosni Mubarak, the “leading from behind” campaign in Libya, where the EU was endorsed by the US to intervene, the call for Bashar al Assad to step down from his authority,²² the “Pacific pivot,” defense budget spending cuts—that clearly mark a turn in US foreign policy priorities: The Middle East remains high on the agenda for the US, but loses in importance to the East Asia theater.

A return to pre-1979 “offshore balancing” policy is imminent. For the foreseeable future, Obama regards the U.S. military incapable of inflicting regime change or battling counterinsurgency but still capable to cause critical damage to any opponent. His famous declaration regarding the tide of war,²³ underpinned the fact that the United States would no longer be able to assume the directing role it had previously enjoyed in the greater Middle East as it lacks the sufficient military means to do so, due to the military overstretch of the previous years and the likelihood of further austerity measures in the defense budget of 2014.

What Lies ahead: Implications of a Possible US Extrication from the MENA Region

US extrication from the MENA region would not go unnoticed. As the Cold War security setting is crumbling, the US would find it difficult to shape agendas and outcomes in the region. It is most likely that this conflict-prone region would suffer the consequences of a Hobbesian regional chaos, in which a mixture of ethnic, religious, national, regional, and international actors correlate in order to form new geostrategic geometrical schemes that would alter regional balance. Old regional rivalries such as Egypt against Israel could regain prominence while the forming of new geostrategic alliances is well under way, with the Shiite axis under Iranian supremacy to invite reciprocal action by the Sunnis led by Saudi Arabia and Turkey. There, the United States would find itself operating in the sidelines, monitoring the situation from a distance, unable eventually to safeguard regional stability.

Fewer US presence would certainly create a security vacuum which would induce regional powers such as Iran and Turkey or radical Islamist networks to take advantage of US frailty, leading to further instability as the case of Libya demonstrated. The disintegration of Syria its (“Lebanonization”) could lead to a territorial struggle among Iran, Turkey, and Syria itself, while a potential Syrian spillover could endanger Israel while its effects would reach Jordan and Egypt, threatening an all out war in the region.

US influence in the region is waning and the Pacific Pivot would make matter worse in that aspect. This may cause the resurgence of Al-Qaida and other radical Islamist networks as the Mali case pointed out. Furthermore an assertive and Islamic Turkey, considered itself as the heir to the Ottoman Empire, would create new sources of regional disorder. In addition to Turkish hostile attitude against Greece and Cyprus in the Mediterranean basin, long-standing territorial disputes between Ankara and the Kurdish part of Iraq could flare up. Those pressures could strengthen nationalist and expansionist voices in Ankara that call for establishing a “Greater Turkey,” especially at a time when the European membership bid is no longer part of Ankara’s plans.

There are serious doubts about US support of the Syrian opposition as part of US President’s leading from behind approach. A Syria under the rule of radical Islamic warlords with an inclination to wage jihadist war would be catastrophic for regional order as the Afghanistan case pointed out.

Obama's Second Term Reaction

The second term Obama administration will not differ much from the first, regarding its grand strategy. Obama seems determined to abstain from new military entanglements abroad and focus instead on domestic rebuilding. His administration ushered in a form of limited military engagement that relied on alliances with key regional players such as Saudi Arabia, Qatar and Pakistan to share the burden. Obama clearly is unwilling to launch a potentially open-ended war against Iran, dissuading Israel for launching a preemptive strike against Iran's nuclear installations. He would probably opt for a compromise with Iran that would prevent any unintended conflict.

The cautious approach, demonstrated in the Syria case will probably remain the prevalent pattern of US behavior in the region, even though the US president remains the recipient of harsh critiques from Human Rights activists and pro-intervention advocates. The economic reform of the MENA region certainly constitutes one of Obama's second-term priorities. However, austerity and reluctance of the US public to foreign aid would seriously undermine any substantial effort.

Although the MENA region issues, like the Middle East Peace Process, the proliferation of WMD and the maintenance of stable relations with the region's stakeholders will definitely be part of Obama's second term agenda, his primary focus will still be the Asia Pacific region.

NOTES

1. See Lizza, Ryan, «The Consequentialist», *The New Yorker*, 2/5/2011, p. 55.
2. For the view of non-polarity, see Haass, Richard, «The Age of Non-Polarity», *Foreign Affairs Magazine*, May/June 2008.
3. Lizza Ryan, «The Consequentialist», *The New Yorker*, 2 May 2011, p. 55.
4. See *National Security Strategy May 2010*, 11, at http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.
5. Smart power in international affairs is about the combination of hard power and soft power strategies. It is defined by CSIS as “an approach that underscores the necessity

- of a strong military, but also invests heavily in alliances, partnerships, and institutions of all levels to expand American influence and establish legitimacy of American action.” See “CSIS Commission on Smart Power: A Smarter, More Secure America”. 12/April 2012. The origin of the term has been attributed to both Joseph Nye and Susanne Nossel respectively. See Joseph Nye, “Get Smart: Combining Hard and Soft Power”, *Foreign Affairs Magazine*, 2009; Nye Joseph, *Soft Power: The Means to Success in World Politics*, Public Affairs, New York, 2004, p. 32; Suzanne Nossel, “Smart Power”, *Foreign Affairs Magazine*, 2004.
6. Offshore balancing is a strategic concept according to the realist view of international affairs, that permits a great power to use its regional allies as a counterweight to the rise of potential hostile powers. It arguably gives the opportunity to a great power to avoid the costs of large military deployments around the world. It was primarily used during the 30s and the Cold War between the two superpowers. For more on offshore balancing, see John Mearsheimer, *The Tragedy of Great Power Politics*, Norton, New York, 2001 and Stephen M. Walt, “Offshore Balancing: An Idea Whose Time has Come”, *Foreign Policy*, November 2011.
 7. Zakaria Fareed, *The Post-American World*, W.W. Norton & Company, 2011.
 8. Based on the research by the Pew Research Center/Council on Foreign Relations, 2009, pp 3–4.
 9. *National Security Strategy May 2010*, 9, at http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.
 10. Brzezinski, Zbigniew, *Second Chance: Three Presidents and the Crisis of American Superpower*, Basic Books, 2008.
 11. *National Security Strategy May 2010*, 11, available at: http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf
 12. *National Security Strategy May 2010*, p.9, at http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.
 13. Hillary Rodham Clinton, Secretary of State, Speech at the Council on Foreign Relations, Washington, DC, September 8, 2010).
 14. Steinberg, James B., US Deputy Secretary of State, cited in “Global Strategic Review,” “Global Security Governance and the Emerging Distribution of Power,” Geneva, Switzerland, September 10–12, 2010, IISS News, September 2010.
 15. *National Security Strategy, May 2010*, 11, available at: http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.
 16. *National Security Strategy, May 2010*, 3, available at:

http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.

17. Transformational Diplomacy is the diplomacy initiative undertaken by by former US Secretary of State Condoleezza Rice for reinvigorating US Foreign Policy. For an extensive analysis on transformational diplomacy see “Transformational Diplomacy”, United States, Department of State, (Press release 18/1/2006).
18. See S.M. Walt, *Offshore Balancing*.
19. Dueck Colin, (1/10/2011). «The Accomodator: Obama’s Foreign Policy», *The Hoover Institution, Policy Review*, No 169.
20. US President B. Obama’s Speech in the Australian Parliament defined the Asia Pacific region as a US top priority, Canberra, Australia, 2 November 2011.
21. US President B. Obama’s Speech in Cairo, Egypt, referred to the importance of the Muslim World for the US, 4 June 2009.
22. US President B. Obama’s Speech in Tel Aviv, Israel referred to the necessity of the Syrian President to resign his commission, 21 March 2013.
23. US President B. Obama’s Speech in Afghanistan about the receding of the tide of the war, 23 June 2011.

Overlapping Crises Cast Shadow Over Euro-Mediterranean Relations

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RÉSUMÉ

Le processus qui permet de développer un dialogue euro-méditerranéen significatif qui permettra de rapprocher les sociétés des deux rives de la Méditerranée constitue une question épineuse faisant face à de sérieux obstacles autant de sécurité, politiques et économiques. Cet article soutient que, malgré le ralentissement de la coopération euro-méditerranéenne en raison des crises, toujours en évolution, dans les pays du sud de l'Europe et ceux du MENA, de nouveaux modes d'interaction régionale sont à développer, qui reposent moins sur toutes les institutions et normes actuelles et davantage sur la flexibilité et la géométrie variable. Les pays d'Europe du Sud ne doivent pas perdre cette occasion historique afin de remodeler la politique méditerranéenne de l'UE à la lumière de nouveaux besoins en matière de développement et de gouvernance des deux rives de la Méditerranée.

ABSTRACT

The process of developing a meaningful Euro-Mediterranean dialogue that will bridge societies of the two Mediterranean shores has been a thorny one facing serious security, political and economic obstacles. This article argues that despite the slow-down in Euro-Mediterranean cooperation due to the, still evolving, overlapping crises in southern European and MENA countries, new modes of (inter)regional action are to develop, based less on all encompassing institutions and norms and more on flexibility and variable geometry. Southern European countries should not lose this historic challenge to reshape EU's Mediterranean policy in light of new development and governance needs on both shores of the Mediterranean.

Introduction

The title of the opinion article 'Arab Spring + European Autumn = Mediterranean Crisis'¹ that appeared in the *Guardian* reflects the current state of affairs around Europe's southern sea. Politics and economics on both shores of the Mediterranean have been historically intertwined among others

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through sea born interaction, the rule of European empires and in the early twentieth century the colonization of North Africa and Middle East by major European powers. Interdependencies notwithstanding, the two shores followed a dissimilar path of development in the second half of the twentieth century. All northern Mediterranean countries became one after the other an integral part of the European integration process, marking significant development, enjoying political stabilization and security. South Mediterranean societies on the contrary have been in a vicious cycle of poverty and human insecurity.

Despite the invisible wall that keeps apart the developed and stable northern shore with the developing and conflict torn southern one, migration, energy and sea born environmental issues are only few of the channels of interconnection. The interdependencies of the two shores of the Mediterranean became obvious with the outburst of the Arab uprisings at the end of 2010 and the financial crisis of 2008. The current eurozone crisis has deeply impacted on all north Mediterranean countries (except Malta) and has disclosed new channels of (financial risk) contamination through trade, remittances and capital flows. European neighborhood economies after steady growth between 2005 and 2008 were drawn back into recession as a consequence of the global financial turmoil. Another home grown crisis, this time, the Arab Spring that erupted in 2010-11 swept all southern Mediterranean and the Middle East. The uprisings resulted in regime changes, constitutional reforms, civil war and military interventions engaging European powers as the UK, Belgium, France, Spain and Italy.

This double crisis has brought fundamental changes in the political economy of the Mediterranean and has of course influenced the pace of Euro-Mediterranean relations. As Kausch argues ‘Unfortunately, today there is no momentum for comprehensive, institutionalized multilateralism across the Mediterranean’.² Of course, the process of developing a meaningful Euro-Mediterranean dialogue that would bridge the two Mediterranean shores has been thorny, facing serious security, political and economic obstacles. The paper argues that despite the slow-down in institutionalized Euro-Mediterranean cooperation, new modes of interregional action are to develop in time, based less on all encompassing institutions and norms and more on flexibility and variable geometry.

Mediterranean Policies under Austerity Imperative

The impact of the American mortgage crisis was felt on the eurozone with a small delay in 2010 bringing since then the northern Mediterranean in the spotlight of international financial system and generating an overall governance crisis in the European Union. Greece, Portugal, Italy, Spain and Cyprus were brought into recession while France is also suffering from a deterioration of its competitiveness that has generated austerity measures. As there was no crisis resolution mechanism for the eurozone, the sovereign debt crisis spread into the real economy of all southern European economies. A mixture of EU forced austerity measures, political stalemate, technocratic governments, deep recession and unemployment is now widespread in northern Mediterranean.

Since the eruption of the crisis, sovereign debt brought Greece twice on the verge of default. Once in spring 2010 when the so called Troika i.e. European Commission, European Central Bank (ECB), and IMF bailed it out with a \$163 billion loan in exchange for strict spending cuts and tax reforms. In October 2011, Greece was given a second bailout package worth approximately \$178 billion which included a 'voluntary' write-down by private holders of Greek debt. Greece is required to cut its debt-to-GDP ratio to 124 percent by 2020 while committing to bring its debt levels 'substantially below' 110 percent by 2022. Portugal's debt crisis also worsened and in May 2011 the EU and IMF agreed on a \$116 billion bailout package, for which Portugal agreed to implement austerity measures totaling 3.4 percent of GDP. At the end of 2011, the center of the debt crisis moved to Italy -the eurozone's third largest economy. For Italy, which has a public debt worth \$2.6 trillion -more than 115 percent of GDP- a bailout was not an option. Following the formation of a temporary technocratic government by Mario Monti in November 2011 urgent budget reforms, tax increases, spending cuts and reforms in the pension system and the labor market were being implemented. However, austerity measures brought the Italian political system once again in 2013 in a political stalemate. The other large Mediterranean economy, Spain, had a rapid increase in its budget deficit in the wake of the crisis and went through a major housing-market bust during the global financial crisis that left its banking sector highly exposed. By the summer of 2012, Spain was forced to request a bailout of \$123 billion in aid by the newly established EU funds –

the temporary European Financial Stability Fund and the permanent European Stability Mechanism- to recapitalize its banks. The economy of Cyprus which was highly exposed to the Greece was also brought into a near default by spring 2013 which led to a \$13 billion bailout agreement with the European Commission, ECB, and the IMF, to the closing of country's largest bank, Popular Bank (Laiki) and to heavy losses on bank depositors.³

The effects of the eurozone crisis vary as they depend on several transmission mechanisms (trade, banking, currencies, bond spreads) that are affected by different forces both in the EU and in third countries indicating differences with regard to their economic structures, integration in global financial markets, vulnerability to the eurozone and recovery potential. Actually, the eurozone crisis occurred at a time when all neighboring economies were marking steady positive growth recording an average growth of 4-5% between the years 2000-2007. For most of 2008 the southern Mediterranean countries remained relatively immune to the US born financial crisis, primarily due to the low exposure of their financial systems. As however the crisis spread into Europe, by 2009 the first effects on the real economy of the southern Mediterranean countries became obvious. Still, however, they managed to maintain positive growth of 3.3% in 2009. Soon after, their macroeconomic performance weighed down under the weight of political and social upheavals, by declining export receipts (due to decline in tourism), lower remittances and lower capital flows. According to IMF figures, only Morocco achieved a growth rate of about 4.6% in 2011-12, while all other southern neighborhood economies grew between one to three percentage points below their 2000-7 expansionary period.

The impact of the economic crisis on the Euro-Mediterranean process goes through two channels; instruments and resources at the EU level and at the individual member states level the latter especially with regard to bilateral development cooperation. Despite the austerity measures in Europe, the new multiannual budget of the EU (2014-2020) allocates 18.2 billion for the European Neighborhood Instrument (ENI), 40% more than the amount available under the current period (2007-13), reflecting the ENP's increased priority. This increase might be also explained as an alternative to the decreasing development aid by individual member states.⁴ Though ENI funds seem not to be affected by the crisis, at the individual country level, recession

brought cuts on development cooperation and public diplomacy. Development aid (ODA) declined in France by -1.6%, in Greece by -17.0%, in Italy by -34.7% (due to lower levels of aid to refugees arriving from North Africa and reduced relief grants compared to 2011), in Spain by -49.7% and in Portugal by -13.1%. While, Turkey registered an increase of 98.7% in development aid reflecting help to a large number of refugees arriving from Syria and increased support to North African countries following the Arab Spring.

Another impact is on policy priorities. Under the austerity pressure, European governments are putting a stronger emphasis on 'economic diplomacy', as in the case of Spanish bilateral relations with Morocco and Algeria, where Spanish firms try to compensate for the losses in domestic economy. Spain's restrictive position on agricultural imports and fisheries has also hardened as a result of the recession, but this hardly represents a novelty in Spain's strategy as J. Vaquer argues.⁵ Energy cooperation has acquired a new dimension with a renewed interest in eastern Mediterranean, the energy cooperation between Cyprus and Israel and the economic impact of the natural gas findings in the offshore of Egypt, Israel, and Cyprus. Traditional Mediterranean powers such as France, Spain and Italy are less active in public diplomacy preferring bilateral initiatives such as the Morocco-Spain initiative on the 'Promotion of Mediation in the region of Mediterranean' (to develop the practice of mediation as a tool of settling conflicts engaging civil society) or the Spain-Algeria initiative (that seeks to approve a water strategy for the Western Mediterranean).

The Mediterranean policy of the EU and its member states is not only shaped under austerity imperatives but under the uncertainty of new post-revolutionary societies emerging in the Arab world.

Euro-Mediterranean Relations Faced with an Unexpected Uprising

The EU countries had followed a policy of engagement with the Mediterranean partners despite the democratic deficit in the North African and Middle Eastern regimes. Especially following the 'new era' in West's relations with Kaddafi's Libya since 2003 the EU established one way or another institutional links with all its southern partners, but Syria. Energy,

migration and security concerns in European capitals underlined the deepening of Euro-Mediterranean dialogue. Till now, in engaging with its southern neighbors, the European Union has deployed a number of specific foreign policy instruments carried out largely by EU institutions – in particular the European Commission and the European External Action Service (EEAS). These instruments include the enlargement policy (which covers Turkey), the European Neighborhood Policy which develops at a bilateral level (with Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Occupied Palestinian Territory, Syria and Tunisia and eastern partners), and the (inter)regional approach of the Barcelona Process/Union for the Mediterranean (UfM). In varying degrees the above instruments have not been particularly successful in the Mediterranean. The EU membership path of Turkey since it was launched in 2005 has been thorny and lengthy, raising concerns over the real possibility of Turkey entering the EU family any time soon. The eurozone crisis and the earlier constitutional crisis in the EU have brought EU's further enlargement into a halt and revived the discussion on 'special relations' with important neighbors such as Turkey.

The European Neighborhood Policy (ENP), conceived ten years ago to address post enlargement challenges of EU's new neighborhood, seemed overdue to respond to the challenges of the Arab awakening, as it was neither designed as a crisis management tool, nor as a short term democracy promotion instrument. As a response to the Arab uprisings, the ENP was revised in March 2011 to prioritize democracy building and mobility. Joint communications of the High Representative and the Commission were prepared on 'A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean' (8 March 2011), 'A New Response to a Changing Neighborhood' (25 May 2011) and 'Supporting closer cooperation and regional integration in the Maghreb: Algeria, Libya, Mauritania, Morocco and Tunisia' (17 December 2012). According to these documents EU's response to the Arab calls would develop around three 'Ms', i.e. money, mobility and markets⁶. Accordingly, in 2012, preparations for deep and comprehensive free trade agreements (DCFTA) negotiations started with Morocco, Tunisia, and Jordan. An agreement on a Mobility Partnership with Morocco was reached, negotiations with Tunisia continue and a dialogue was also opened with Jordan in December 2012.

To contribute to the establishment of 'deep democracy' in the partner countries, the EU set up the US-style European Endowment for Democracy (EED), proposed by Poland in early 2011, to increase and improve the democracy promotion structures already operating in ENP countries, from the EU, from its Member States, or from political parties' foundations. A Civil Society Facility was also created, an instrument that has already been implemented in the Balkans with an initial budget of 26 million for 2011-2013. The centre piece of the EU package to support the transition processes was the SPRING (Support to Partnership, Reform and Inclusive Growth) programme initiated in September 2011 with a budget of 350 million of assistance (for 2011-2013) in accordance with the 'more-for-more' principle.

The UfM which attempted to address the shortcomings of the Euro-Mediterranean Partnership (EMP) and was described as 'the project of projects' was not meant to be a political forum, rather it aimed at facilitating expert cooperation and specific projects such as cleaning up the Mediterranean.⁷ The eurocrisis, the Middle East conflict, the Arab Spring and intra-EU differences on the institutional design and the funding of the UfM all added to its delayed debut (in early 2012, it launched its first project, a Desalination Facility in the Gaza Strip). The delayed establishment of the joint Secretariat of the UfM in Barcelona in October 2010 preceded the Arab revolts just by a couple of months and was immediately faced with lack of or change of spokespersons in the southern Mediterranean partners. Key players throughout the neighborhood have a lukewarm attitude towards real integration either as they question its welfare benefits or as they see alternatives especially in forging bilateral links or alliances with extra regional powers. Despite some progress marked at the institutional level, the evolving crisis has exaggerated the agency deficit issue in Euro-Mediterranean dialogue as the usual front runners of EU's Mediterranean policies (France, Italy and Spain) are preoccupied by the handling of the European economic and financial governance issue. They once more have opted for bilateral or more confined frames of action. Thus, a boost of the 5+5 dialogue was noticed which included its thematic expansion from security to economic and social concerns and high level meetings and summits in 2012 and 2013.

The viability of pre-Arab revolution designed Euro-Mediterranean agenda and its institutionalized approach is still to prove given political instability in

the Mediterranean parties and the rise of political Islam. In this respect, EU driven multilateral partnerships by civil society groups leading processes of nonhierarchical political 'socialization' might bring little impact. It is also questionable whether mobility and access promises will succeed. Visa liberalization remains a sensitive issue within the EU which is only exaggerated by the current crisis, the proposed DCFTAs seem slow to materialize (a view strengthened by the failure of the EMP envisaged free trade area for 2010) alike southern Mediterranean countries' access to the EU's common market.⁸ The EU increased its assistance for free and fair elections and deployed elections observation missions to Algeria, Egypt and Jordan and set up task forces for Tunisia, Jordan and Egypt to improve the coordination of financial assistance provided by the EU, EU member states and international financial institutions. This agenda however, is perceived on the southern side of the Mediterranean as incommensurate with the scale of the challenges that the post-revolutionary Arab countries face.⁹

Currently, the most serious unfolding crisis is the civil war in Syria. As a response to the Assad's stronghold the EU suspended all bilateral cooperation with the government but remains engaged at the civil society level. Through diplomatic actions it attempts to facilitate a peaceful solution to the conflict, supporting the UN- League of Arab States Special Envoy, actively participating in Friends of Syria meetings and providing aid to the refugees and neighboring countries affected by the crisis. The EU supported the creation in Doha of the National Coalition for Syrian Revolutionary and Opposition Forces, and most European states have recognized it as the legitimate representative of the Syrian people.¹⁰

Though the intensity and pace of political transition in many Arab countries differs greatly, the emergence of -moderate- Islamist groups as central political and social forces puts a challenge in the Mediterranean agenda of all EU countries. While the revolutions in Egypt, Tunisia and Libya brought down their autocratic regimes, they are still in a transition process and there have not yet marked major shifts in these countries' foreign policies. Partial top-down reforms in Morocco and Jordan and changes at a slower pace in other countries (Algeria, Mauritania) or not at all (Gulf countries) indicate an erratic pace of reforms. It remains to be seen how the new political elites will position themselves regionally once the socio-economic transition from autocracy will

proceed. European diplomacy is now faced with the challenge of establishing links with the new elites, with Islamist politicians and also with Islamist civil society organisations with which they had avoided contact in the past. Despite the strong ties to Europe, it might be that some southern partners may not display an interest in institutionalized cooperation with the EU as the one launched in the Barcelona Process in 1995 but seek more diversified, flexible ways of cooperation.

Which way ahead for EU-Mediterranean Relations?

Social change in the Mediterranean neighborhood matched with the global power shift from West to East and the emergence of a multipolar neighborhood constitutes a strong argument for the redefinition of regional policies, their institutional expression, agenda and purpose. The discussion on a multipolar, post-Cold War order which first opened in the eastern neighborhood to point to emerging poles of power (structural and normative) such as Russia and Turkey has engaged the southern neighborhood as well with new entrants from Asia and the Middle East. Especially the Mediterranean societies have strong economic links with Middle East economies as a result of labor migration.

For some analysts the EU does not anymore constitute the only model for democracy in its southern neighborhood as there is revival of Pan-Arab and Pan-Islamic trends.¹¹ The Arab countries go through a 'second decolonization', emancipating themselves from Western client states.¹² According to other analysts increased cultural interactions among democratic Arab states and cross-border interactions will enhance EU's structural power as the new (democratic) regimes will attempt to expand the, previously restrained to economic and technical issues, intraregional cooperation across the board.¹³ Accordingly, respondents to a Euromed Survey (2011) make a positive assessment of the impact of the Arab uprisings in the Euro-Mediterranean relations, as they consider that this will accelerate the implementation of the political and socio-economic reforms foreseen in the EMP/ENP frameworks.¹⁴ Despite the limitations of the EU policy, as the Foreign Policy Scorecard 2013 published by the European Council on Foreign Relations indicates, in several Mediterranean countries, specifically in Egypt and Tunisia there was genuine

demand for Europe to take a more influential role instead of allowing the US to be in the strategic driving seat, but the EU did not take that opportunity¹⁵. The task forces (within the EEAS framework) that have met in Tunisia, Egypt, and Jordan are the most visible aspect of EU external policy. But EU's willingness to accept the slowdown of political reform, particularly in the case of Egypt and Jordan, set a problematic precedent for a longer-term strategy to support democratization in the region.

In terms of economic leverage, still the EU as a bloc remains the most important trade partner of all its southern neighbors. The opening of Mediterranean economies to the global markets however could reduce the attractiveness of EU-centred free trade agreements which constitute one of the main pillars of Euro-Mediterranean relations and increase partners' reluctance to accelerate trade reforms.¹⁶ A first fact is that EU trade with south Mediterranean partners has decreased significantly as a result of the crisis indicating that trade integration could further slow down. Intra-regional trade which still today accounts for less than 4% of North Africa's trade is another key aspect of Euro-Mediterranean economic integration as it is considered essential for allowing SM countries to benefit from trade liberation. However, intra-regional trade is still very modest, even though the current crisis is said to provide an opportunity for southern partners to deepen it.¹⁷

The Arab Spring powered ambitions in the Arab public to have a greater voice in their affairs. The League of Arab States (Arab League) raised its profile by recommending the U.N. Security Council to impose a no-fly zone on Libya, paving the way to NATO's air campaign against Gaddafi's troops. Currently it supports a joint UN-Arab League Special Envoy on the Syrian Crisis and its role has been crucial in recognizing the Syrian opposition in the summit of Doha this year. The Arab League has formed commissions to investigate on human rights in member states, to boost the role of civil society and to promote cooperation in culture and education. Responding to the Arab Awakening, the EU intensified its contacts with the Arab League (LAS), the Arab Maghreb Union (UMA) and the Organization of Islamic States (OIC) on an ad hoc basis that could in the future lead to more (inter)regionalism. However, despite the renewed interest in Pan-Arabic cooperation, deep national divisions, disputes and barriers to movement and trade pose serious obstacles.

The basis of EU's neighborhood policy that creating institutional structures

and a technocratic network will in time generate the necessary political drive of reform in the partner countries has not proved successful where there is no membership perspective. As Kausch (2012) puts it 'like the building of the EU as a peace-making project, any holistic Euro-Mediterranean integration policy needs to start from shared political ambitions'. The approach of institutions for political reform is a misinterpretation of the successful genesis of the European project in which institutions in fact served to implement a larger political narrative, not to create it. To shape such shared political ambitions will however need time until the new social dynamics shape up. However, in the short term Mediterranean partners can work closer on partnerships addressing common challenges which today concern the restart of the Mediterranean economies to generate sustainable growth and new jobs, energy interdependences, labor mobility and good governance.

Conclusion

There is an overall governance crisis on both shores of the Mediterranean which is of different origins. In the northern Mediterranean the economic crisis has led to political turmoil, social demands for a new development model, European governance structures, principles and rules. In the southern Mediterranean, the 'home grown' transformation process that began with the Arab uprisings in 2011 has changed the political and social matrix in the partner countries. This transformation period is to last long. The common challenges resulting from the double crisis are high unemployment levels especially among youth (with an average of 47% in Spain, Greece, Italy and Portugal and 25% in the MENA region) and the restart of the economy. In the political sphere the eurozone crisis has led to governmental changes and an upturn on xenophobic and populist forces. In the south, regardless of the democratic prospects in each of the MPCs, political Islam (in its 'moderate' approach) is gaining power and is expected to play a key role in the coming years.

The recovery period for the Mediterranean countries will be long and until transition is complete regional institutions will not deliver. However, the economic crisis combined with the Arab revolts call for a repositioning of regional actors. The EU might not be allowed to play a more active role in this historical period for the Mediterranean but the southern European

countries can work closer with their littoral partners in areas such as energy, migration and maritime issues along the lines of Mediterranean partnerships where the littoral countries will be the key drivers. Southern European countries could share their experiences on two important issues of the Arab transformation: institution-building within Arab political and civil societies, and dialogue between and within the religious-secular camps leading to an inclusive constitution-making process.¹⁸

EU led multilateral instruments such as the Union for the Mediterranean have their part to play, but will need to be redesigned to reflect post-revolutionary realities. The southern European countries should not miss the opportunity to build a new vision of where the EU would like its Mediterranean relations to be in 10 or 20 years.

NOTES

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14. Wolfgang Zank, "A Region of Crises: North Africa under the Influence of Arab, African and European Integration Process", in L. Fioramonti (ed.), *Regions and Crises: New Challenges for Contemporary Regionalisms*, Palgrave Macmillan, Basingstoke, 2012, pp. 102-3.
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Chronologies

Chypre: 1er novembre 2012-30 avril 2013

12 novembre: Dervis Eroglu, le chef de la communauté chypriote turque, demande la reprise des négociations intercommunautaires après les élections présidentielles de février 2013. Toutefois il n'acceptera de négocier que s'il y aura un calendrier précis sur la tenue de ces négociations.

27 décembre: Le Ministre turc des affaires européennes Egemen Bagis déclare que la Turquie est prête à aider financièrement les Chypriotes grecs et souhaite que «Dieu aide les Chypriotes grecs».

11 janvier: Plusieurs dirigeants du Parti populaire européen dont le Premier ministre grec A. Samaras et la Chancelière allemande A. Merkel viennent à Limassol pour soutenir la candidature de Nicos Anastasiadès à la présidence de la République.

13 février: Le scandale, qui affecte plusieurs pays européens, de la viande de cheval présentée par des exportateurs roumains comme de la viande de bœuf implique une société basée à Limassol.

17 février: Premier tour des élections présidentielles: Nicos Anastasiadès, le chef du Rassemblement démocratique (Disy), parti de la droite arrive en tête (45,46%) devant Stavros Malas (26,91%) soutenu par l'Akel (communiste) et Georges Lillikas (24,93%), candidat indépendant.

24 février: Second tour des élections présidentielles: N. Anastasiadès (57,48%) est élu président de la République devant S.Malas (42,52%).

27 février: Nomination du nouveau gouvernement.

Ministre des Affaires étrangères	Ioannis Kassoulidès
Ministre des Finances	Michel Sarris
Ministre de l'Intérieur	Socrate Hassikos
Ministre de la Défense	Photis Photiou
Ministre de l'Education et de la Culture	Kyriakos Kénévézos
Ministre des Communications et Travaux publics	Tassos Mitsopoulos

Ministre de l'Energie, du Commerce, de l'Industrie et du Tourisme	Georges Lacotripès
Ministre de l'Agriculture, Ressources naturelles et Environnement	Nicos Kouyialis
Ministre du Travail et des Assurances sociales	Harris Georgiadès
Ministre de la Justice et de l'Ordre public	Ionas Nicolaou
Ministre de la Santé	Pétros Pétridès
Porte Parole du Gouvernement	Christos Stylianidès
Secrétaire d'Etat à la Présidence	Constantin Pétridès

10-11 mars: Première visite en Grèce depuis son élection du président N. Anastasiadès.

16 avril: Victor Papadopoulos, Porte Parole adjoint du gouvernement, déclare que la politique de rigueur imposée aux travailleurs est dûe à la gouvernance de l'ancien président Dimitri Christofias et non pas à l'actuel gouvernement, qui n'existe que depuis 45 jours.

21 avril: D. Eroglu déclare que sans l'intervention de l'armée turque en 1974 les Chypriotes grecs auraient enterré massivement les Chypriotes turcs dans des tombes.

28 avril: Georges Lillikas, ancien candidat aux élections présidentielles de février 2013 fonde l'Alliance des citoyens.

Grèce: 1er novembre 2012-30 avril 2013

7 novembre: Le Parlement adopte à une courte majorité (153 voix pour, 128 contre et 18 abstentions) un plan d'austérité afin que soit approuvé le Mémoire n°3 établi par l'Eurogroupe et le FMI. Certains députés de la Nouvelle Démocratie (droite) et du Pasok (socialiste) sont radiés de leur parti pour avoir voté contre ce plan ou s'être abstenus. Le Dimar (gauche démocratique), qui soutient le gouvernement s'est toutefois abstenu.

Ce plan dont les mesures d'économie se montent à 13,5 milliards d'euros prévoit, entre autres, le licenciement de fonctionnaires, de nouvelles coupes dans les salaires et les retraites, le report de l'âge de la retraite à 67 ans, des

hausse d'impôts et la suppression des conventions collectives. En contrepartie, la Troïka devait débloquer d'ici à la fin du mois de novembre une nouvelle tranche d'aide de 34,7 milliards d'euros. Cette somme initialement aurait dû être versée en juin mais les bailleurs de fonds internationaux avaient ajourné son versement, exigeant au préalable l'adoption d'un programme d'ajustement budgétaire musclé.

13 novembre: Le président français François Hollande déclare que la solution de la crise grecque reste un des objectifs majeurs de la politique européenne de la France.

29 novembre: Le gouvernement présente un plan de remboursement avant la fin de l'année des arriérés de l'Etat à ses fournisseurs privés d'un montant total de 9,3 milliards d'euros.

30 novembre - 2 décembre: Congrès panhellénique du Syriza (gauche radicale): Il s'agit de la première étape du processus de transformation du Syriza, qui comprend une douzaine de formations de gauche, en un parti unifié.

2 décembre: La chancelière Angela Merkel laisse entendre pour la première fois un effacement de la dette grecque à partir de 2014-2015 «si la Grèce arrive à s'en sortir avec ses recettes sans contracter de nouvelles dettes».

13 décembre: L'Eurogroupe et le FMI confirment le déblocage de 34,7 milliards d'euros à la Grèce et le versement à ce pays en plusieurs tranches de 15 milliards d'euros d'ici à mars 2013.

15 décembre: 16 migrants ont péri et 11 sont portés disparus après le naufrage de leur embarcation au large de l'île de Mytilène.

18 décembre: L'agence de notation Standard & Poor's a relevé de 6 crans la note souveraine de la Grèce de «défaut sélectif» à «B – grâce au soutien affirmé de la zone euro à ce pays».

17 janvier: Par 229 voix sur 300 le Parlement grec renvoie l'ancien ministre des finances Georges Papaconstantinou devant une commission formée de députés pour élucider son rôle dans le cadre de la liste Lagarde (la ministre française des finances Christine Lagarde avait transmis en 2011 à son homologue grec une liste de noms de ressortissants grecs possédant en Suisse un compte à la banque HSBC).

1er février: Le ministre des finances Ioannis Stournaras a reçu un courrier signé «Révolution crétoise» avec une balle de revolver à l'intérieur.

2 février: Arrestation de 4 terroristes membres des Cellules de feu.

19 février: Visite de travail à Athènes du président François Hollande, qui affirme la solidarité de la France envers le peuple grec.

27 février: L'ancien maire de Thessalonique, Vassilis Papageorgopoulos, a été condamné à la prison à vie pour complicité de détournement d'une somme de 18 millions d'euros.

7 avril: Le quotidien *To Vima* publie un rapport confidentiel - reproduit par le journal allemand *Der Spiegel* du ministère grec des finances, qui estime à 162 milliards d'euros la dette de guerre de l'Allemagne (emprunt forcé + indemnités de réparation) à l'égard de la Grèce.

11-14 avril: 19ème Congrès du parti communiste KKE. Dimitri Koutsoumbas devient Secrétaire général, en remplacement d'Aleka Papatriga.

11 avril: le ministre des affaires étrangères D. Avramopoulos indique que les juridictions internationales examineront la question du remboursement de l'emprunt forcé nazi, que l'Allemagne conteste et qui rappelle qu'en 1960 un accord signé avec Constantin Caramanlis avait prévu un dédommagement de 115 millions de marks pour les indemnités de guerre.

22 avril: Ouverture du procès d'akis Tsahatzopoulos, ancien ministre de la défense (Pasok) accusé d'avoir perçu des pots de vin pour l'achat de systèmes d'armement. A. Tsahatzopoulos, placé en détention le 16 avril 2012, avait été condamné le 4 mars 2013 à 8 ans de prison ferme pour dissimulation de revenus.

28 avril: Vote de la «multi-loi» par 168 voix contre 123, qui selon le gouvernement doit améliorer la compétitivité. Ce texte prévoit notamment le licenciement de 15 000 fonctionnaires d'ici à la fin 2014.

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