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## Knowing When to Stop: NATO's Overexpansion and the New Security Architecture of Europe



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Almost 18 months after the fall of the Yanukovych regime that precipitated the dramatic events leading to the annexation of the Crimean Peninsular by Russia and the loss of Ukrainian control over almost half of the Donbass region, the second truce agreement negotiated in Minsk on 12 February 2015, provides all parties with another opportunity to, at the very least, freeze the ongoing conflict in the East of Ukraine. Whether the ceasefire will hold and whether it will lead to a more stable settlement that would require the deployment of a peacekeeping force under OSCE auspices remains unclear.

Yet, even if complete tranquillity were to reign over Eastern Ukraine in some miraculous way, the economic and more notably the energy parameters defining the power relationship between Moscow and Kiev and the way this relationship affects the stability and longevity of the Russian-EU energy trade, argue for a policy of strategic compromise on the part of Kiev and of realistic reassessment of the part of the EU, especially with regards to the effectiveness of the energy sanctions imposed on Moscow in July 2014.

Given the fact that Germany and France oppose both in the EU and NATO frameworks the militarization of their response to Russia and are separating their approach to the Ukrainian issue from the more dynamic US attitude, which seriously entertains the possibility of arming Kiev, the pressure to impose more severe punitive measures against Russia's energy industry is likely to increase within the EU. Most "older" European powers -to use a relatively forgotten euphemism initially use by US Defense Secretary Rumsfeld to describe the block of EU powers that opposed the US invasion of Iraq- are adamant in their rejection of more hostile US measures that would lead to a massive build-up of Ukrainian forces with European weapons, weapons the Americans themselves are not willing to provide Kiev so far.

Despite this increasing pressure the EU would be highly unlikely to vote unanimously for a 4<sup>th</sup> round of sanctions that would jeopardise the core of the EU-Russian energy trade which brought Russia an annual income of approximately EUR 400 billion in 2013. The reasons for this EU unwillingness do not only relate with the realization on the part of most Europeans that there is no cheap or readily available alternative to Russian oil and gas imports. They also illustrate a growing European hesitancy, at least between the major Continental European powers starting with Germany, Italy and France, to follow the more militant example of US policy vis-a-vis Russia as *a matter of a realpolitik principle*.

In order to understand this growing dichotomy, clearly underlined by the rejection of Ukraine's greatly unrealistic EU accession aspirations during the recent EU Council meeting in Riga (April 2015), we need to go back to the core of debate on how to restructure Europe's security architecture at the aftermath of the Soviet collapse. In the early 1990s the very existence of NATO was questioned. The disappearance of the communist threat and the disintegration of both the Warsaw Pact and the USSR created the perception that NATO would no longer be needed as a counterweight to what was perceived as an aggressive revisionist military superpower.

For a very short window of opportunity ideas of European unity and defence integration going back to the European Defense Community-EDC of 1954 were resuscitated. For the pro-EU federalists a new EDC would complement the initial steps towards a more politically centered European Economic Community-EEC. The initial steps towards the establishment of what would become the European Monetary Union in 1999 as well as the promise of enhanced security cooperation are clearly engraved in the core of the famous Maastricht Treaty of 7 February 1992 which also rebaptized the EEC to a European *Union*. In short it gave the European experiment a clearly political connotation.

Ironically enough the very dynamics that would shatter this window of opportunity also appeared in 1992. The flames of the Wars of the Yugoslav disintegration that continued to burn until 1999 destroyed the somewhat naive yet well intentioned ambitions of EU federalists. By 1995 when NATO interfered in the former Yugoslavia most Europeans had realized that the Union would remain an essentially non-defense related political experiment. The federalization dynamic within the Union would be primarily economic or to be more accurate, monetary through the EMU, although it has been subsequently proven -following the 2008 crisis- that the EMU was also very poorly constructed.

Security would remain something the EU would basically consume. So the big question was who was going to provide it and how would that be connected with the EU's enlargement process, a policy directive warmly

endorsed and supported by all three major European powers, Germany, Britain and France, although for different reasons:

(i) France supported enlargement so as to further dilute Germany's weight within a heavily bureaucratized institutional framework of checks and balances that included a plethora of new players. It tried to create such a institutional framework that would act *per se* as a check on Germanic power through the EMU (1999) and the Treaty for a Constitution of the European Union (2003). Ironically, as it exactly happened with the EDC in 1954, this elaborated plan was vetoed by the French people in a 2005 referendum, while the management of the Eurozone crisis since 2010 indicates that the *sine qua non* vote within the EMU is likely in the hands of Berlin, not Paris.

(ii) Britain also supported enlargement not only because it partially agreed with the French goal to dilute or balance out German power by expanding EU "club" membership. Britain was *equally* opposed to European federalization *and* the nightmare of a *Germanic* Europe. For Britain federalization would not contain Germany's power as the French thought. It would do the exact opposite. Germany's weight would be more not less felt through a federalized decision-making process in the EU and that is exactly why London opted out of any core federalized EU policy initiative, including the EMU and the Schengen Treaty.

An enlarged EU would be far more difficult to federalize. Moreover most of the new members, especially if they would *first* become NATO members, would also be more likely to follow the American lead in issues of European and International security as it was clearly indicated by the 2002-2003 Iraqi crisis. This would make an enlarged Europe more pro-Atlanticist and less likely to agree to the emergence of EU policies and EU capabilities that would not be automatically aligned with US options and prerogatives. In any case the re-emergence of NATO as the only provider of security for the EU guaranteed a preminent American role in European security that both the French and the British welcomed after the re-unification of Germany.

(iii) Germany also supported enlargement because it saw it as a strategic opportunity to expand its economic, financial and diplomatic sphere of influence throughout the former communist Eastern Europe. The integration of these states would not only provide Germany with a plethora of commercial and investment opportunities. The integration of Eastern Europe into the EU would consolidate the newly established democratic institutions of the new states of Europe, some of which, like Slovenia and Slovakia, first acquired their independence in the early 1990s.

Such an institutional “anchoring” of Eastern Europe in the EU would also consolidate its post-1991 borders and suppress other existing ethnic conflict flashpoints especially those surrounding the state of Hungary. It would also make sure that this area would escape the vicious circle of being transformed into a *cul-de-sac* of Russian-German competition as it did in the 18<sup>th</sup> century and during the interwar period. Germany knew that she was not strong enough to create such a security environment in Eastern Europe by itself.

It also understood that if she tried to achieve such a goal *in solo* its intentions would have been “misunderstood” even by less historically “suspicious” EU leaders than President Mitterand and PM Thatcher or her conservative successors under PM Major. Germany's interference in the initial stages of the Yugoslav ethnic wars, through its hasty recognition of the independence of Slovenia and Croatia, was misinterpreted as the first sign of a new German “nationalism” that neutralized the Anglo-French efforts to stop the Serbo-Croatian and Bosnian Wars before spiralling out of control. Germany even refrained from joining the NATO campaign in 1995.

NATO would resolve all of EU's problems. A NATO security guarantee over Eastern Europe would effectively confront all the hard-security issues Germany was both unable and unwilling to tackle by itself. A post-Cold War NATO would both modernize and democratize each country's armed forces thereby *indirectly* increasing the viability of their democratic institutions. NATO would freeze existing borders by providing a disincentive for the internal break-up of existing multiethnic nation states and would at the same time protect these states from the largely theoretical threat of a resurgent Russia, which under President Yeltsin was still fighting to protect its own territorial integrity from the spreading viruses of ethnic nationalism and Islamic Jihadism. Moreover NATO made sure that Germany would not be the only beneficiary of such an enlargement since it would still act as a check on Germany's ambitions.

NATO would essentially kill many birds with one single stone. For France, a NATO expansion that would *precede* the EU enlargement would represent the strategic equivalent of the EMU or the now defunct “European Constitution”. For Britain NATO's Eastern expansion would, to paraphrase Lord Ismay's famous statement for the Cold War necessity of NATO, “keep the Americans in, the Russians out and the Germans in check”. An Expansion of NATO would guarantee Europe's “Atlanticism” and the special role Britain enjoys as the principal champion of this “Atlanticism” within the EU. For Germany, who was to benefit the most from European enlargement, NATO's expansion prepared the ground for the EU and also kept its emerging relationship with Russia intact, since

the expansion would be primarily championed by (and blamed on) the Americans and the British.

It was a win-win situation for all interested parties. NATO went ahead to prepare the ground for European enlargement and played a crucial role in re-integrating Eastern Europe to the EU's political and economic community. Different EU powers benefited differently by such an enlargement but it is unquestionable that the enlargement benefited all EU powers. Even when this geostrategic "Janus" crossed the old Soviet psychological borderline to incorporate the three Baltic Republics in 2002 that also joined the EU in 2004, Russia's reactions under President Putin were measured.

The Russian President was more keen to emphasize the common security interests joining Russia, Europe and the US in their war against the Taliban and the "War on Terror" rather than castigate NATO's expansion. To put it plainly Russia would not like its medicine but it would swallow it. It would complain, it would certainly bark but it would not bite. Russian-Western and even Russian-US relations would survive both NATO expansion rounds of 1997 and 2002. Until 2004 NATO expansion and the concomitant benefits for EU's enlargement had proven to be a low-cost and low-risk exercise that did not seriously jeopardise the post-soviet security architecture of Europe.

NATO was soon to become victim of its own complacency and Ukraine would be the litmus test which destroyed the self-delusion created up to 2004 that a perpetual NATO expansion beyond the Dniester river would not have a detrimental effect on Russian-European or Russian-American relations. The continued success of NATO's expansion up to 2004 unfortunately convinced many "Cold-War" hawks in the neoconservative establishment which dominated the Bush Jr. Presidency that NATO would just keep expanding in the former Soviet East without any real cost or danger. They underestimated both Russia's ability and willingness to react in order to defend its historic interests in the Crimea and Eastern Ukraine, protect the millions of Ukrainian citizens that were ethnic Russians or culturally identified themselves with Russia, and above all secure its military presence in the Black Sea region.

Bush Jr. and his neoconservative Cold Warriors, of whom Mrs. Neuland is a prominent member, were emboldened in their belief that Russia would not effectively react against a potential Ukrainian or Georgian bid for NATO membership by the rise to power in both those countries of radically anti-Russian and supposedly reformist leaders. The triumphal accession of Mr. Shaakashvili and Mr. Yushchenko to the presidential office following the revolution of the roses in Georgia (2003) and the orange revolution in Ukraine (2004) was misinterpreted by Washington as a sign of Russian weakness that in turn reinforced the perception that Mr. Putin would play

along and that the Europeans would almost automatically align themselves with American policies. In 2003 despite French and German reactions the majority of EU and NATO members not only supported but also participated in the extremely controversial US invasion and occupation of Iraq.

By 2008 these erroneous perceptions were shattered, even before the Russian-Georgian war of August 2008. The Russian-Ukrainian gas crisis of January 2006 reminded the Europeans the sensitivity of their import dependence on Russian gas and the Ukrainian transit of that gas. As Russian oil exports to Europe expanded by displacing Persian Gulf exports many European governments realized that following the 2007 enlargement which included Romania and Bulgaria, there was no vital European interest at stake to the East of the Vistula and Dniester rivers other than the security of EU gas imports.

Germany, France and Italy moved fast to eliminate the Ukrainian transit risk by constructing Nord Stream which by 2013 exported directly to Germany and the central European gas grid the totality of their Russian gas imports in ways that bypassed Belarus, Ukraine *and* Poland. In April 2008 during the NATO Bucharest Summit, despite US pressure to grant Ukraine and Georgia Candidate Member status in the Atlantic Alliance, the old European powers effectively vetoed the American proposal. In August 2008 they also refused to materially support Mr. Saakashvili and denied to apportion the entire blame for the War to Russian Imperialism. Most European powers refused to impose any sanctions against Russia and in general did not substantially penalize Moscow for its actions in Abkhazia and South Ossetia.

By early 2009 the polemical anti-Russian rhetorics of the "Georgian War" had essentially disappeared. The second, much more serious Russian-Ukrainian energy crisis of January 2009, left most EU states puzzled over their energy security options. Even staunch US allies that had supported (Austria) or benefited (Bulgaria, Hungary) from NATO's expansion were joining the pro-Russian South Stream pipeline project that would further diminish Russia's transit dependence on Ukraine and thus increase the effectiveness of Russian coerciveness.

Moreover, the Eastern Partnership policy was conceived in 2009 in order to act as a substitute to any further membership dynamic that might exist for the former Soviet Republics that lied to the East of this new "geopolitical Rubicon". Even after the dramatic events of 2014, neither Ukraine nor Georgia were offered anything more substantial by the EU Council during the Riga meeting of the Eastern Partnership strategy that took place in April 2015. Even their request for Visa Free travel to the EU was politely declined.

Given the experience of Russian assertiveness and European reactions in the 2008-2009 period it is truly mind boggling that the Europeans or for that matter the Americans were “shocked” by Russia's decision to annex Crimea and systematically stoke the fire of the Donbass insurgency. The important question now is not how to resolve the Ukrainian problem in ways that would turn the clock back to before February 2014.

President Poroshenko and Mr. Yyachenyuk, his more combatant pro-American Prime Minister, need to understand, as Mr. Shaakashvili can certainly assure them, that any attempt to militarily reconquer Crimea or the Donbass region will fail. If Kiev attacks the Russian positions in the Crimea it would provoke an all out Russian invasion whereas if Kiev attacks the Donbass insurgents it would probably end up by losing even more territory to the separatists. This is at least what has happened on the ground before any of the two Minsk Truce Agreements were struck. Mr. Poroshenko needs to understand that the optimum scenario for the Donbass region is to allow it to become the Ukrainian analogy of South Ossetia so as to *ad minimum* freeze the ongoing conflict.

Moreover pro-NATO rhetorics or any serious effort to approach the Atlantic Alliance with the purpose of gaining Candidate Membership status is likely to backfire even more violently than the 2008 attempt. Europeans are unlikely to further harden their opposition to Russia other than renewing existing sanctions and even if more sanctions are imposed they will most likely stay away from the core of the Euro-Russian trade so as to not have a paralytic effect on the Russian economy. Europe understands that it has no interest whatsoever in declaring economic war on Russia without seriously undermining its own energy security. More importantly Europe and the US need to reassure Russia that there is no membership option to Euro-Atlantic institutions for either Ukraine or Georgia. This may actually be the most important precondition for de-activating the Ukrainian ticking bomb and freezing existing hostilities in the long-term.



## Gas Discoveries in the East Mediterranean: A Catalyst for Regional Cooperation



### **Antonia Dimou**

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The discovery of natural gas resources in the East Mediterranean promise important benefits of energy security and economic gains. A 2010 US geological survey showed that the Levantine basin - offshore Israel, Gaza, Lebanon, Syria and Cyprus - could hold as much as 120 trillion cubic feet, thus securing supply of energy not only for the countries of the region but also for Europe.

Regional countries are currently at various stages of exploration and development which are however fraught by political risks and policy dilemmas. Thus cooperation, conflict resolution and the creation of interdependency structures are prerequisites to unlock the potential of the region and safeguard the unimpeded flow of future gas production.

A leading country for regional energy cooperation is Israel because the preparations to extract gas from its major fields, Leviathan and Tamar, are already at advanced stages. Israel looks into a combination of export options on the basis that gas is a game changer stressing the inevitability between macroeconomics and geopolitics. In this context, priority is given to Jordan as disruptions of energy imports from Egypt have impacted the Kingdom's public budget and fiscal space for broader development goals. The sale of Israeli gas to Jordan falls within Amman's broad strategy for transformational change in energy supply, including a diversification of natural gas imports from alternative sources in the region.

Noble Energy, a heavy foreign investor in Israel's fields, has signed a contract worth \$500 million to supply 66 billion cubic feet of gas from Israel's Tamar field to Jordan's Arab Potash and its affiliate Jordan Bromine. Leviathan partners Noble and Delek have also signed a non-binding letter of intent with Jordan's National Power Electric, which will act as buyer of the gas, to supply 1.6tn cubic feet over a fifteen-year period. Other investigated projects focus on the construction of a 25-kilometer

pipeline that would connect northern Israel to northern Jordan, facilitating the supply of natural gas to major Jordanian manufacturing plants. It is broadly acknowledged that infrastructure partnerships between Israel and Jordan can provide real incentives to normalize relations, given that the supply of cheap and reliable energy will bolster the kingdom's economy and that Leviathan partners' export earnings will increase.

An additional option for the monetization of Israeli gas centers on Egypt. Cairo's political instability, heavy regulations, and ceiling on onshore prices have transformed over the years the Arab country from a gas exporter into a heavy energy importer. Although Egypt's total proven reserves are approximately 2.2 trillion cubic meters, its production levels and reserves have not improved despite technological breakthroughs and massive capital expenditures, leaving two major LNG facilities in Damietta and Idku virtually idle.

Thus, pipelines from Israel's gas reserves to Egypt for liquefaction and re-export has become a real choice, taking into account the close distance between the Egyptian and Israeli coasts. The option for the transport of Israeli gas to Egypt through either reversing the flow in the Egyptian export pipeline that crosses Sinai or the construction of a new undersea pipeline seems to be viable not only because of the royalties and revenues Israel will collect but also because of the potential positive impact on Egypt-Israel bilateral relations.

Already, partners of Israel's Tamar field have signed a non-binding letter of intent to export up to 2.5 trillion cubic feet of gas over 15 years via the Damietta LNG plant in Egypt operated by Union Fenosa Gas, a joint venture between Spain's Gas Natural and Italy's ENI. Similarly, Leviathan partners reached a preliminary agreement with British Gas (BG), a British oil and gas company, to negotiate a deal to export gas to BG's liquefied natural gas plant in Idku (northern Egypt) via a new undersea pipeline. If agreements are finalized, the benefits that will accrue for both countries will be multifold both geopolitically and economically.

Another export option to immediate neighbors includes a subsea pipeline from Israel's Leviathan field to Turkey, but this is currently considered politically non-viable. There is widespread consensus in Israel that without a political reconciliation between the two countries, any advancement of an export agreement remains remote. Reservations are also expressed regarding financial security in any future framework energy agreement between Israel and Turkey, with suggestions centering on that financial security can be provided by a third party such as the U.S. Overseas Private Investment Corporation, the U.S. Export-Import Bank, or the German Euler Hermes company.

It is has nonetheless to be noted that the prospects of developing Israel's natural gas fields have been directly challenged since December 2014 by the Israeli Anti-trust Authority commissioner's recommendation for investing companies to divest from the Tamar and Leviathan fields. The reason is that the Israeli regulatory framework foresees the establishment of a competitive gas market and upon this the anti-trust commissioner has the authority to block any trade agreement perceived as violating competition laws. If investing companies are forced to disengage, the possibility of developing Leviathan will be jeopardized for the coming years. Equal important, the resulting delays in progress on proposed supply projects between Israel and neighboring countries can damage the former's standing and credibility as a reliable supplier of gas resources. Thus, there is urgent need for a policy solution based on considerations that Israel cannot have a truly competitive market as there are two main fields and one meaningful buyer, which is the Israeli Electric Corporation. Practically, a policy solution can satisfy the terms of Israel's anti-trust legislation which allows exemptions from limitations when a sector is viewed to have a natural monopoly.

No doubt that another significant player for regional energy cooperation is Cyprus given that gas discoveries can turn the island into a net natural gas exporter. The recent declaration of commerciality for the Aphrodite gas field by Noble, Delek and Avner Oil partners confirms the existence of substantial recoverable natural gas reserves in Block 12 of Cyprus' Exclusive Economic Zone (EEZ). Commerciality of Aphrodite field presents a milestone to Cyprus' transition from the stage of hydrocarbons exploration to that of exploitation, and a significant step towards the monetization of the island's indigenous natural gas reserves, both for domestic use, as well as exports.

Cyprus has already signed a Memorandum of Understanding with Egypt on gas cooperation for the downstream exploitation of output from the Aphrodite field by utilizing gas infrastructure existing in the Arab country via a direct subsea pipeline. Additionally, the inauguration of a tripartite partnership between Cyprus, Egypt and Greece with the signing of the Cairo declaration in November 2014 falls on maritime security and energy cooperation, and is currently reinforced by high level political and technical meetings. The Greek dimension in the partnership is important because of Greece's strategic location at the crossroads of Europe, Asia and Africa that can cuddle Cyprus-Egypt as well as Israel energy cooperation by linking gas pipelines away from war risk zones.

In monetizing natural gas resources, Cyprus also needs to face a prime challenge associated with one of the multiple regional export options that are on the table, which is the pipeline project that would connect Israel's Leviathan field to the Turkish coast. For the Cypriot side, the prerequisite

to this export option is the resolution of the Cyprus conflict since the pipeline would have to cross Cyprus's EEZ.

It is in any case noticeable that a vote of confidence related to the island's regional energy standing is conceded by major oilfield services companies, such as Halliburton and Schlumberger that have based operations for the East Mediterranean in Cyprus.

No doubt that Cyprus's natural gas discoveries present a game changer that poses all kinds of risks and opportunities for the island's economic recovery. It is in this context that policies need to center on the creation of a Cypriot sovereign wealth fund, preferably based on the Norwegian model, to recycle revenues, and the establishment of a regional sponsor-supported non-governmental organization or council that would include energy companies, energy industry service providers, energy industry associations, and other related stakeholders in the region. Once established, the council could seek government participation from the littoral states of the Eastern Mediterranean. It could then become a point of reference and also an avenue of communication between governments and industry, as well as a clearinghouse for ideas and plans for mutually beneficial energy development in the region.

Evidently, the East Mediterranean discoveries provide a golden opportunity for energy security and cooperation, an opportunity that must not be neglected because as it is aptly highlighted in a famous Arabian proverb "*three things come not back; the spoken word, the sped arrow, and the neglected opportunity*". It is in this spirit that regional countries coordinate policies and share best practices so that the opportunity is not neglected...

## The Economic Explosion of a Bizonal Solution that will Crash Cyprus' Finances



**Dr Aris Petasis**

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One of the world's authorities on constitutional and human rights law recently described the Bizonal Bicomunal Federation (BBF) as nothing more than *constitutional fraud* that is meant to fool voters through benign-sounding but cancerous constitutional provisions. This explains why we are now faced with a profligate campaign of disinformation about the "merits" of BBF and the illusory economic benefits this will [supposedly] bring to the country. The campaign promises people a BBF-driven economic explosion and attempts to fool primarily those that are now in economic despair and are grasping at straws. But, as the slogan of "economic explosion" is a clarion call of no substance the crusaders employ sublimation to fool people that are in economic hardship, in believing that their travails will come to an abrupt end once a BBF agreement is signed. The Cyprus Chamber of Commerce, the Employers Association and a host of business leaders, many of whom are in dire financial straights, have joined the "get-rich-quickly" sham.

But, what is BBF? Only Turkey can enlighten us, by giving us its own interpretation of what BBF is all about, considering that Turkey is the only party in the conflict that can enforce its own interpretations. Contrarian interpretations, coming from the Greek Cypriot (G/C) side, are either wishful thinking or attempts to camouflage a deadly solution with the trappings of benign-sounding words. Here is an example of why Turkey's interpretations count. The treaty of guarantee specifically mentions that in the event of constitutional upheaval in Cyprus the guarantor powers (Turkey, Greece and the UK) may "*take action*" to restore constitutional order. After the brief 1974 coup Turkey arbitrarily and unilaterally interpreted the term "*take action*" to mean "*Turkey has the right to invade Cyprus militarily and to occupy its territory ad infinitum.*" All protestations by the Greeks went to nought and Turkey's version still stands no matter how outlandish and how contrary to international law this interpretation is. Simple: Turkey had the military power and the support of the Americans to invade the country; and did so.

In light of the above I take Turkey's interpretations on BBF as the only credible interpretations and I discount all other interpretations as null and void. In BBF Turkey sees two independent *constituent countries* with *distinct integrity* (try interpreting the term "*distinct integrity*" without reference to Turkey!) coming together in a "*loose federation*"....meaning confederation for Turkey!. The Greeks interpret the English term "*constituent state*" as πολιτεία ("state," like Florida is a US state, for example.) Turkey defines the above with the Turkish term "*kurucu devietem*" meaning a "*founding member country.*" I accept Turkey's interpretation and reject all other interpretations that cannot be enforced. The founding entities of the BBF "*....may organise independently and freely exercise sovereignty in their own area*" says the mutual declaration of 11.02.2014. Equally, the two entities may "*....enter into commercial and cultural relations with outsiders and to sign agreements in these areas.*" Turkey takes the above to mean that each entity is free to do as it wishes with its economy. I take Turkey's interpretation.

What does a BBF solution mean for the economy of Cyprus? For a start it means that Cyprus' economic policy will be bifurcated with each entity enforcing its own policies independent of the other. It also means that the country and the economy will be partitioned even if there will be a fig-leaf of a "federal government" that will camouflage partition and confederation and that will also maintain intact Turkey's hold over the entire Island.

Each entity will have its own government that would probably be financed in part by the farcical "central" government. Currently, the occupied areas are subsidised by Turkey to the tune of roughly \$1 billion per year. This sum goes mostly to cover "government" salaries and benefits. The manner in which this sum is disbursed is designed to limit dissention (with Turkish policy) for a period of up to 29 days and no longer; those dissenting risk having their paycheque withheld on the 30<sup>th</sup> day (payday.) I presume that this \$1billion will have to come from new BBF taxes that will hit the Greek Cypriots (G/C) hard as Turkey will simply offload its burden on the BBF "central" government considering that the Turkish Cypriot (T/C) constituent entity has already proven its inability to find this money—even as it has usurped G/C assets and uses these for free, e.g. G/C citrus groves, factories and hotels. Though all of us are referred to in the BBF plan as "members of the G/C or T/C community" for tax purposes we will masquerade as "citizens" that lovingly share financial burden. Unavoidably the G/C community will bear the brunt of these new taxes that would aim to restore economic parity between the two communities and cover the \$1bil T/C deficit. As the larger of the two territories, the most populous (until of course Turkey completes its settler program and changes for ever the population balance in Cyprus) and the richer (G/C per capita income now stands at 2.6 times that of Turkey and more than

that against the poor, Turkey-dependent occupied part of Cyprus.) It therefore goes without saying that the G/C entity will bear a massive tax burden. But, can the G/C afford to shoulder all or a major part of the \$1billion burden? The answer is no because the Republic's sovereign debt now stands at 120% of GDP with a 2014 budget deficit of 8.8% of GDP. The Republic's budget deficit averaged -3.72 percent of GDP in the last 10 years (1995 - 2014.) More menacingly the EU expects budget surpluses from Cyprus to pay interest on loans and loan instalments starting in 2017 (1). The Republic's current expenditure for 2015 is budgeted at €4.488 billion (€4,731 in 2014) and this level of expenditure level should not grow by another \$1billion or so to cover the T/C shortfall.

Taxes now stand at 40% of GDP in the Republic of Cyprus. One can easily imagine the catastrophe that will ensue if this percentage grows any further. But, with BBF taxes will inevitably swell to new levels playing havoc with people's quality of life and living standards. In a BBF the taxpayer will be asked to fund the cost of the following: a.) the civil service of the "central" government, b.) the civil services of the two constituent entities, c.) one ministerial council for the "central" government that will entail two ministers and two senior officers for each position!, d.) two ministerial councils for the two constituent entities with God-knows how many cabinet members and other officers, e.) two "central" government parliaments, e.) two constituent entity parliaments, f.) one "central" government police force, e.) two constituent state police forces that in the author's calculations will employ more than 10,000 police constables and officers or one constable per 50-60 taxpayers—an impossible burden to bear!, e.) taxes to support multiple municipalities, f.) VAT, Social Insurance payments, and so on and so forth. Inevitably under such conditions taxes in both confederate states will account for over 50+% of cumulative GDP thus literally crashing the economy, impoverishing people and driving the young to emigrate from the two confederate countries (cunningly referred to in the BBF plan as "*constituent states.*")

A partitioned Cyprus will in practice have no central government of any substance. Therefore, interested foreign investors will have no one with authority to talk to in the event of wanting to invest in Cyprus. The "central" government will be run on vetoes and blocking mechanisms and will be in permanent paralysis. Foreign investors shun countries whose government is paralysed and the country is rudderless; so, no foreign investment. Within a BBF "*....only T/Cs may be elected as senators in the Turkish state....*" (see Turkish government position) and Cypriots will not be free to reside in any part of the Island they wish. This means that a G/C investor would be expected to invest in the T/C entity (supposedly in his own country) but would not be allowed to vote parliamentarians that can protect his investment. The investor will also not be allowed to reside in the T/C entity. So, I can't imagine any local investors with sound mind crossing the partition line.

Robust economies depend on critical mass. This explains why so many economies are trying to join other economies to improve and expand their internal market and to become more competitive internationally. We now see the Russian economy, with over 17,000,000 square kilometres of territory and over 150mil population, wanting to join hands with Kazakhstan and Belorussia to create a single economic unit. Cyprus, a mere 9,250 sq kilometres in territory and hardly a dot in the word map, will be divided into two economies and two countries with one of the two economic entities confined to a miniscule territory of 3,000 sq kilometres (hardly the size of a large farm) and struggling for economic oxygen; which ultimately will come from Turkey. As the centrifugal forces take effect the T/C economy will slide mathematically towards Turkey and become a minute satellite economy of this country. The water that Turkey is illegally now transporting to Cyprus' occupied areas is a clear first indication of this slide towards Turkey. The land of the G/Cs that will be practically gifted to the T/C entity via BBF will be turned green in no time and in the process destroying any G/C farming potential.

If 100 independent-minded people with no interest in Cyprus were to be asked to study and explain what BBF is all about my guess is that they will all agree that BBF is partition at its best masquerading as unification. BBF divides people into antagonistic communities and sows the seeds of continued disunity and strife. BBF makes no reference to the rights of citizens and instead talks about members of distinct communities. The all-mighty term "citizen" that permeates every democratic constitution on earth will be absent from the BBF constitution; instead BBF will refer to community members. The moral equivalent would be for the American president to drop the "dear fellow Americans" and replace it with "dear Irish-Americans, German-Americans, African-Americans, Mexican-Americans, etc." The USA knows that once this division makes it into the US constitution the country will immediately fall into pieces and destroying in the process the cherished unity of the federal system America's constitution provides. The BBF corrals people into two communal Bantustans. This inevitably will lead to further conflict as people will be masterfully set up to quarrel. This will drive the young on both sides of the divide to emigrate with the country losing tax revenues and consumer spending. Lebanon provides, perhaps, the best paradigm of what Cyprus will look like once a BBF solution is agreed. Lebanon is divided into 18 religious groups with each assigned specific roles in public life. A person's qualifications do not matter if he happens to belong to the wrong religious group. This has harmed Lebanon's productivity and has stopped the country from meeting its economic potential. Of the 11 million Lebanese only 4.5 million now live in Lebanon; the rest emigrated. Of those still in the country many hold dual passports and are ready to depart once the next predictable violent conflict erupts. Lebanon's GDP per capita now stands at an unremarkable \$10,000 (48% that of Greece.) In the absence of a credible working government Lebanon holds 113<sup>th</sup> position (11



positions from the bottom) on the factor of “*prevalence of foreign ownership*” of the 2014-15 Global Competitive Index of the World Economic Forum (2).

Outsiders failed to invest in Lebanon that is racked by all sorts of conflict. In another manifestation of absence of central government and central control Lebanon ranks only 3 notches from the bottom in the GCI ladder on “Ethical behaviour of firms.” The country does not have in place a working social insurance system either because people do not trust a divided mirage government to manage their money for the long-term. For over a year now Lebanon is without a President (who must come from the Maronite Christian community!) Vetoes and a sectarian parliament have been stalling the election of President for a year now. In a BBF Cyprus there will be a yo-yo presidential system of rotating presidents (meaning no president!)

It is a fact that economics and democracy go together inextricably. This explains the total dominance of countries with democratic polities of the list of most potent and productive economies of the World Economic Forum. Division, partition and separation into communities is a recipe for disaster. Not to mention that European courts will for sure strike down all divisive provisions of a BBF constitution just as they did in the case of Bosnia. The courts will then demand constitutional changes but that would be to no avail considering that Turkey as “guarantor” of the BBF constitution will not allow that to happen. And why should Turkey agree to give away its BBF trophy and its control over Cyprus? This essay ends in the way it started: the BBF solution is constitutional fraud that tries to present black as white, partition as unification, human rights violations as democratic practice, chaos as order and economic calamity as economic explosion. Any economy that tries to build on fraudulent structures is destined to crash and cause irreparable damage to the country and its people. A democratic solution to the Cyprus problem is the only guarantee of immense economic prosperity and happiness for all legally resident people in the country. A democratic polity is the only way forward for Cyprus and its people.

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## What Strategy for Akinci?



### **Dr Aristos Aristotelous**

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Well before his election to the leadership of the Turkish Cypriot community, Mustafa Akinci has set his strategic objectives on the Cyprus problem. These include a federal solution that would unite the Island and taking control of the affairs of the Turkish Cypriots by themselves - causing reactions from Turkey. Under the circumstances, the question examined here is what strategy will he adopt in the pursuance of his objectives?

Beyond his personal endeavor to achieve his objectives, which will improve the lives of the Turkish Cypriots and weaken Turkey's hold over them, there are another two important factors that will determine the strategy of Akinci. The first factor relates to the local environment within which every Turkish Cypriot leader operates, in other words, the de-facto situation on the island. Legally or not, Akinci, like his predecessors, Talat, and Denktash, has been elected by the Turkish Cypriots as "president" of the so-called Turkish Republic of Northern Cyprus ("TRNC"). It will, therefore, be unrealistic to expect him to put aside the "status" and his title as "president". This title was placed upon him by the de-facto regime that was created by the events of 1974 on the island and by the unilateral proclamation of the "TRNC" in 1983. It does not also follow that because he is a moderate or because he declares that he wants the reunification of Cyprus; he will behave less as "president" of the de-facto regime, than his predecessors. Neither he is expected to remove the symbols and other institutional elements of the "TRNC". Akinci, like previous Turkish Cypriot leaders, will continue to consolidate the entity, status and functioning of its "institutions" and if possible to promote recognition of the regime. This strategic set up will define his role in

pursuing the above objectives in the Cyprus talks. In other words, he may be well intended but at the same time he will be a demanding and tough negotiator in finding a solution as an equal partner in the Cyprus talks.

The second strategic parameter that will significantly affect Akinci's role is Turkey itself. The presence of 46,000 Turkish troops in northern Cyprus preserves the occupied territory of the Cypriot Republic at the north as a single and coherent geographical entity. At the same time, the de-facto regime created by the Turkish forces since the 1974 invasion is supporting and decisively strengthening the negotiating position of the Turkish Cypriot leader in the Cyprus talks. On the other hand, Ankara through its strong military presence there can exercise a decisive control over the activities of the Turkish Cypriots. Turkey controls the security forces, telecommunications, ports and water resources, as well as aviation and commercial activities and the circulation of money there. Turkey allocates around \$ 400 million annually in the form of "financial aid" to the Turkish Cypriot community, but it is utilized by the defence establishment there. This situation serves as a rope around the neck of every Turkish Cypriot leader. Ankara can use it and tighten it accordingly, depending to what extent his diverging views need to be consistent with Turkey's interests and views.

It was within these strategic parameters that Dervis Eroglou had to operate in promoting his inflexible and hard line behaviour. But occasionally he was made to exhibit a more reconciliatory public attitude by Ankara, in order not to expose Turkey or to serve Turkish interests at the time. However, Eroglou, at the same time, he was trying covertly or overtly to pass his positions at the negotiating table, which aimed at partitioning the island or a confederal solution. Akinci will probably have to operate through the same framework as Eroglou and formulate his strategy too. But unlike his predecessor he is expected, at least, to continue to adhere to the same principles he supported so far. If this is the case, he should be expected to promote carefully at the negotiation's table the reunification of the island and a federal solution to the Cyprus problem - without interference from outside. If not, all the Cypriots will bear the cost.

## Global Shifts and the East in Cyprus' Foreign Policy



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Over the past ten years or so the foreign policy of Cyprus, more specifically the Republic of Cyprus, has improved significantly in that it has started, despite some persisting problems and dilemmas, to realize and utilize the island's geostrategic role. To this emerging reality contributed three main factors: i) the maturing of the country's political elites; ii) Turkey's increasing self-aggrandizement and destabilizing foreign policy which led it to multiple diplomatic and strategic dead-ends; and iii) Cyprus' delimitation of its maritime Exclusive Economic Zone with Egypt, Lebanon and Israel and the discovery of hydrocarbons within it.

The results have been evident in a number of foreign policy decisions and geopolitical developments. For example, Cyprus managed to become part of two important regional trilateral partnerships: Israel-Cyprus-Greece and Egypt-Cyprus-Greece. At the same time, and despite its staunchly pro-Western DISY (Democratic Rally) government, it sought to strike a balance between its Western partners (EU and United States) and Russia, rather successfully. To be sure, these efforts are quite recent and very much dependent both on Cyprus' handlings and international developments. As always, international partnerships and alliances are not "carved in stone" while their sustainability demands a lot of effort and commitment.

Having said that, it is not all rosy in Cyprus' foreign policy; the country deals with a number of obstacles and problems that have a direct impact on its international outlook. Perhaps the two most important problems at this moment is the Cyprus Problem (Turkey's invasion and occupation of the island) and the economic crisis. Indeed, foreign policy in Cyprus is often seen as merely a means towards the resolution of the Cyprus Problem; international alliances and agreements are understood through this prism. This approach is not necessarily wrong given that the

resolution of the Cyprus Problem is of vital importance for the future of the island and its international position. However, foreign policy should not be confined to any one political issue or dimension; it should rather seek to strengthen a state's international image and impact, read the newest trends of the international system correctly and adapt accordingly.

While the Republic of Cyprus has been demonstrating some open-mindedness and vision in its foreign policy, it seems to be neglecting one of the most – if not *the* most – important feature of a world order that is changing rapidly: the rise of the East. Doing business with Russia bears some economic and political significance. However, Russia is only one player in the group of countries affecting the economic and power equilibrium of the international system. The US may still be the most powerful pole of the international system but its hegemony and ability to exert its power have diminished, not least because of its reluctance to engage global issues as in the past due to the costs and bitter experiences (e.g. Afghanistan, Iraq). This reality becomes even clearer when the US is juxtaposed with other rising powers and aspiring regional hegemonies that form non/anti-Western blocks and networks of cooperation.

The East, in other words Asia, is home to some of the most important international players and therefore no country that wants to be seriously involved in international affairs should neglect it. Importantly, China has recently surpassed the US as the world's larger economy with a purchasing power Gross Domestic Product (GDP) hitting \$17.6 trillion.<sup>1</sup> India has currently an economy growth of around 7.5% which outpaces "China's economic expansion for two quarters out of the last three."<sup>2</sup> Japan is among the four greatest world economies<sup>3</sup> while the Republic of Korea (South Korea) holds the 4<sup>th</sup> place among Asia's economies and number 13 in the world.<sup>4</sup>

These simple facts are reflective of tectonic shifts in international political economy. Moreover, it should be noted that with such economic power comes political clout of global proportions. To this testify economic and financial undertakings of political importance which include the China-led Asian Infrastructure Investment Bank (AIIB) and the establishment of a BRICS<sup>5</sup> Development Bank. Both of these moves can be seen as challengers of the West-dominated International Monetary Fund (IMF), World Bank, and the hegemony of the US dollar.<sup>6</sup> To be sure, it would be

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<sup>1</sup> <http://www.valuewalk.com/2015/05/china-world-largest-economy/>.

<sup>2</sup> <http://www.bbc.com/news/business-32928138>.

<sup>3</sup> <http://bit.do/imf-org-gdp>.

<sup>4</sup> Ibid.

<sup>5</sup> Brazil, Russia, India, China, South Africa.

<sup>6</sup> <http://www.cnbc.com/id/102526769>;

<http://www.forbes.com/sites/greatspeculations/2015/04/06/chinas-infrastructure-bank->

too soon for one to assert that the West-dominated economic and financial architecture is a thing of the past. Yet the unprecedented economic and political momentum of Asia and the rising powers more generally cannot be ignored.

Against this background, the Republic of Cyprus should expand its horizons toward Asia and benefit not only from the economic dynamism and political leverage of these states but also from their experience and know-how in sectors ranging from technology and business to education and innovation. Further, Cyprus could develop a closer relationship and collaboration with a country like South Korea that faces its own political problems and geopolitical divide, on issues pertaining to bipartite negotiations, reconciliation and conflict resolution. Of course Cyprus is not completely cut off from Asia; it has traditionally sought good relations with these countries. Relations with China, for example, are positive both in economic and political terms,<sup>7</sup> despite some problems in investment efforts that occurred in the near past.<sup>8</sup> At the same time, the inclusion of South Korea's Korea Gas Corporation (KOGAS) in the Republic of Cyprus' natural gas explorations establishes important links of collaboration and communication.

Nevertheless, there is significant room for improvement from Cyprus' part. Expanded and deeper bonds need to be developed with Asia countries within the framework of mutually beneficial relationships. As an EU member-state and a pole of stability in the midst of the Middle East turbulence and the emerging energy architecture of the region, Cyprus has a lot to offer as well. In order for the Republic of Cyprus to effectively enrich its foreign policy with an Asia outlook it has to make some decisive steps forward, of which getting over its West vs. East dilemmas is perhaps the most important. Lastly, any attempt of improving relations with Asia should be supported by a well-staffed foreign ministry with a developed department on Asia and, certainly, a thought-out strategy with regard to the approach that should be followed, the goals that are to be achieved and the ways in which relations with Asia will be handled vis-à-vis relations with other international actors, notably the EU and US.

Just like the sun, the new era for world politics is rising from the East and Asia may be Cyprus' gateway to it.

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## New Propositions in the Area of the European Migration Policy from the Polish Perspective



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Very difficult situation with immigrants from African countries forced the European Commission to reform the EU's migration policy. Member states with the largest inflows of immigrants applying for asylum are not able to deal with this extraordinary situation and bear the cost of necessary assistance.

European Commission's propositions are aimed to balance solidarity and responsibility between all the EU member states of helping asylum seekers, excluding those one which do not participate fully in the implementation of the Schengen acquis. This will be completely new situation to some member states, like Poland, which have not had previous experience with asylum seekers and labor migration on such a larger scale.

Polish society is very heterogeneous and is not prepared to implement the EC's program on migration. The polls show that about 70% of Poles are against accepting even small groups of emigrants from Syria (Christians), even if it is said that only about 60 families would come to Poland. So it will be even more complicated to accept coming of few thousands immigrants foreseen in the European Commission's proposal.

First of all, Poles are a closed society because of the low percent of foreigners and minorities living in Poland. After the second World War "the Big Three" decided about new Polish borders and resettlements of many European nations on the large scale in this part of Europe. This resulted in closing Polish society from other nations what was enhanced by the policy of the communist state which highly restricted, on the one hand the possibility to leave Poland and on the other hand the arrivals of foreigners were as well highly scrutinized by the communist authorities.

The second reason is connected with growing nationalism in Poland. In recent years we may observe especially among young people supporting right-wing movements which main idea is driven by building "Poland for Poles", decreasing influences of foreign transnational companies, rejecting the European integration and upbringing young Poles in the spirit of patriotism (really meaning – nationalism). What have to be stressed is the specific understanding of "nationalism" in this part of Europe as some kind of fear of strangers/foreigners. So it is not concentrated on constructing positive attitude among members of the nation by it is aimed at stressing the possible expansion by neighbor nation on our territory.

The third reason of aversion to immigrants/asylum seekers is related to Polish economic situation. Even if during the economic crisis Polish economy experienced a significant growth comparing to others EU's member states is widely believed that the standard of living of ordinary people have not raised. Once again this vision is very strongly shared by the youngest part of Polish society. Students know that after graduating if they will get any job it would be underpaid and only on temporary contracts without no perspective on getting better position and salary, so without chance to establish own family. This wisdom is very common because their older friends have get stuck in that kind of situation in Poland or emigrated to wealthier EUs' member states or the EFTA states. So on the one hand there is a fear that foreigners will take their jobs (even if mostly is unreal fear), and on the other hand in the Polish society in strong conviction, that if Polish state is not able to secure Poles social demands there is no place for financial support to people migrating to Poland.

The fourth main reason is strongly connected with the countries of origin from which migrants come to Europe. From the perspective of the Polish society anyone migrating from North Africa is a Muslim. Because of, on the one hand high rate of Catholics in Poland and on the other hand awareness and knowledge about the problems arising from the presence of a large number of Muslims in Western Europe, Poles do not want to repeat similar political and economic problems in Poland. There is strong believe among Polish society that proposition presented by the European Commission is the first step to bring this problem in the Poland's territory.

Many mistakes were made by the Polish government in recent years. The pro – European majority supporting Polish government has not been able to start a necessary discussion on migration policy. Since 2004 when some of the member states opened labor markets for citizens from "the new" member states it is estimated that about 2 million citizens have left Poland. The fertility rate is very low about only 1.3, so in next decades Polish society is going to shrink. Taking those two factors together there is a great need for reasonable and effective migration policy. But not the Polish elites either the society is really aware of this challenge.



Polish society sees our membership in the EU as a some kind of recompense for the suffering during the II World War and communist domination in Poland and the other Central and Eastern European countries. The support for the European Union in Poland is very high, but it is mostly based on inflows of European funds and the possibility to move and live in the "old" rich member states. So the acceptance for the EU is not founded on the promotion of the integration idea but is based on purely mercantile considerations.

Lot of Poles do not remember or are not aware of the assistance made by Western Europe during 80's in XX century when many Polish citizens had to emigrate from the political reasons and asked for asylum in democratic countries. Polish society understands "solidarity" in the European Union one-sidedly, as different forms of contributions made by the "old" members states for Poland.

During just completed presidential campaign the migration topic has been raised only few times. Mostly the idea was criticized especially by the right – wing candidates. But this topic may be a "hot" issue in upcoming parliamentary elections which will result in forming a new government. Even now one of the new political leaders – rock musician Paweł Kukiz – said that the idea of bringing immigrants from Africa is maybe aimed at making destruction of Polish nation and to set up in Polish territory multicultural society which will be easy to manipulate.

Because of the crisis in Ukraine, Poland has expected flows of asylum seekers from this country, so it was said that the government is ready to prepared about 20.000 place in special center for temporary residence. But in the reality Polish state has only about 2.000 such places in his disposition. Additionally the administration is not prepared to work with so many people from Africa, because till now it has had contact with migration from former USSR countries and sometimes only with small numbers of people coming from East Asia. Even if the governments declaration are saying something different, that Poland is ready to accept few thousands asylum seekers, it is not the truth.

These all determinants make the position of the Polish government very skeptical in relation to the proposals submitted by the European Commission on migration policy reforms and application specific solutions in urgent cases. The government is aware of the delicacy of the issue of immigrants from Africa in Polish society, while knowing also the low capabilities of the Polish administration to provide real help to people from this continent. The Polish government has limited influence on the final decision which will be made by the EU institutions. But because of binding character of this act, it will have to implement it.

## Modernising Diplomacy: From Etiquette to Effectiveness



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Formality and ceremonial procedures often come to mind as a rather inherent feature of diplomatic practice. In the fast-paced, ever-evolving global arena, where the Heraclitean axiom 'everything flows' remains relevant as ever, the diplomatic milieu could not have remained untouched.

The gradual transition from traditional to a more contemporary diplomacy comes – in part – as a result of the changing global dynamics. Its footprint can be identified in the bits of contemporary diplomatic practice, with digitalisation at the core.

But there is, in fact, much more to it than what is often perceived as a mere change of the instruments employed in diplomacy. It is a process of transformation in diplomatic culture, which finds its root-causes in a number of parameters and timidly emerges at various levels.

#### *Efficient and results-oriented diplomacy*

There is a simple, overarching principle guiding us through: getting things done. Also, getting them done properly and, furthermore, in the most cost-efficient way. This approach can explain and justify the shift of focus from formality to substance; from the vehicle used to the end-result and the added value it may, or may not, bring to an organisation.

Effectiveness paired with efficiency is the ultimate goal and for that to be attained, it is necessary to have quality content complemented by lean and flexible structures (and attitudes). Disposing of what is cumbersome, anachronistic and – ultimately – superfluous, to make way for what is functional, sustainable and geared towards results.

#### *Resourceless-ness vs. resourcefulness*

Adaptation of any sort usually occurs as a consequence of a certain need. Contemporary diplomatic practice is no exception to this rule. With the

current tendency requiring us to do more with less, limited resources – both human and monetary – lead foreign services to seek alternative routes in carrying out their mandates and achieving their strategic goals.

This applies all the more to small states, which naturally have more limited capacity, and particularly in the context of the European Union, where all member states are called to equally assume their (institutional) responsibilities, so as to fulfil their role as fully-fledged members of the EU.

Remaining operational and effective is a key challenge when functioning with limited capacity. This undoubtedly requires diplomatic services to adapt to circumstances and devise alternative practices, making the best out of what is available. Being innovative may not be a *sine qua non*, but being resourceful, flexible and able to think outside the box are certainly necessary components of remaining effective, and thus relevant.

#### *European diplomacy: leading by example*

The EU may often be criticised for its cumbersome and bureaucratic machinery. Nevertheless, when taking a closer look one can identify certain elements that render the EU as global actor a fine sample of modern diplomacy, in the sense that its very own hybrid nature makes it more responsive to realities following a needs-based approach.

European diplomacy was placed under the umbrella of a diplomatic service when the European External Action Service was launched in December 2010. This EU foreign policy organ reflects the hybrid patterns of the EU itself and constitutes an innovative approach to the traditionally formalistic diplomatic system.

The EEAS, with its extensive network of EU delegations across the globe, sets the example by virtue of its unique structures alone. In there one may observe a symbiosis of foreign policy professionals from different walks of life: EU officials (*fonctionnaires*) previously employed with the European Commission's or the Council's external relations services, seconded or detached career diplomats from national diplomatic services, contracted personnel, or even temporary agents.

The result is an amalgam of diplomatic cultures, encompassing a wide variety of features that originate from different working cultures as well as professional backgrounds, with a direct impact on the process of transition to contemporary diplomacy.

#### *Recap*

Diplomacy today should disentangle from stiff formalities that used to be a main characteristic of traditional diplomatic practice. Instead, modern-day diplomacy should be flexible enough, so as to be able to adequately

respond to current needs, with a view to fulfilling its role in an efficient and effective manner.

In this vein, the specificities of a given situation at hand should be taken into account. At the same time, decisions leading to tailor-made solutions should be taken with a sense of pragmatism and a degree of adaptability. After all, it is the result that matters.

## The Current State of Play of the European Structural and Investment Funds 2014-2020



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In December 2013, the European Commission launched a new set of rules and legislation for the 2014-2020 EU funding programming period. Due to delays most EU member states are currently issuing the first calls under the European Structural and Investment Funds (ESIF) 2014-2020.

The ESIF are also referred to as decentralised funds, whereby EU member states manage these funds through shared management with the European Commission. In fact in the case of the ESIF, there is a partnership agreement between the European Commission and EU member states. This agreement links the countries' strategic priorities with the Europe 2020 Strategy for smart, sustainable and inclusive growth. Denmark was the first country whose partnership agreement was adopted on 5th May 2014. Currently, the European Commission has adopted the partnership agreements of all 28 EU member states. The partnership agreement presents the country's strategic plans featured as investment priorities covering the following 5 ESIF funds:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)
- European Agricultural Fund for Rural Development (EAFRD)
- European Maritime and Fisheries Fund (EMFF)

Following the adoption of the partnership agreement, member states devise operational programmes or cooperation programmes and these feature more precisely the actions that need to be taken to implement the investment priorities listed in the partnership agreement. At the moment not all operational programmes have been adopted. For example with regards to EMFF only Latvia, Malta, the Netherlands and Finland have finalised the operational programmes. The EAFRD has been approved for all member states except for Luxembourg, Greece, Cyprus, Malta and

Hungary. All operational programmes are expected to be approved during 2015. On the other hand, all the members states' operational programmes have been approved with regards to ERDF, ESF and CF.

For the new programming period 2014-2020, the European Commission emphasizes the importance of simplification, as this was one of the most important demands following the evaluation of the 2007-2013 programming period. The main measures introduced for the 2014-2020 period are:

- Harmonisation of rules for different funding opportunities: In this way common provisions apply for the ESIF 2014-2020.
- Increased proportionality: It is very important for the principle of proportionality to be respected. In the 2007-2013 period, a project of any size could undergo an audit at any point during the implementation of the project. The 2014-2020 programming period introduces the principle of proportionality that the number of audits will depend on the size of the project unless there is evidence of a risk.
- Clarification of rules in order to present a better legal understanding: The EU member states faced several difficulties in the 2007-2013 programming period due to the revenue-generating system for ERDF and CF projects exceeding Eur1 million. Calculating the potential revenue generation based on the forecast of possible revenues proved to be quite complex and these forecasts were monitored by the managing authority for five years after the completion of the project. For 2014-2020, the European Commission encourages the utilisation of different methods to determine the revenue generation of large-scale projects such as the utilisation of a simplified approach based on flat rates depending on the sectors.
- Reduction in administrative burdens: Numerous beneficiaries under the 2007-2013 programming period complained of the bureaucracy involved in implementing such projects which ended up taxing the beneficiaries' administrative capacity. For 2014-2020, several measures are being proposed to lessen administrative burdens and costs, such as, less documentation required for reporting and automated reporting processes.

All of the above simplification measures are featured in the the Common Provision Regulation (EU) No 1303/2013 of 17 December 2013 which lays down common provisions and general provision of the ESIF 2014-2020. The aim of this regulation is to emphasize the link between the ESIF 2014-2020 and the Europe 2020 Strategy, to improve coordination between the European Commission, national managing authorities and the beneficiaries, to ensure a uniform and consistent approach with regards to project implementation and to reduce administrative burdens with the aim of facilitating access to EU funds for potential beneficiaries. Being at the

initial stage of implementation of the ESIF it is not possible to evaluate the success of these measures. However, the measures proposed seek to make it easier for potential beneficiaries to apply and implement EU funded project. Simplifying the processes does not rely solely on the European Commission. In the case of the ESIF, the national managing, certifying and audit authorities from all member states play a key role in ensuring that the processes are simplified as it is up to the member states to adopt flexible approaches and streamline procedures imposed on beneficiaries by ensuring that the national legislation and rules in place take full advantage of the simplification elements and take action to prevent overcomplicating the rules at the national/regional level.<sup>9</sup>

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<sup>9</sup> European Commission, February 2012, Simplifying Cohesion Policy 2014-2020, page 17.

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