

EU-27 WATCH



No. 9
July 2010

ISSN 1610-6458

www.EU-27Watch.org

EU-27 Watch

Contributing partners are

Austrian Institute of International Affairs, Vienna
Bulgarian European Community Studies Association,
Sofia

Center for European Studies / Middle East Technical
University, Ankara

Centre d'études européennes de Sciences Po, Paris
Centre d'étude de la vie politique, Université libre de
Bruxelles

Centre d'études et de recherches européennes Robert
Schuman, Luxembourg

Centre of International Relations, Ljubljana

Cyprus Institute for Mediterranean, European and
International Studies, Nicosia

Danish Institute for International Studies, Copenhagen

Elcano Royal Institute and UNED University, Madrid

European Institute of Romania, Bucharest

Federal Trust for Education and Research, London

Finnish Institute of International Affairs, Helsinki

Foundation for European Studies - European Institute,
Łódź

Greek Centre of European Studies and Research,
Athens

Institute of International Affairs and Centre for Small
State Studies at the University of Iceland, Reykjavik
Institute for International Relations, Zagreb

Institute for World Economics of the Hungarian
Academy of Sciences, Budapest

Institute for Strategic and International Studies, Lisbon

Institute of International and European Affairs, Dublin

Institute of International Relations, Prague

Institute of International Relations and Political
Science, Vilnius University

Istituto Affari Internazionali, Rome

Latvian Institute of International Affairs, Riga

Mediterranean Academy of Diplomatic Studies,
University of Malta

Netherlands Institute of International Relations
'Clingendael', The Hague

Ohrid Institute for Economic Strategies and

International Affairs, Skopje

Slovak Foreign Policy Association, Bratislava

Stockholm International Peace Research Institute
(SIPRI)

University of Tartu

On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new modus operandi while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: www.EU-27Watch.org.

The EU-27 Watch No. 9 receives significant funding from the **Otto Wolff-Foundation, Cologne**, in the framework of the *"Dialog Europa der Otto Wolff-Stiftung"*, and financial support from the **European Commission**. The European Commission is not responsible for any use that may be made of the information contained therein.



Disclaimer

Institutes/authors are responsible for the content of their country reports. The publisher and editorial team cannot be held responsible for any errors, consequences arising from the use of information contained in the EU-27 Watch or its predecessors, or the content of external links on www.EU-27watch.org or in the EU-27 Watch. The content of the EU-27 Watch is protected under German copyright law. The articles of the EU-27 Watch can be printed, copied, and stored for personal, scientific, and educational use for free. Articles of the EU-27 Watch may not be used for commercial purposes. Any other reprint in other contexts is not allowed without prior permission from the publisher. For permission or any other question concerning the use of the EU-27 Watch please contact: info@EU-27watch.org.

Editorial Team

Publisher: Prof. Dr. Mathias Jopp

Executive Editor: Dr. Katrin Böttger

Managing Editor: Julian Plottka

Editorial Staff: Daniela Caterina, Gregory Kohler,

Christoph Kornes

Layout: Matthias Jäger

Contact: info@EU-27watch.org
www.EU-27watch.org



Bundesallee 23

D-10717 Berlin

Tel.: +49/30/88.91.34-0

Fax: +49/30/88.91.34-99

E-mail: info@iep-berlin.de

Internet: www.iep-berlin.de

Cyprus**Treaty reforms overshadowed by more existential problems****Nicoleta Athanasiadou, Costas Melakopides and Christos Xenophontos***

Six months since the Lisbon Treaty entered into force, the majority of Cypriot citizens, as well as a number of Cypriot politicians, have not yet clearly comprehended the changes this Treaty has brought into the EU's decision-making process. Once again, the explanation seems to rest with the fact that the overwhelming, daily and anxious preoccupation of the political classes and the public opinion of the Republic of Cyprus centres on following the vicissitudes of the country's "existential problem" (i.e., the military occupation), including the protracted bi-communal negotiations for its settlement in a fair and viable manner.

To be sure, in December 2009, when the Cypriot media covered the official ceremony and the celebrations surrounding the Lisbon Treaty, they did provide a schematic description of the changes that would follow the implementation of the Treaty.¹ According to the Cypriot media, the assumption of duties by the European Council's first permanent President, Herman van Rompuy, and by the first High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, were two cardinal changes brought about by the Treaty that could enhance the democratic operation and transparency of the Union. Other reportedly significant changes include the replacement of the unanimity vote in the Council by that for a special majority (representing 55 percent of member states and 65 percent of the EU population); the increased powers of the European Parliament and national parliaments; and the activation of the EU diplomatic service, giving the EU a stronger voice on the international scene.

According to Cypriot political analysts, the Lisbon Treaty has already led to a significant shift in Brussels' power landscape. They add, at the same time, that many of its effects were not written into the Treaty and are only slowly coming to light as the EU's policies are implemented.² Moreover, analysts we conversed with pointed out that the main visible changes to follow from the ratification and implementation of the Lisbon Treaty are the increase of the European Parliament's co-legislating powers and the creation of the posts of the President of the European Council and the High Representative of the Union for Foreign Affairs and Security Policy. In addition, the European Council, now an institution with its own president and budget, as well as the European Parliament, is increasing its status in the EU power hierarchy. Consequently, it seems indubitable that the decision-making status of the European Council and the European Parliament has been raised, whereas the Commission appears to be somehow "squeezed" between the two.

Our interlocutors at the Cypriot Ministry of Foreign Affairs have noted that the Lisbon Treaty entails implications on how member states act in Brussels, as the dynamics within the European Council have completely shifted.³ They also noted that not only Cypriot politicians, but also other top EU politicians, are still learning to function within the reformed framework of the Lisbon Treaty. Moreover, they stated that, as the entire decision-making process has undergone serious alterations, from now on the member states must provide more persuasive arguments and must have direct cooperation and communication with key actors in other EU bodies, and especially with the President of the European Council and within the European Parliament. The Court of Justice of the European Union is also expected to assume a more significant role in the coming years.

With the Lisbon Treaty, Van Rompuy's main role is to "chair" and "drive forward" internal meetings of the EU leaders in the European Council and ensure the external representation of the Union on issues concerning the EU's Common Foreign and Security Policy. Nevertheless, according to our interlocutors, these responsibilities are not yet clearly separated from the various responsibilities held by the President of the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy.⁴ What is suggested is closer cooperation amongst these posts and a better connection between the EU's different institutional bodies and the EU member states.

Catherine Ashton's mission to create a coherent European Foreign Policy is certainly perceived as quite challenging. Considering the fact that – due to EU multiformity – the Union's member states do

* Cyprus Institute of Mediterranean, European and International Studies.

not always agree on a number of important international problems, Cypriot political commentators conveyed the opinion that, while a coherent European foreign policy will take time, Ashton should create a vast network of liaisons among her office, the EU institutions, and the member states.⁵ Such a stance would help avoid adverse complications in the forthcoming future.

The Lisbon Treaty ushers in another important element in the attempts for European integration. As explained by George Eliopoulos, spokesman of the European Commission's Representation in Cyprus, all of the EU's delegations across the world will henceforth become de facto EU embassies.⁶ According to officials at the Ministry of Foreign Affairs, this is supposed to give impetus to the frequently incoherent EU foreign policy by bringing all its different dimensions – diplomatic, military, civil and developmental – under one roof.⁷ Recognising Cyprus' small size, Cypriot diplomats also expressed concerns regarding the difficulties that most small member states may face vis-a-vis the development of the Union's external policies. Consequently, they underlined the importance of linking directly the ministries of foreign affairs with Ashton's services in order to strengthen the aspiration to a coherent EU foreign policy.

Meanwhile, in light of the Lisbon Treaty, the main Cypriot opposition party (Democratic Rally of Cyprus – DISY) accused the Nicosia government of failing to properly inform the public on the Treaty's provisions.⁸ DISY also argued in favour of Cyprus' application for membership to the Partnership for Peace programme (PfP) and criticised the prospect of Cyprus' demilitarisation. As DISY argued, Article 42, Paragraph 3, of the Lisbon Treaty refers to the commitment of member states to gradually improve their military capabilities. The proposal for the demilitarisation of Cyprus would constitute a deviation from the EU acquis, leaving Cyprus dependent for its protection on foreign forces. Also supporting the PfP project was the governmental coalition-party (Democratic Party – DIKO), which noted that Cypriot participation in the Common Foreign and Security Policy mechanisms "cannot be a-la-carte". Similarly, the Movement for Social Democracy (EDEK) reiterated its long-held position: now, more than ever, it is necessary to apply for membership to the PfP, as it would best serve the interests of Cyprus.⁹ EDEK also argued that, following an eventual settlement of the Cyprus problem, Cyprus would unquestionably need a small military force in order to be capable of protecting its sovereignty. European Party (EVROKO) also presented parallel arguments and added that, following the implementation of the Lisbon Treaty, the EU will become the forum where Cyprus can defend its rights best.¹⁰

In response, government spokesman Stephanos Stephanou and ruling left-wing Progressive Party for the Working People (AKEL) leader, Andros Kyprianou, argued that the demilitarisation proposal is a permanent goal of the Greek Cypriot side since 1989.¹¹ Stephanou also talked of an "arbitrary and dangerous" interpretation of the Lisbon Treaty by DISY and remarked that the Treaty does not set the existence of an armed force as a prerequisite for participation in the Union's defence mechanisms.

¹ Press Reports, December 2009.

² Interviews conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, late May-June 2010.

³ Interviews conducted by Christos Xenophontos, Ministry of Foreign Affairs, Nicosia, late May-June 2010.

⁴ Ibid.

⁵ Interviews conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, late May and June 2010.

⁶ George Eliopoulos spokesman of the European Commission's Representation in Cyprus: Statements, Nicosia, 01/12/2009, (reported by CyBC TV and SIGMA TV main evening news).

⁷ Interviews conducted by Christos Xenophontos, Ministry of Foreign Affairs, Nicosia, early June 2010.

⁸ Tasos Mitsopoulos, MP of DISY party: Statements by DISY party MP, Nicosia, 04/02/2010, (as reported by all Cypriot Media).

⁹ Press Reports, February 2010.

¹⁰ Ibid.

¹¹ Ibid.

Cyprus**Western Balkans to join the European family, Turkey to open its ports and airports****Nicoleta Athanasiadou, Costas Melakopides and Christos Xenophontos***

Following the Slovenians' vote in favour of their government's agreement to accept the verdict of an international panel in mediating the dispute on the Bay of Piran, Cypriot diplomats expressed the belief that Croatia will be able to complete its membership talks with Brussels in the coming year, putting the country on track to become the EU's 28th member in 2012.¹

According to our Ministry of Foreign Affairs interlocutors, Cyprus supports the Western Balkans aspirations to join the European family, adding that the resolution of the maritime dispute between Croatia and Slovenia sends a significant message to other countries in the region that wish to become EU members: namely, to resolve any bilateral issues that might block their EU talks.² An obvious example is the name dispute between the Former Yugoslav Republic of Macedonia (FYROM) and Greece: an agreed upon settlement will definitely speed up FYROM's accession prospects.

The same applies to the case of Turkey. As is well known, Cyprus – banking on Turkey's "Europeanisation" – has supported its bid to become a full EU member, provided that Ankara complies with its EU obligations and commitments and adopts in full the European norms and values. Turkey, however, keeps refusing to open its ports and airports to Cyprus unless the so-called "isolation" of the Turkish Cypriots is lifted.³ In this connection, it is noteworthy that EU Enlargement Commissioner, Štefan Füle, during his June 2010 meeting in Ankara with Turkish chief EU negotiator, Egemen Bağış, acknowledged that Turkey holds the key for the opening of the "frozen chapters", since it refuses to implement the Ankara Protocol.⁴ Füle observed that it is not yet time for Turkey's full EU accession, adding however that when that time comes, Turkey will be "a different country" from what it is today. On the same subject, Cypriot Member of the European Parliament Koullis Mauronikolas (Party of European Socialists – PES) emphasised that the issue of ratification of the Ankara Protocol does not constitute a Cyprus-Turkey dispute, but a clear issue of EU-Turkey relations. He added that, manifestly, the dispute between Cyprus and Turkey is the island's military occupation and the fair and functional settlement of the Cyprus problem.⁵

Following Egemen Bağış' quip, that if he were a Cypriot he would work more for Ankara's accession than the Turkish negotiator, Cypriot government spokesman Stefanos Stefanou replied that Turkey cannot possibly demand a *carte blanche* in its EU progress, while it insists on violating the UN resolutions and international and European law in Cyprus.⁶ Ankara, Stefanou added, is not working in practical terms towards a Cyprus settlement. If, he noted, Turkey fulfils its obligations to the EU and the Republic of Cyprus, then it will discover how supportive the Republic can be regarding its accession course.

Political analysts and press columnists have long been concurring that Turkey is far from being honest concerning its intentions about the Cyprus problem. This was reiterated forcefully after the April 2010 election of veteran nationalist politician, Derviş Eroğlu, as the new leader of the Turkish Cypriot Community. Eroğlu was essentially elected by the votes from illegal Turkish settlers who live in the occupied areas of Cyprus and whose number has rapidly increased after the Annan Plan referenda in April 2004.⁷ After stating as self-evident that Turkey must consent to a fair and viable solution of the Cyprus problem if it wishes to become a full EU member state, they added a truism: that it would be scandalous if Turkey joined the EU while occupying – with around 40,000 troops – 37 percent of another EU member state. According to our interlocutors, it is "quite odd" to hear from the lips of President Gul, Prime Minister Erdoğan, and Minister of Foreign Affairs Davutoğlu that they want a resolution of the conflict by the end of 2010, while Turkish Cypriot leader Eroğlu declares that the only solution of the Cyprus problem is the creation of either two different states or a confederation with two different economies. Needless to say, both alternatives contradict the UN Security Council resolutions and the current UN-supported negotiating framework.

Meanwhile, according to ANTENA TV's Brussels correspondent, the Cyprus government may consent to the opening of the food safety chapter for Turkey, either on 30 June 2010, at the end of the Spanish

* Cyprus Institute of Mediterranean, European and International Studies.

EU Presidency, or in July 2010, during the Belgian EU Presidency.⁸ Were Nicosia to take this stance, it would wish to signal anew its own good will and its unceasing aspiration to facilitate the ongoing, albeit quite bumpy, Cyprus talks.

Iceland seems to Cypriot diplomats to potentially compete with Croatia for the status of the EU's 28th member state.⁹ The Nordic country is well in line with European standards: it respects the rule of law and human rights and it has already adopted a significant proportion of EU legislation through its membership of the European Economic Area. Nevertheless, issues like fishing and whaling rights are expected to be a bit challenging in the country's EU accession trajectory.

The joint declaration at the Prague Eastern Partnership Summit between the EU member states and representatives of the Republics of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine is expected by Cypriot political observers to foster closer political and economic ties between the parties involved.¹⁰ According to them, this attempt aims at incorporating the EU's Foreign Policy towards Eastern Europe and the South Caucasus by developing a specific Eastern dimension of the European Neighbourhood Policy. The Eastern Partnership offers deeper bilateral relations and launches a new multilateral framework for cooperation, according to each partner's needs and ambitions, and is trying to create conditions for a more stable development, far from internal conflicts and disputes. This effort aims at boosting EU-inspired reforms, which would ultimately lead to more economic integration and a visa-free regime. According to Cypriot political analysts, this effort will be empowered with the direct involvement of the Russian Federation, given its strong influence in most of these countries.

Concerning the Union for the Mediterranean, Cypriot political analysts acknowledge that, until now, it has not produced any substantial results.¹¹ The laudable ambition of the Union for the Mediterranean is to deal with energy, security, counter-terrorism, immigration and trade issues. But all projects require approval by consensus among its 48 members, around half of which are EU member states. In addition, the Israeli-Palestinian conflict has blocked crucial policy issues in the entire region. Nevertheless, according to our interlocutors, the overall idea – i.e., EU member states coming together with Northern African and Middle Eastern states to discuss common problems – is praiseworthy and, therefore, it should be cultivated.

Since both initiatives – the Union for the Mediterranean and the Eastern Partnership – aim at enhancing the European Neighbourhood Policy by addressing internal problems and by promoting cooperation between third countries and the EU, they are perceived quite favourably from the Cypriot political and academic standpoint, as far as we were able to detect.

¹ Interviews conducted by Christos Xenophontos, Ministry of Foreign Affairs, Nicosia, June 2010.

² Ibid.

³ On the myth of the so-called „isolation“ of the Turkish Cypriots see: Erato Kazakou Markoulli, former Cypriot Minister of Foreign Affairs, in: Costas Melakopides/Achilles Emilianides/Giorgos Kentas (eds.): The Cyprus Yearbook of International Relations 2007, Nicosia 2008).

⁴ Štefan Füle, Eu Commissioner for Enlargement, Statements, Ankara, 23/06/2010 (as reported by all Cypriot Media).

⁵ Koullis Mauronikolas, MEP: Statement, Nicosia, 24/06/2010 (as reported by the Cyprus News Agency).

⁶ Stefanos Stefanou, Government Spokesman: Statements, Nicosia, 17/6/2010 (as reported by the Press and Information Office of the Republic of Cyprus).

⁷ Interviews conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, June 2010. It is crucial in this context to recall that, according to Council of Europe figures, the (illegal) Turkish settlers arriving in the occupied territory of northern Cyprus have long exceeded the number of the indigenous Turkish Cypriots: “According to reliable estimates, their number currently amounts to 115,000. [...] The Turkish Cypriots’] number decreased from 118,000 in 1974 to an estimated 87,600 in 2001. In consequence, the settlers outnumber the indigenous Turkish Cypriot population in the northern part of the island.” See Council of Europe: Colonization by Turkish settlers of the occupied part of Cyprus, Doc. 9799, 2 May 2003, p. 2. These figures for 2001 have worsened dramatically since the April 2004 referendum on the notorious “Annan plan”.

⁸ 23/05/2010 (as reported by ANTENA TV main evening news).

⁹ Interviews conducted by Christos Xenophontos, Ministry of Foreign Affairs, Nicosia, early June 2010.

¹⁰ Interviews conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, June 2010.

¹¹ Ibid.

Cyprus**20 million Cypriot Euros for every 10 billion Euros for Greece****Nicoleta Athanasiadou, Costas Melakopides and Christos Xenophontos***

Upon the conclusion of the European Council on 26 March 2010, Cypriot President Demetris Christofias hoped that the mechanism approved by the EU will not need to come into force, but confirmed that, if it did, then for every 10 billion Euros for Greece, Cyprus would need to contribute 20 million Euros.¹ He declared that, given the close ties with Greece, Cyprus' willingness to contribute could not be questioned despite its presently difficult economic situation. President Christofias added his hope that the EU-presidency would establish fiscal discipline that would prevent other countries from having to face what Greece went through. At that time, the overwhelming majority of Cyprus' politicians, *in tandem* with the general public, were in favour of the creation of a solidarity policy on behalf of the EU member states towards Greece.²

When the Eurogroup Summit in May 2010 in Brussels decided to activate the 110 billion Euro bailout plan for Greece, its leaders also decided to set up a European stability mechanism to safeguard the integrity of the Eurozone. The summit was perceived by Cypriot academics and political commentators as allowing the EU-16 to send a decisive message of determination to weather the storm but also issue some substantial self-criticism regarding the dramatic inadequacies of the last months.³ Simultaneously, the shared expectation was that the crisis might also result in the elaboration of stricter stability pact criteria while strengthening monitoring mechanisms.

As the European Commission released 14.5 billion Euros in aid to Greece to support the mechanism for the country's ailing economy, Cypriot politicians and economists expressed their relief: as they explained, the consequences of a possible breakdown of the Greek economy would directly affect all the economies of the Eurozone.⁴ And yet, political analysts pointed out that this ailing economic situation will have, in the long run, positive effects on the EU integration process. In any event, they articulated the need for the creation of mechanisms that will better monitor and coordinate the national fiscal policies of the Eurozone members.⁵

Our interlocutors and others emphasised as obvious that the Greek experience, as well as the experience of members such as Spain, Portugal and Ireland, has taught us anew the manifest interconnectedness and interdependence of today's national economies. These facts apply not merely to the Eurozone member states, but to all EU economies. They also pointed out that EU leaders recently agreed to larger surveillance and coordination of national budgets, without, however, reaching a deal on any sanctions to be imposed on states in a weak financial position, an issue to be revisited at the end of this year.

The notion of imposing sanctions was accompanied by some precautions by Cypriot diplomats, who noted that any financial penalties would aggravate the economic problems of any member state.⁶ Nevertheless, they agree with academic analysts that these EU mechanisms should achieve the compliance of the national governments with their EU commitments by providing incentives as well as a series of escalating sanctions. The latter, which do not necessarily have to be financial, *might* include the temporary prohibition of voting at the Economic Affairs Council.

Central Bank governor, Athanasios Orphanides, acknowledged that the financial crisis had revealed some of the Cypriot economy's structural weaknesses.⁷ Speaking at the 12th Conference of Trade Union Organisations and Staff Associations representing the Personnel of the European National Central Banks, Orphanides warned that inflationary pressures were higher than in any other Eurozone country, a fact impacting the economy's competitiveness. Noting that the salaries of civil servants in Cyprus had increased by 5.7 percent in 2009 in comparison to 1.3 percent in other Eurozone states, the governor emphasised as basic goals the maintenance of steady employment and the monetary system's reform. Simultaneously, Minister of Labour, Soteroula Charalambous, underlined the need for balanced labour relations and a constructive dialogue of social actors throughout Europe, regarding this as essential to strengthening the system.⁸ The head of the European National Central Bank Unions also noted that more effective coordination and analysis of information with improved social dialogue was needed.⁹

* Cyprus Institute of Mediterranean, European and International Studies.

On the Europe 2020 Strategy, President Christofias declared that Cyprus was within the range of its capacity of achieving the strategic targets, asserting that the five areas of action – knowledge, innovation, sustainable economy, high employment and dealing with social exclusion and reducing poverty – were “achievable” by the Republic.¹⁰ Cyprus, he added, wants to see a people-centric Europe emerge from the implementation of the Treaty.

Also commenting on the Europe 2020 Strategy, Marios Vourgos, Director of the European Institute of Cyprus, stated that the crisis had neutralised the progress achieved in the EU over many years, culminating in a 4 percent slowdown in growth in 2009, a figure not seen since the 1930s.¹¹ On the crisis’ causes, Vourgos said it was manifest that a series of fundamental issues that should have been dealt with – both globally and by the EU – had not been properly assessed and, although the indications were clear, these had been underappreciated. On Cyprus, Vourgos said its unemployment rate was around 6 percent, one of the lowest in the EU, when in some Baltic member states the figure exceeds 20 percent. On what should be done, Vourgos referred to three categories of targets: 1) growth based on knowledge and innovation; 2) growth based on social cohesion and high employment without exclusions; and 3) green growth. Finally, Director Vourgos noted optimistically an important difference compared with the past, acknowledging that the EU now has in place the necessary mechanisms to monitor the implementation of its goals.

Other political analysts referred to the DG Employment and Social Affairs’ monthly labour monitor report, which revealed that unemployment in Cyprus still remained below the EU average but could exceed 7 percent in 2011. Such a figure would be a “historic high” for Cyprus. The current situation, according to them, is the worst recorded since 1974, following the Turkish invasion. However, our interlocutors expressed the belief that the new ten-year strategy, Europe 2020, provides important guidelines to the member states on how to proceed in the coming years in order to overcome the difficulties they face at present.¹²

¹ Demetris Christofias, President: Statements, Brussels, 26/03/2010 (as reported by the Cyprus News Agency).

² Press Reports of political parties’ statements, March 2010 (as reported by all Cypriot Media).

³ Interviews with Cypriot economists and political economists conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, June 2010.

⁴ Press Reports of political parties’ statements, May 2010, as reported by all Cypriot Media, and TV panels with Cypriot economists and political figures.

⁵ Interviews conducted by Christos Xenophontos and Nicoleta Athanasiadou, Nicosia, June 2010.

⁶ Interviews conducted by Christos Xenophontos, Ministry of Foreign Affairs, Nicosia, June 2010.

⁷ Athanasios Orphanides, Central Bank Governor: Speech at the 12th conference of Trade Union Organisations and Staff Associations, Nicosia, 12/05/2010.

⁸ Soteroula Charalambous, Minister of Labour: Speech at the 12th conference of Trade Union Organisations and Staff Associations, Nicosia, 12/05/2010.

⁹ Head of the European National Central Bank Unions: Speech at the 12th conference of Trade Union Organisations and Staff Associations, Nicosia, 12/05/2010.

¹⁰ Statements by President Demetris Christofias, Brussels, 26/03/2010 (as reported by the Cyprus News Agency).

¹¹ Interview conducted by Christos Xenophontos, European Institute of Cyprus, Nicosia, June 2010.

¹² Interviews conducted by Nicoleta Athanasiadou and Christos Xenophontos, Nicosia, early June 2010.

Cyprus

Fighting climate change crucial for Cyprus

Nicoleta Athanasiadou, Costas Melakopides and Christos Xenophontos*

In the December 2009 European Council that preceded the climate conference in Copenhagen, President Christofias and the majority of Cypriot political classes welcomed the EU leaders' decision to assist developing countries financially to meet their emission targets.¹ Cyprus' contribution to the EU fund is about 600,000 Euros per year, a prospect that was overall welcomed by both political parties and civil society. However, they all insisted simultaneously on the issue's global aspects, underlining that, besides the EU, other developed countries, and primarily the USA and Japan, should also contribute to the global efforts for protecting the environment.²

That is why the Copenhagen Accord reached between the USA, China, India, Brazil and South Africa was received with great disappointment among Cypriot decision makers.³ In Nicosia, political party representatives expressed their frustration at the lack of decisiveness by the larger actors involved to achieve a legally binding agreement. In various statements, members of the Cypriot parliament told reporters that the UN-led Copenhagen climate summit was "a disaster" and a "great failure": whereas the EU attended the summit in hopes of reaching an agreement for the reduction of CO₂ levels within the next ten years, this and other targets were not included in the agreement that was merely "recognised" by the 193 nations attending the summit.⁴ Cypriot political figures and ecologists also criticised the absence of any penalties from the deal for countries that fail to meet their promises.

Turning to the EU's energy and climate policy, high praise was being uttered, especially regarding the Union's targets and its initiatives towards assisting developing countries to meet their emission goals. Officials at the Ministry of Agriculture, Natural Resources and the Environment conveyed to us that Brussels' role as a leader in the fight against climate change should be reaffirmed with stronger representations towards other developed countries and additional pressure for legally binding agreements which should be implemented worldwide.⁵

Officials accentuated the need for a global agreement, ideally initiated by the EU, which could assume a leading role internationally in action against climate change.⁶ Unfortunately, they commented, one country or region cannot deal with environmental destruction by itself. Manifestly, collective measures and global initiatives are essential. The current global financial crisis causes further damage to the environment due to the intensive exploitation of resources. On the other hand, it is evident that energy security and investment in renewable energy sources will lead to lower economic and environmental costs and to a developmental boost for all nations. According to our KIMEDE colleagues, here is a glorious opportunity for the EU to further strengthen its global "normative" status and role.

As President Christofias remarked, any initiatives that address climate change "will take humanity out of intensive care".⁷ Cyprus, a country affected by climate change, is willing to contribute to the EU targets to the best of its abilities. Already, the Cypriot government looks into additional renewable energy sources, utilising wave, river and hydroelectric power from small water dams, as well as exploiting solar and wind energy. The director of energy services at the Ministry of Commerce, Solon Kassinis, proudly revealed that Cyprus will reach 8 percent of energy production from renewable energy sources in 2010, while the target set by the EU is 13 percent by 2020.⁸

In addition, as Cypriot Minister of Interior, Neoklis Silikiotis, pointed out, it is crucial that Cyprus invests in innovative, eco-friendly research that will lead to sustainable development.⁹ A fine example is a sophisticated research method aimed at producing desalinated water and "co-generating" electricity using solar power, a project currently planned by the appropriate authorities. Scientists taking part in this EU co-funded project, which also involves the Cyprus Institute, the Cyprus Electricity Authority and American universities, will test the evidence of lab results with the goal of securing the 20-year viability of this new method. The experiment will take three years to complete and could prove salutary for the entire Mediterranean region. Described as one of the most innovative renewable energy projects in Europe, it will reportedly put Cyprus firmly on the international map of research and innovation.

* Cyprus Institute of Mediterranean, European and International Studies.

¹ Press Reports, December 2009.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Interviews conducted by Nicoleta Athanasiadou, Ministry of Agriculture, Natural Resources and the Environment, Nicosia, early June 2010.

⁶ Ibid.

⁷ Statements by President Demetris Christofias, Larnaca, 17/12/2009 (as reported by the Cyprus News Agency).

⁸ Statements by Dr Solon Kassinis, Nicosia, as reported by CyBC TV main evening news, 7/03/2010.

⁹ Statements by the Minister of Interior, Neoklis Silikiotis, Nicosia, 23/06/2010 (as reported by all Cypriot Media).

Cyprus**The direct trade regulation and other new developments on the Cyprus issue****Nicoleta Athanasiadou, Costas Melakopides and Christos Xenophontos***

Inevitably, the cardinal issue preoccupying Cyprus, hence being constantly discussed by politicians, academics, the business world and the general public, is Cyprus' "existential" problem caused by Turkey's 1974 invasion and the ongoing military occupation of 37 percent of the Republic's territory.

In this particular reporting period, a serious development regarding the Cyprus problem was the April 2010 change of leadership in the Turkish Cypriot community. Upon his election, Derviş Eroğlu described the Greek-Cypriot positions on the Cyprus issue as "maximalist", expressing, however, his determination to continue the negotiation process.¹ Eroğlu asserted that the problematic status of the talks – initiated between President Christofias and Eroğlu's predecessor, Mehmet Ali Talat, in September 2008 – is not the fault of the Turkish Cypriots. The latter, he claimed, have displayed a positive approach whereas the Greek-Cypriots acted "greedily" and joined the European Union, thereby preventing a settlement. On the next day, Eroğlu reiterated his erstwhile position on separate sovereignties and citizenships in Cyprus. Interviewed by Turkish dailies Sabah and Radical, he declared that the UN parameters were not carved in stone. He called on the UN to re-evaluate their resolutions on the non-recognition of the secessionist regime of the occupied territory, adding that the "isolation" of the Turkish-Cypriots was a "shame to humanity". He predicted it would be hard to achieve a settlement by year's end. When asked if there is a "plan B", he replied that his goal is an agreement ensuring the recognition of the Turkish Cypriots by the international community, allowing them to live in "their territory" under Turkish guarantees.

A few days later, the UN Secretary-General's special advisor on Cyprus, Alexander Downer, meeting with Eroğlu, expressed the hope that direct talks will resume.² Downer stated his opposition to the approval of the direct trade regulation (see below) and the convening of an international conference on Cyprus. Downer made clear the UN expectation that the talks will continue from where they were left off and premised on what he described as the "UN parameters". Meanwhile, the new Turkish Cypriot leader demanded re-negotiation of all chapters.

Following Eroğlu's statements, President Christofias called for a national council meeting – the president's advisory body on the Cyprus issue – where the future strategy on the Cyprus issue and Eroğlu's election were discussed.³ President Christofias analysed the recent developments and described Eroğlu's election as "a negative development" for the negotiation process. Speaking afterwards to the press, the leaders of the Movement for Social Democracy (EDEK), the Democratic Party (DIKO), the European Party (EVROKO) and the Green Party called for the reformulation of the national negotiating strategy and reiterated that the President should withdraw the "generous gifts" he had handed to Mehmet Ali Talat. These "gifts" amounted to excessive concessions to the other side, including a rotating presidency proposal, a weighed voting system, and allowing 50,000 (illegal) Turkish settlers to stay after the solution. EVROKO leader Demetris Syllouris stressed, "*the European solution* is the only option that could end the deadlock and create prospects for a fair and viable settlement".

Direct talks between Christofias and Eroğlu finally resumed but, according to government officials, no progress is perceived to date. Political analysts stated that Turkey and the Turkish Cypriot side agreed to resume negotiations, not because they genuinely want the problem's resolution, but for public relations and communication purposes.⁴ They also recalled Eroğlu's stereotypical statement that the solution should be based on "two separate states, two separate economies and two separate peoples". This position, however, violates the long-established UN framework that aims at reunification based on a bi-zonal, bi-communal federation with (a sui generis) "political equality" and a single international personality.

Speaking on the sidelines of the celebrations for the EU accession of the Republic of Cyprus, President Christofias urged the Turkish government to stop its "communication tricks" and called on Eroğlu to respect all the convergences achieved with his predecessor.⁵ Invited to comment over statements made by Turkish Deputy Prime Minister Ali Babacan, who said that Turkey would like to

* Cyprus Institute of Mediterranean, European and International Studies.

see a solution in Cyprus before the end of 2010, Christofias stated: “We want a solution yesterday”. He then stressed that the Greek Cypriot side obviously wants a solution before then; that the problem is under what instructions Turkey is guiding Turkish Cypriot negotiators; and that the solution must serve the people of Cyprus, being fair, viable, and functional.

Another crucial issue on the Cypriot (governmental, political, and civil society) agenda is the “Direct Trade Regulation”. This EU-led initiative aims at direct trade between the Turkish-occupied areas and the EU. However, it is in manifest breach of Protocol 10 of Cyprus’ 2003 Accession Treaty. Therefore, Nicosia argues that it should be withdrawn, or at least frozen; otherwise, the issue should be referred to a European Parliamentary Committee, which would be most competent to address it. The Cypriot President also proposed that trade with the Turkish Cypriot community be conducted through the port of Famagusta, under the aegis and monitoring of the EU, in return for the opening of the fenced (i.e., occupied) city of Varosha. This proposal, he added, was the government’s response to the insistence by Turkey “and by some circles within the European Parliament and the Commission” to bring forward a regulation that, under normal circumstances, should not only be frozen but nullified. As reported by ANTENA TV, the President argued that it is unacceptable for the EU to raise such an issue which violates its own principles, especially when the Cyprus government is displaying a constructive stance in the UN negotiations, while daily newspaper Simerini reported Christofias’ statement that the administration of Cyprus’ problems should never have been handled by DG Enlargement, given that Cyprus has been a full member state since 2004.⁶

Authorities’ efforts have also focused on measures to overcome a budget deficit of 6.9 percent, high unemployment (estimated in April 2010 at 6.8 percent) and the rising poverty levels in the midst of the global financial crisis.⁷ In June 2010, the European Commission activated the procedure for excessive deficit for Cyprus, calling on the country to reduce its budget deficit below 3 percent until the end of 2012. Cyprus will have six months following the adoption of the recommendations by Ecofin in which to present measures for the reduction of its deficit, something which entails the adoption of austerity measures.

Minister of Finance, Charilaos Stavrakis, described the above development as “purely technical”, pointing out that Cyprus was among the last members of the Eurozone to come under the procedure for excessive deficit.⁸ Opposition party DISY, however, voiced anew its criticism that the government, instead of focusing on reducing its spending and boosting development and growth, focuses on boosting its revenue through additional taxes (announced earlier that day),⁹ a position also expressed by government coalition-party DIKO. Both parties emphasised the need for a focus on development and stressed the risks of imposing additional taxes at a time of economic crisis. Social-democratic EDEK and the Greens also expressed concern over the Commission announcement, calling for immediate action to control the budget deficit, and criticised the measures announced by the government, while the European Party (EVROKO) – which called the announcement of measures “rushed” and damaging to Cyprus’ efforts to become a regional business centre – accused the government of having turned an economy with a surplus in 2008 to an economy that has now fallen under EU monitoring.

Given the austerity measures taken by the Cypriot government, Cypriots seemed rather pessimistic regarding issues like unemployment and the rise of poverty levels. According to a Eurobarometer survey on the economic crisis’ social impact, 30 percent of Cypriots said that they are struggling to balance their income and expenditure, while eight in ten perceive an increase in poverty.¹⁰ Half of the Cypriots surveyed expect the situation to deteriorate further in the coming year; one in four expects that pensions will decrease; one in ten expects to retire at a later age; while one in five is concerned that post-retirement income will not suffice for a “respectable” lifestyle. Also, 20 percent replied that they feel anxious about job security, while six in ten Cypriots fear an inability to find a new job if they lose their current positions.

Meanwhile, Nicosia is mobilising efforts to attract foreign investors. Recently, the government of Qatar expressed interest in forming a conglomerate with the Cypriot government for the construction of a luxury hotel and a major business centre in Nicosia. The agreement will reach 500 million US Dollars and will mark the first time that Cyprus receives a direct investment of such magnitude.¹¹ Whereas political and business circles welcomed the signing of two business agreements between Cyprus and Qatar, opposition parties expressed concerns over the implementation of the deal, fearing it could lead Cyprus into dangerous adventures.¹² Opposition DISY deputy president, Averof Neophytou, even asserted that the agreements were unbalanced against the Cyprus government and challenged it to show greater transparency. Despite this opposition, a committee was formed regarding the project,

which is anticipated to be completed in two years, but it is doubtful whether it would be ready for the Cypriot EU Presidency in 2012.¹³

Finally, while a financial-crisis-induced melancholy penumbra is temporarily affecting the Cypriot atmosphere, life in the free part of the Republic is profoundly marked by Cyprus' "existential problem". Therefore, beyond the aforementioned particular developments regarding the Cyprus problem, a few wider remarks are worth recording. First, Cypriot academic commentators and distinguished columnists have been concerned about Ankara's increasing regional assertiveness, which seems to be issued from grandiose geopolitical ambitions and designs of even "global" dimensions. The implications for the Republic of Cyprus are both indirect and immediate: as implied in Turkish Foreign Minister Ahmet Davoutoglu's opus, "Strategic Depth",¹⁴ Cyprus is perceived – and should be conceived – by Ankara in purely geopolitical and geostrategic terms. It seems to follow that Turkey is advised to not be prepared to settle the Cyprus problem unless it satisfies its self-regarding conditions and terms. By implication, the term "bi-communal negotiations in Cyprus" borders on a veritable misnomer. For, as noted by Cypriot political leaders and even President Christofias, the representatives of the Turkish Cypriots are not autonomous negotiators, since they are constantly "guided by Ankara". Therefore, the suspicion that these "negotiations" are pursued by Turkey for merely "communication purposes" seems valid. In consequence, the expectation that such "bi-communal talks" can lead to respectable results seems illusory.

Second, President Christofias' above-mentioned "generous gifts" were never reciprocated by the Turkish Cypriots. Therefore, most political leaders, academic analysts, and influential opinion-makers have been calling on the President to withdraw, at long last, his offer. His refusal to do so to date may largely explain the increasing unpopularity of his handling of these negotiations.

Third, evaluating Ankara's recent foreign policy has led Cypriot political analysts, academics, and public opinion-makers to conclude that Turkey is not always prepared to match words with deeds. Indeed, while Davoutoglu's favourite stereotypes are "zero problems with our neighbours" and "Turkey is a regional peacemaker", Ankara's problems arising from, or concerning, Armenia, Azerbaijan, Iran, Syria, Israel, Greece, and Cyprus may suffice to show a grand contradiction. Therefore, there is a rising Cypriot sentiment to the effect that since Nicosia's apparently unsuccessful strategy has been premised exclusively on "carrots", it is about time that its own – diplomatic, political and legal – "sticks" should also be deployed.

And fourth, this picture helps explain the call by all political forces (except governing AKEL) for a reconsideration of Nicosia's negotiating strategy. Such a change was laconically expressed in a recent op-ed essay by former Foreign Affairs Minister Giorgos Lillikas, who concluded as follows: "The blackmailing dilemma that some [circles] are creating is, in reality, this: 'Legal partition with Turkish control even of the free territory and without the internationally recognised Republic of Cyprus or illegal partition?' Clearly, both options are entirely unacceptable. Whoever offers only these options pushes the people to the second option, simply in order to retain at least our state entity. Our people deserve better options. This, however, presupposes a different strategy that claims our rights and a different, multi-dimensional, foreign policy."¹⁵

¹ Press Reports, April 2010.

² Press Reports, April 2010.

³ Press Reports, April 2010.

⁴ Interviews conducted by Nicoleta Athanasiadou, Ministry of Agriculture, Natural Resources and the Environment, Nicosia, early June 2010.

⁵ Speech by President Demetris Christofias, Nicosia, 01/05/2010.

⁶ Statements by President Christofias, Brussels, 17/06/2010 and 18/06/2010 (as reported by ANTENA TV and SIMERINI newspaper respectively).

⁷ Figures published at the website of the Statistical Service of the Republic of Cyprus, available at: http://www.mof.gov.cy/mof/cystat/statistics.nsf/index_en/index_en.

⁸ Press Reports, June 2010.

⁹ The package of measures, announced by Minister of Finance Charilaos Stavrakis on 16 June 2010, covers four main axes of policy which concern the clean-up of public finances, social solidarity, the targeting of social benefits and the boost in government revenue. The legislations approved by the Cypriot Cabinet include the increase of corporate tax by 1 percent to 11 percent for 2010 and 2011 only, the adjustment of property tax brackets and the imposing of 0.7 percent in tax to properties over 170,000 Euros in value calculated in 1980 prices, and the amendment to the ceiling income for eligibility for child and student benefits from 60,000 Euros per annum per two child family to 70,000 Euros per annum with the measure coming into effect as of 2011. Also announced was an increase to the level of tax on fuel products to levels which the minister of Finance stressed are the minimum permitted by the EU.

¹⁰ Eurobarometer: Flash Eurobarometer. Monitoring the social impact of the crisis: public perceptions in the European Union – Wave 4, June 2010, available at: http://ec.europa.eu/public_opinion/flash/fl_289_en.pdf (last access: 08/07/2010).

¹¹ Press Reports, May-June 2010.

¹² Ibid.

¹³ Press Reports, June 2010.

¹⁴ Davoutoglu's book was published in Greek translation in May 2010. Nicosia was the locus for the book's first public presentation. The massive attendance of the presentation attests to the concerns expressed in the present paragraph.

¹⁵ Giorgos Lillikas: Partition or Bi-zonal and Bi-Communal Federation?, Phileletheros (Nicosia daily), 03/06/2010, emphasis added.

Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!

1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?