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Andreas THEOPHANOUS

PERSPECTIVES ON THE CYPRUS PROBLEM – WHY IT HAS NOT BEEN RESOLVED SO FAR?

Euripides L. EVRIVIADES

TRUMP’S FOREIGN POLICY: UNCONVENTIONAL IN METHOD, TRADITIONAL IN US STRATEGY

Ioannis TIRKIDES

CENTRE-RIGHT DECAY AND THE TWILIGHT OF NEOLIBERALISM

Marat YULDASHEV

CYPRUS ECONOMY: BRAINROCKET AND PILLAR TWO FRAMEWORK AS SIDE EFFECTS OF BROADER SHIFT

Kyriakos REVELAS

ARGUMENTS AGAINST INCREASING DEFENCE SPENDING AND CAPABILITIES IN THE EU

Anna PARRILLI

TORAH STUDY AS A FOUNDATIONAL VALUE OF THE STATE OF ISRAEL: THE 2026 BASIC LAW

Mary VARDA

EUROPE’S WATER BLIND SPOT: THE CONTRADICTION AT THE HEART OF THE EU’S AI STRATEGY

Ioannis PAPAGARYFALLOU

BEYOND THE PRECONCEIVED SCHEMES: SMALL STATES AND THE POST-NEOLIBERAL GEOPOLITICS OF THE MIDDLE EAST CRISIS

Victoria PISTIKOU

THE WTO AT A CRITICAL CROSSROADS: COMMON RULES, UNEQUAL BENEFITS

Giorgos POUKAMISAS

THE RED SEA: A CONSTITUENT ELEMENT OF THE GREEK GEOPOLITICAL PERSPECTIVE

Virginia BALAFOUTA

WATER GOVERNANCE AND HUMAN RIGHTS IN THE ERA OF CLIMATE CRISIS: GLOBAL CHALLENGES WITH A SPECIAL REFERENCE TO THE RECENT DEVASTATING FLOODS IN NEPAL



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1993-2026 THIRTY-THREE YEARS OF POLICY FORMULATION AND ANALYSIS

PERSPECTIVES ON THE CYPRUS PROBLEM WHY IT HAS NOT BEEN RESOLVED SO FAR?



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The Turkish side had repeatedly raised the issue of the geographical separation of Cyprus and of a federal arrangement even before 1974. The Greek Cypriot side, unanimously, did not accept such an approach. In his 1965 Report, Galo Plaza, the Special Representative of the UN Secretary-General, underlined that the conditions for a federation did not exist in Cyprus. At the same time, he called on the two communities and all the parties involved to work for a unified state.

The Greek Cypriot side did not make sufficient use of this Report, as the dominant narrative was *enosis*. At the beginning of 1968, President Makarios, taking all relevant developments into consideration, declared the policy of the “feasible”. The objective was no longer *enosis*, the desirable outcome, but the unitary state, the “feasible” one. This objective could have been achieved had it not been for the destabilizing actions of EOKA B and the Junta.

After the coup and the invasion, developments on the ground had changed drastically. All three guarantor powers referred to the existence of two autonomous communal administrations on the island by the end of July 1974. During the talks in Geneva (August 9-13, 1974), the Turkish side submitted its proposals, which were tantamount to terms of surrender.

Following the completion of the second phase of the Turkish invasion, Operation Attila II, Cyprus faced the danger of total collapse. Despite the adversities, the Republic of Cyprus survived.

At the same time, disputes among Greek Cypriots continued over policy on the Cyprus problem. At the Athens meeting of 30 November to 1 December 1974 between the leaderships of Cyprus and Greece, federation was accepted. The discussion subsequently focused on whether the objective should be a biregional or a multiregional federation. There was also a smaller section of citizens which did not accept federation and focused on the objective of liberation. To a large extent, EDEK led this position.

On 4 November 1974, Acting President Clerides, in a speech at Argo Gallery, stressed that under the circumstances "the only realistic solution was a bicommunal biregional federation". There were strong recommendations toward this direction from the United States, Britain, Germany and Greece.

On 12 February 1977, the Makarios-Denktash high-level Agreement was reached, referring to a bicommunal federation on a geographical basis. It was not clarified, however, whether this would be biregional or multiregional. A few weeks later, Tassos Papadopoulos, on behalf of the Greek Cypriot side, submitted proposals as well as a map on the basis of two regions. There were expectations and assurances that the Turkish Cypriot side would respond positively. This never happened. There was enormous disappointment.

In his last speech, on 20 July 1977, President Makarios referred to these developments and to the stance of Turkey. Taking everything into account, the Cypriot President proclaimed "the necessity of a long-term struggle, which had become imperative because of Ankara's intransigent policy". Makarios passed away a few days later, on 3 August 1977.

Spyros Kyprianou and, subsequently, Tassos Papadopoulos tried to promote a tolerable compromise on the basis of the 1977 and 1979 high-level Agreements. These efforts did not bear fruit. Nor did the efforts of the other Presidents, despite their additional flexibility.

The long-term struggle was never conducted. On the contrary, over time there were many concessions. There is no doubt that the negotiating framework from 1977 to the present has moved toward the positions of the Turkish side. Nevertheless, there has been no settlement of the Cyprus problem.

It is a myth that the policy of the long-term struggle, which in any case was never conducted, is responsible for the current situation and for the non-solution of the Cyprus problem. What was tested and failed is the policy of continuous concessions.

With the existing conditions, Turkey will consent to a settlement which safeguards and legitimizes its strategic control over Cyprus. For this reason, a new strategic approach is required; its minimum objective would be the protection of free Cyprus and the prevention of the deterioration of the *status quo* and its maximum objective the restoration of the territorial integrity and the unity of the country. (I have submitted specific proposals towards this direction).

Polys Polyviou assesses the acceptance of federation as a mistake. In addition, he criticises both Makarios and Clerides on this matter. I believe that for such a major concession there should have been at least some reciprocity,

such as the return of Varosha, as well as a clear definition of the content of a biregional or a multiregional bicommunal federal settlement.

When the Greek side accepted federation in principle, there was insufficient knowledge of the issue both in Athens and in Nicosia. It is, to say the least, unfortunate that 52 years later this gap has not been adequately addressed. It must finally be understood that there are categories of federal polities whose prospects of viability range from minimal to non-existent, and others which, under certain conditions, may be functional.

In conclusion, I underline that during the various phases of the Cyprus problem there was no comprehensive understanding of the international environment. It is also no exaggeration to say that the Cyprus problem was, and continues to be, ideologized to a considerable extent. It is becoming increasingly apparent that the cost of the absence of utilizing specialized knowledge and pragmatism in the decision-making process is notable.

TRUMP'S FOREIGN POLICY: UNCONVENTIONAL IN METHOD, TRADITIONAL IN US STRATEGY



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What if Donald Trump's foreign policy is not as chaotic as it looks?

Last year, I argued that beneath the spectacle, contradictions and unpredictability, Trump's foreign policy had an internal logic. But I stopped short of calling it strategy.

Today, I am more convinced that there is one — grand strategy in fact.

Consider the pieces.

Greenland. Panama. Canada. Venezuela. Iran and Hormuz. Tariffs. Critical minerals. Reindustrialisation. Pressure on allies to carry more of their defence burden. And, increasingly, China.

Viewed separately, these can look like disconnected episodes. Put them on the same map and a pattern begins to emerge.

No conspiracy is required. Nor a secret master plan. Nor is the direction entirely implicit. Elements of it are set out explicitly in the Trump administration's 2025 National Security Strategy. The question is whether interests, opportunities and events are increasingly moving in the same strategic direction. They do.

Once seen, the pattern is difficult to unsee.

But this did not begin with Trump.

In 1948, George F. Kennan, one of the architects of America's Cold War strategy, observed with unusual candour that the United States possessed about half the world's wealth with only 6.3 per cent of its population. The task of America, he emphasised, was to devise relationships that would allow it to maintain this "position of disparity" without jeopardising its security.

The world has changed profoundly since then. So has American policy. The methods changed. The purpose changed much less: American preponderance remains the strategic constant. And preponderance has never been merely military. It is economic, technological, commercial and financial too.

This, after all, is what predominant powers do. Britain did it before America. Others did it before Britain. History also records what eventually happened to them.

America nevertheless did something remarkable after 1945. It embedded its enormous power in institutions and alliances from which others also benefited. The resulting Pax Americana has been described by scholars as both hegemony and hegemonic stability. Benign to many. Hegemony to others.

The Marshall Plan helped rebuild Western Europe. Europe and Japan prospered under an American Cold War security umbrella. That umbrella also allowed Europeans to spend more on butter and less on guns. The US supplied dollars, markets, investment and security. The dollars also bought American goods. Prosperity and strategy reinforced each other.

American leadership worked because others had a stake in the system too.

The difference with Trump may therefore lie less in what America seeks than in how openly and coercively he seeks it.

Take Greenland. It is Arctic geography, missile defence, emerging sea routes and critical minerals. Panama is a strategic artery between two oceans. Canada means energy, uranium, minerals and Arctic space. Venezuela brings enormous oil reserves back into the strategic equation.

Then look east.

Hormuz and Malacca are links in the same energy chain. Much of the Gulf oil bound for Asia passes through these maritime chokepoints. China remains heavily dependent on these sea lanes. The United States, by contrast, enjoys enormous domestic energy production, favourable geography and unrivalled global naval reach.

Add Suez, Bab el-Mandeb and emerging Arctic routes and an old strategic truth reappears: whoever can protect—or deny—access to the arteries of global commerce possesses enormous leverage.

Twenty-first-century power extends beyond geography.

Semiconductors. Artificial intelligence. Quantum computing. Rare earths. Supply chains. Financial clearing. Capital markets.

And above all, the dollar.

After Nixon severed the dollar's link to gold in 1971, the emerging petrodollar system further reinforced its global role.

The dollar-centred financial system gives Washington a form of power no aircraft carrier can provide.

Tariffs, too, can be more than protectionism. They can redirect investment, restructure supply chains and turn access to the enormous US market into strategic leverage.

The pieces begin to connect.

Secure the Western Hemisphere. Protect strategic resources and maritime access. Rebuild industrial capacity. Preserve technological superiority and energy abundance. Make allies carry more of the security burden. Protect the dollar. Prevent China from acquiring enough economic, technological and military power to overturn the strategic balance.

Even apparently separate conflicts can alter the strategic balance in Washington's favour. Russia, heavily committed in Ukraine, has fewer resources elsewhere. Europe, confronted again by the Russian threat, is rearming, carrying more of its own defence burden and buying more US materiel—benefiting the American defence-industrial base. Regional confrontation has also weakened the ability of Iran to project power. And regional powers assuming greater responsibility in the Middle East can reduce demands on Washington.

None of this proves that these outcomes were scripted in advance. Nor does China explain every American action. Personality, domestic politics, ideology, opportunism and plain miscalculation remain part of the menu.

Grand strategy does not require choreography.

Trump's methods are unconventional, but the underlying US grand strategy has endured across administrations and eras.

But therein lies the paradox.

American primacy was never sustained by material power alone. There was soft power too: culture, universities, technology, ideas and the promise of opportunity. The old joke captured the contradiction: "Yankee go home—but take me with you." Allies sought American protection. Governments accumulated dollars. Investors put their money into American markets.

Underlying much of this was trust—the intangible tangible. And immensely consequential.

Power was reinforced by legitimacy and, critically, consent.

As allies are increasingly treated as clients to be pressured, markets used as instruments of coercion, economic dependence turning into vulnerability, and rules made negotiable according to power, the search for alternatives begins.

Allies are hedging. Diversifying. Building alternative supply chains. Exploring other payment systems. Strengthening regional arrangements. Reducing dependence upon the United States. Even shifting gold reserves out of North America, as France and the Netherlands have recently done.

Historically, the pattern is hardly new. Predominant powers have always sought to preserve their predominance. By overreaching, they can also accelerate their own decline. The ancient Greeks had a word for it: hubris.

The problem, therefore, is not that there is no grand strategy. There is.

The danger lies elsewhere.

The methods used to preserve American primacy are already helping to erode the trust, legitimacy and consent that made it sustainable.

America may win many of the transactions.

The larger question is whether, in so doing, America weakens the very system on which its indispensability rests.

CENTRE-RIGHT DECAY AND THE TWILIGHT OF NEOLIBERALISM

Ioannis Tirkides
Economist and president of the Cyprus economic Society

A political order represents an overarching framework extending far beyond routine election cycles. Within its architecture, a dominant vision of political economy dictates how state authorities and private actors perceive the balance between public power and private markets. These orders typically endure for three to four decades, underpinned by a specific technological base and a set of accompanying macroeconomic theories. Every political order follows a similar lifecycle: emerging from the ashes of a predecessor, consolidating through opposition submission, and ultimately dissolving into institutional atrophy and systemic corruption until a new framework takes root. Western democracies—including small, peripheral island states like Cyprus—currently inhabit this precise transitional vacuum: the decay of the traditional centre-right and the twilight of the neoliberal consensus. Government rhetoric in Nicosia and across Western capitals that frames a "centre-right" orientation as self-evident righteousness betrays a shallow reading of history. Rather than demonstrating ideological correctness, such branding conceals the deep exhaustion and decay of the current economic settlement.

The three orders of modern political economy

Modern statecraft over the past century and a half spans three distinct orders, each representing a synthesis of macroeconomic theory, technological capability, and spatial organization. The Classical Liberal Order was anchored in the techno-economic foundations of the Second Industrial Revolution. It was the era of mass-produced structural steel, transcontinental rail networks, and heavy mechanical engineering—technologies requiring massive capital concentration and centralized managerial hierarchies. Economically, this order ran on Say's Law: the doctrine that supply creates its own demand, premised on the belief that markets naturally self-correct through price and wage flexibility. Legal and political frameworks were designed to shield corporate trusts from state interference, reflecting a hands-off approach to macroeconomic governance.

This order collapsed during the Great Depression of the 1930s, giving rise to the New Deal and the post-war Keynesian consensus. This second order rejected the premise that markets automatically return to full employment, tasking the state with counter-cyclical fiscal intervention. The model was calibrated to Fordist mass assembly and cheap petroleum, where standardized production lines required high real wages and mass consumer purchasing power to absorb their output. This model built the modern welfare state, elevated progressive taxation, and protected organized labor. While the United States relied on structural firewalls like the Glass-Steagall Act, Continental Europe constructed "Embedded Liberalism" and the Christian Democratic "Social Market Economy". This settlement was shattered by the 1973 OPEC oil embargo, which triggered stagflation and rendered energy-intensive assembly-line economics obsolete.

The Neoliberal Order inverted Keynesian logic, asserting that state intervention was the primary engine of economic stagnation. Synthesizing Chicago School Monetarism, Supply-Side Economics, and Hayekian Information Theory, this third order utilized microprocessors and digital logistics to fragment global production chains. In Europe, this model was codified through supranational treaty law, most notably the 1992 Maastricht Treaty, which bound member states to strict macroeconomic rules capping national budget deficits at 3% of GDP and public debt at 60%. The order achieved total hegemony when the centre-left capitulated: François Mitterrand's 1983 turn to austerity in France, Bill Clinton's "New Democrats," Tony Blair's "New Labor," and Gerhard Schröder's reforms in Germany. All abandoned traditional state planning in favor of market conformity. Yet as digital networks shifted capital allocation away from long-term industrial investment toward short-term asset speculation, this global integration masked an irreversible internal decay.

Decay, institutional atrophy, and systemic corruption

The demise of a political order is rarely a single catastrophic event. It is a slow process of institutional atrophy where elites manipulate established rules to extract private rents. In this shift from production to extraction, the nature of corruption transforms. Unlike the transactional, extra-legal bribery of the Gilded Age, neoliberal decay is legal, systemic, and financialized. The definitive moral collapse of this era was the socialization of losses alongside the privatization of gains during the 2008 financial crash. While speculative banking institutions received trillions in public bailouts, working-class populations absorbed the costs through property foreclosures and wage stagnation. This represented a fundamental breach of the social contract, signaling that state power no longer served the public good.

This systemic decay is the geographic shadow of production fragmentation. Digital technologies allowed capital to become spatially indifferent, abandoning industrial heartlands in pursuit of global cost efficiency while

treating the resulting domestic ruins as natural market outcomes. As state capacity was hollowed out through administrative outsourcing and deregulation, public institutions lost the technical expertise required to execute long-term strategy. To manage the resulting distress in left-behind regions, the state expanded its coercive apparatus, deploying mass incarceration and punitive legislation to contain populations it no longer knew how to integrate into the economy. This transition—from a state that builds to a state that merely manages the fallout of its own self-inflicted incapacity—marks the end of the neoliberal era.

The post-2008 interregnum

Since the collapse of neoliberal legitimacy in 2008, global governance has entered an interregnum: a volatile transitional state where the old consensus has lost authority, but a new framework has failed to consolidate yet. In this vacuum, a bipartisan economic realignment has taken shape in the United States, where free-trade orthodoxy was dismantled across successive presidential terms. Targeted trade barriers introduced during the first Trump administration established an initial baseline of trade protectionism. The Biden administration subsequently institutionalized supply-side interventionism through landmark industrial legislation—most notably the CHIPS and Science Act and the Inflation Reduction Act of 2022—before expanding targeted trade barriers. The second Trump administration escalated this shift into a broader protectionist framework, deploying universal and sectoral tariffs that elevated effective import duties to historic modern highs.

This realignment reflects an effort to redeploy state capacity to de-risk supply chains and re-shore critical manufacturing. Yet the transition carries severe democratic risks. Without an established governing consensus, national policy oscillates wildly across election cycles, fueling voter alienation and increasing the appeal of personalist, authoritarian figures promising order through executive command. While the industrial core attempts this realignment, the global periphery displays a starker vision of decay, where "centre-right" political branding serves as a thin veil for the raw extraction of public assets.

Blueprint for the Next Consensus: The London Consensus

Escaping this interregnum requires an economic playbook that balances state capacity with democratic legitimacy. The "London Consensus," championed by economists Tim Besley, Andrés Velasco, and Philippe Aghion, offers a strategic alternative to both market fundamentalism and outdated tax-and-spend models. It redefines the state from a passive referee into an active architect of resilience and innovation. The core pillars of this framework include state-supported innovations specifically de-risking foundational

R&D—and rejecting neoliberal spatial indifference in favor of place-based development that channels capital directly into left-behind regions.

Crucially, the London Consensus positions the state as an "insurer of last resort," capable of absorbing systemic shocks while maintaining the fiscal discipline during expansions necessary to preserve crisis borrowing power. The goal is to calibrate capacity within a "narrow corridor" where a high-capacity administrative state is counterbalanced by strong democratic institutions. This avoids both the bureaucratic gridlock of the late New Deal and the fragile state paralysis of the neoliberal era. While these principles offer a blueprint for renewal, their absence is glaring in peripheral states that discarded public capacity in favor of asset stripping.

Financialization, asset stripping, and state capture in Cyprus

The Republic of Cyprus serves as a case study in how "centre-right" stewardship can devolve into predatory incompetence. Following the 2013 Eurogroup bail-in—a crisis triggered by domestic banking recklessness and compounded by Eurozone technocratic coercion—the administration's narrative of "sound economic management" masked systemic asset stripping. A primary example was the 2018 collapse and liquidation of the Cyprus Cooperative Bank. The state transferred €10.3 billion in performing assets and €9.7 billion in deposits to Hellenic Bank for a cash consideration of just €74.2 million. Simultaneously, taxpayers absorbed a €1.55 billion Asset Protection Scheme guarantee, while over €7 billion in non-performing loans were carved out into a residual state entity.

The commodification of sovereignty became the hallmark of this era through the Cyprus Investment Programme. This "Golden Passport" scheme generated over €10 billion for luxury real estate developers by granting citizenship to over 7,000 foreign investors in exchange for minimum €2 million property purchases. The scheme collapsed in October 2020 after an undercover investigation by Al Jazeera filmed senior political figures offering to facilitate passports for convicted felons.

This pattern of extraction extended directly into the energy sector. Regulatory choices by the Cyprus Energy Regulatory Authority restricted the state-owned Electricity Authority of Cyprus from expanding its low-cost solar capacity, reserving licensing for private commercial developers. Private producers generated solar power at low cost but sold it back to the grid at the exorbitant "avoidance cost" of heavy fuel oil generation. Also, consumers absorbed over €1.2 billion in EU carbon emission penalties on their utility bills between 2018 and mid-2025, while private developers reaped windfall profit margins at the same time.

Simultaneously, the Vassilikos Liquefied Natural Gas terminal debacle stands as the ultimate symbol of state incapacity. Awarded in 2019 to the Chinese-led CPP-Metron Consortium to import natural gas and eliminate carbon fines, the project suffered chronic administrative mismanagement. In July 2024, the consortium unilaterally terminated the contract, leaving the Floating Storage Regasification Unit stranded in Asia and the onshore jetty incomplete. With remaining completion works and ongoing London arbitration, the debacle leaves Cyprus reliant on heavy fuel oil, facing potential large grid capacity deficits by 2029 as aging steam units are decommissioned.

These energy import costs, combined with profit repatriation from foreign-owned assets, drive a persistent and large current account deficit in relation to GDP. Operating within the Eurozone, the state counterbalances this structural deficit by selling fixed domestic assets—luxury real estate, sovereign citizenship, and non-performing loan portfolios—to foreign capital networks. This balance-of-payments model converted national territory and state sovereignty into financial assets to offset the trade deficit, prioritizing private extraction over public resilience.

Strategic outlook

The historical trajectory from classical laissez-faire through the New Deal and the neoliberal era demonstrates that market structures cannot survive when divorced from state capacity and democratic legitimacy. Whether in industrial cores attempting a strategic realignment or in captured peripheries reeling from financialized asset extraction, the lessons of the present interregnum are clear. Economic frameworks that treat public sovereignty as a commodity to be sold or an obstacle to be bypassed eventually collapse, under the weight of their own systemic contradictions. Constructing a viable political order requires moving past the failures of passive deregulation and state capture. The only path out of the current interregnum is a return to capable, transparent statecraft that treats economic resilience, place-based renewal, and genuine accountability as the foundations of a stable society. The centre-right model of our time is unable to meet this challenge.

CYPRUS ECONOMY: BRAINROCKET AND PILLAR TWO FRAMEWORK AS SIDE EFFECTS OF BROADER SHIFT



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The beginning of the new political season in Cyprus was marked by mixed developments on the business and economic front.

Thus, the government reported that Cyprus' economy grew by some 3.3 per cent in the first half of 2026, more than three times the average of other EU member states. According to the Finance Ministry, growth was spread across several areas of the economy, particularly wholesale and retail trade, communications, insurance as well as construction. It has been also reported that public debt fell to 55 percent of GDP at the end of last year, below the EU's 60 percent threshold for the first time since 2009.¹ These are undoubtedly very positive indicators. On the one hand, the data points at resilient dynamism of the local economy in the environment of the ongoing geopolitical and geoeconomic instability, and on the other, at the long-term consistency of the government policy that delivered results. The latter is especially important and deserves its fair share of credit without being overly complementary to whatever political force that was or is currently in power. *Stabilization of the public finances is one of the most critical factors for any state.* It is widely known that bashing the government and public sector employees is almost the Cypriot national sport. However, managing to bring down the public debt to 55 percent of GDP over a long period of one and a half decade (especially after living through the banking crisis of 2013 and the Pandemic) requires, by any standards, technocratic competence and long-term consistency over several presidential cycles. And in this particular case, the result speaks for itself which is difficult to overestimate, especially, when some of the most important European economies are facing looming public debt crisis with France leading the pack. The Cypriot track record in this department stands out when looking at recent numbers of other fellow European countries. Thus, the list of highly-indebted governments is the following: Greece (147% of GDP); Italy (137% of GDP); France (116% of

¹ J. Morphakis, "Keravnos: economy growing three times faster than EU average", *Cyprus Mail*, 02.09.2026, downloaded from: <https://cyprus-mail.com/2026/09/02/keravnos-economy-growing-three-times-faster-than-eu-average>

GDP); Belgium (108% of GDP); UK (102% of GDP); Spain (101% of GDP); Portugal (90% of GDP); Austria (82% of GDP); Hungary (75% of GDP). The biggest continental economy Germany stands at 63% of GDP and Poland, one of the most successful European economies, at 60% of GDP.²

The cheerful party mood was, however, overshadowed by two developments that did not go unnoticed, and even provoked low-magnitude storms in a teacup in some circles of responsible citizens. Thus, the Cyprus Chamber of Commerce and Industry (Keve) has called for a serious review of Cyprus' competitiveness following reports that technology company BrainRocket has closed its Limassol offices and offered most remaining employees relocation packages abroad, mainly, to Valencia. The developments follow a year-long withdrawal of the company from Cyprus which began in summer 2025. And although Keve itself warned against drawing quick conclusions on the business reasons behind BrainRocket's scaling back, the intervention comes amid wider concerns from business groups about whether Cyprus can maintain its attractiveness to international companies as tax and regulatory conditions evolve. Speaking about tax regime, the American Chamber of Commerce in Cyprus (AmCham Cyprus) has separately called for a balanced implementation of the OECD/G20 Pillar Two international tax framework, saying changes could affect future investment, employment and Cyprus' position as an international business hub. Some US-headquartered multinationals could reconsider expansion plans, choose alternative jurisdictions or decide against establishing operations in Cyprus if the country's competitive position weakened, the chamber warned.³

Unfortunate coincidence of BrainRock's withdrawal and AmCham's statement on looming introduction of Pillar Two framework, naturally, created a compounding negative effect, and forced the Finance Ministry to hit back at claims on mass exodus of large companies from Cyprus with Minister Keravnos calling them "isolated voices which ... seem to arise from some obsessions".⁴

Public media exchanges and attention grabbing have little value and will be forgotten quickly. What remains, though, are the three separate facts which deserve to be investigated and integrated into the broader context: growing

² N. Conte, "Ranked: Countries with the Highest Debt-to-GDP Ratios", *Visual Capitalist*, 08.09.2026, downloaded from:

https://www.visualcapitalist.com/ranked-government-household-corporate-debt-by-country/?mc_cid=02f0306fe0&mc_eid=57dcf92e71

³ K. Nicolaou, "Keve urges action on Cyprus competitiveness after BrainRocket pullback", *Cyprus Mail*, 09.09.2026, downloaded from:

<https://cyprus-mail.com/2026/09/09/keve-urges-action-on-cyprus-competitiveness-after-brainrocket-pullback>

⁴ S. Psara, "Keravnos hits back at claims of Cyprus business exodus", *Cyprus Mail*, 04.09.2026, downloaded from:

<https://cyprus-mail.com/2026/09/04/keravnos-hits-back-at-claims-of-cyprus-business-exodus>

European and international government debt; new wave of competition among jurisdictions for corporate clients and capital, and the OECD/G20-sponsored imposition of the global minimum tax. To calm “some obsessions” down, none of the above represents serious immediate or medium-term risk for the Cypriot economy, especially, each of them in isolation. What matters, however, is to establish the trend and the connection between separate developments. And most importantly, possible compound compression side effect on the local economy and the Republic’s long-term security and stability. In other words, these emerging trends may not represent a risk of the first order on their own but their cumulative chain reaction might exacerbate other more fundamental risks the Republic will be facing in the years to come.

In short, the central idea of OECD/G20 BEPS (“Base Erosion and Profit Shifting”) project is the following: A sufficiently large multinational group should normally face an effective tax rate of at least 15% on its profits in each jurisdiction where it operates. The main rules generally apply to multinational groups with consolidated annual revenue of at least €750 million. Pillar Two materially reduces Cyprus's tax-rate advantage for very large multinational groups and makes some tax-driven structures less valuable. But it affects groups above the €750m threshold very differently from ordinary international businesses. In simplified terms, Cyprus will still remain quite competitive for owner-managed international companies below Pillar Two scale in the mid-term.

What matters though is a much larger structural transformation: the erosion of the hyper-globalised economic environment in which small intermediary jurisdictions could generate disproportionate rents from tax differentials, regulatory flexibility, cross-border capital mobility and corporate intermediation. This is exactly the model that allowed the Republic of Cyprus, a once relatively poor country back in the 1970s, to quickly climb up the wealth ladder and qualify for membership in the richest economic club in history, the European Union.

The Pillar Two framework is sponsored by the organization (OECD), whose many influential members are running the biggest public debts in the world, facing rising defense and social welfare expenditures, falling productivity and stagnating economic growth, and as a result, will be more aggressively competing for the available capital in the increasingly fragmented international system. This observation may have a slight flavor of a conspiracy theory but nobody should forget memorable days when fellow EU member states forgot about much-cherished solidarity and were denying each other supplies of face masks and medication at the time of desperate need during the Pandemic not so long ago.

At first sight, the OECD project appears unusually successful international tax cooperation. But at a deeper level it reflects the same phenomenon: governments attempting to regain control over economic activity and capital that became increasingly mobile during the previous phase of globalization, i.e. bring and lock the capital back home.

The Cypriot economy is characterised as an externally-oriented service system built around tourism, shipping, professional and corporate services, property/construction and, increasingly, ICT and international headquarters. Cyprus attempts to preserve competitiveness primarily through tax concessions as well as property development and attraction of internationally mobile individuals while judicial delays, expensive energy, infrastructure constraints, housing costs, weak innovation and routine-service automation accumulate. The risk is not Pillar Two alone but a competitive compression that will be accelerating in the years to come.

Thus, the key question becomes whether Cyprus can replace declining arbitrage rents with productivity, institutional quality, specialised expertise and genuine economic substance quickly enough.

ARGUMENTS AGAINST INCREASING DEFENCE SPENDING AND CAPABILITIES IN THE EU



Kyriakos Revelas
Former EU official, Brussels

Introduction

The ongoing war in Ukraine since the Russian invasion in February 2022 and the destabilising and conflictual US foreign policies under the Trump administration made the Europeans realise that their security can no longer be taken for granted. Faced with the unsettling of the post-war and post-cold war security order in Europe, in conjunction with growing doubts about the reliability of security guarantees within NATO, Europeans are now aware that they must be prepared to defend themselves what is most precious: their political independence and territorial integrity, the security of their citizens and institutions as well as their interests and values. Since the beginning of 2025 and the second Trump mandate, a series of decisions were taken by European leaders within the EU to increase spending for defence in proportions not seen for decades. These bold decisions are now being followed up by a roadmap for strengthening military capabilities and the defence industry, in addition to measures enhancing economic security.

As it could be expected, such a major policy shift has not met with unqualified support in European societies. It is true that public opinion surveys constantly show large majorities of EU citizens supporting efforts aimed at European security and defence, the most recent Eurobarometer indicating that: 81% of EU citizens support stronger cooperation in defence, the highest level in two decades, 74% approve defence investment or think it should be increased and 66% believe the EU should play a bigger role in protecting against global crises and security risks. European Commission 2026, Eurobarometer 2026 There are also indications (from a survey experiment in Italy) that while public opposition to military spending remains high, external threats tend to dampen this opposition even under high debt burdens. Di Giuseppe et al 2023

Nevertheless, in the public debate there is also criticism of the emerging policy posture of an active and substantive investment in European defence capabilities. These critical views can be summarised under two main headings: the militarisation of the EU is in contradiction with its nature as a peace project; and, social welfare and other important policy objectives will

be sacrificed for increased defence spending (guns-versus-butter debate). We will address these two arguments in turn.

Militarisation of the EU in contradiction with its nature as a peace project

European integration has been a peace project from its inception, recognised *inter alia* by the Nobel Peace Prize awarded to the EU in 2012 – “for its contribution over six decades to the advancement of peace and reconciliation, democracy and human rights in Europe”. This is now being abandoned, so the argument goes, by the increasing militarisation of the EU. This critique is only *prima facie* corresponding to reality. The shift to higher defence spending is real, but this does not reflect the political will to use military violence for pursuing political objectives. The policy turnaround means, in fact, ending an exceptional condition, a historical parenthesis of over 80 years since the end of World War II, under which the security of European states and societies was taken care of by the USA through the transatlantic alliance. Faced with the double challenge mentioned above, Europeans are now for the first time seriously considering their security needs, under completely altered circumstances, and started taking action to address them with their own means. This is indeed a major policy shift for European security and defence, marking the beginning of the end of European dependence on the USA through NATO. However, the shift is certainly not in contradiction with the original and constitutive promise of European integration - to work for peace on the continent. Being prepared for defending itself against foreign threats to its security, is, to the contrary, the best guarantee for peace in Europe.

This policy change is a sign of political maturity, paving the way to strategic independence and European sovereignty on the international stage. At the same time, it responds to the claim for democracy. A free political community must regulate its affairs autonomously, which means, first and foremost, taking care for its own security without relying on good intentions and assurances of other political communities / countries. Political leadership must be responsible for the security and welfare of the community and must be accountable to the citizens; it is only this way that political legitimacy can be achieved in a democratic polity.

Europe has recently found itself in the impossible situation to have reasonable doubts about the commitment of the USA towards European security, precisely at the moment where security threats culminated. Political leaders, both in the member states and in the EU, are now called upon to remedy this unbearable situation and already have taken a number of decisions to this effect. This does not mean that there would no longer be security cooperation with other countries, for example with the USA; but cooperation between equals is something totally different from depending on the political will of other countries which, obviously, is determined by the perception of their interests. Political leaders in the EU are gradually adapting to the new

realities. Yet, they need to explain to their electorate - the *demos*, the true sovereign in a democracy - the reasons and consequences of this policy shift. Without transparent and truthful public communication there is the risk that populists exploit the shift towards autonomous defence policy to denigrate and delegitimise traditional political forces, as they have done with other issues. [van Rij 2026](#) Otherwise, the consequences for liberal democracy would be devastating.

Higher defence spending at the expense of social welfare and other policy objectives

A second major argument used in public discourse is that increased defence expenditure would divert public spending from other important policy objectives such as social welfare or funding needed for the green and digital transitions. [Frangakis 2025](#) There are indeed trade-offs as the fiscal space is not unlimited, in particular for countries with high public debt levels. However, this criticism must be qualified in several respects.

First of all, the order of magnitude of welfare and defence spending is different. Social protection expenditure (old age pensions, sickness / healthcare and disability, family, unemployment, housing and other benefits) in the EU countries in 2023 amounted on average to almost 28% of GDP, only slightly varying over the last ten years. [Eurostat 2026](#). Defence spending stands currently on average at almost 2% of GDP [Andersson 2025](#) and is projected to rise by 2035 to 5% of GDP in the 23 EU member states which are NATO members. This means that any reduction in social expenditure due to higher defence spending will not be dramatic in relative terms. Even if the defence surge (3 percentage points of GDP) were to be financed entirely through social cuts, the resulting cuts would amount to about 10% of current levels of social spending.

The NATO goal agreed in the summit meeting (The Hague June 2025) an increase of defence spending from the current 2% to 5% of GDP (3.5% for core defence plus 1.5 % for infrastructure and security related items) reflects an assessment of what is needed in order for the European NATO members to make up for the US conventional capabilities in case they are withdrawn (estimated at 1 trillion USD or 860 billion euros by [Barry 2025](#), at 500 billion euros for 10 years by [Kiel Institute 2026](#)). The agreed increase was meant to satisfy Trump's insistence on shifting the burden for European security onto the Europeans for the NATO guarantees to hold (5% for article 5). However, the critique that Europeans are free-riding on the US security guarantee, formulated by Obama and then expressed in harsher terms by Trump, is not justified; the evidence from 2022 suggests that when NATO allies perceive extreme threats, they spend more on defence. [Davidson 2023](#) Moreover, once the EU assumes full sovereignty in foreign policy, and depending on international developments co-shaped by the EU itself, the then foreign policy posture may lead to a different level of defence spending.

The increase in defence spending will not happen at once but gradually; for example, the NATO goal of 5% of GDP is planned to be reached over 10 years, in other words by roughly 0.3% of GDP per year. In addition, since defence investment will at least partly be financed through borrowing, the fiscal burden will be partly transferred to the future, which is justified as the security effect (deterrence and defence) is not limited to the moment of investment but holds over a longer time span. These two factors imply that any adjustment in social spending will be spread over several years.

In this respect it is worth recalling that EU rules for fiscal policy (the Stability and Growth Pact) limit the level of public deficits and public debt. To allow for higher defence spending under the current circumstances, the Commission proposed in March 2025 the use of the national escape clause for additional spending of up to 1.5% of GDP for 4 years, without risking an excessive deficit procedure. 18 member states made use of this possibility and activated the clause; this gives them some leeway, but when the exception expires the adjustment effort (expenditure cuts, tax increases or a combination of both) will be higher. This proposal has been criticised for trying to address a structural increase in public spending for defence through transitional measures. For countries with a tight fiscal situation an increase of defence spending is more difficult to accommodate and the trade-off between defence and social spending is *ceteris paribus* more acute.

Beyond the question of the financing of defence expenditure, the biggest challenge is to enhance the capabilities for European security without compromising the level of ambition with respect to other policy objectives. Two interrelated aspects come into play here which highlight precisely the opportunities opened by a policy shift towards higher and better coordinated defence spending in Europe.

The economic effects of higher defence spending have been widely analysed. Most studies converge that the growth effect will be larger the more the defence spending is directed to domestic production as opposed to imports and the more it is directed towards research and development as opposed to consumption because of the innovation and spillover effects for other sectors of the economy. European Commission 2025, IMF 2026, OECD 2026, Bank of Finland 2025, Croitorov et al 2025 Higher defence spending, properly managed, can stimulate economic growth, thus widening the economic base for welfare, environmental and other policies.

While these findings hold for economies considered individually, the integration effect refers to the specific conditions in the EU. When higher defence spending is combined with the opening of defence procurement for companies from other member states or with joint procurement by several member states, then efficiency gains (better value for money) and economies of scale can be realised. This means that, by advancing defence industrial cooperation and integration in the European single market, the inherited

fragmentation of the European defence technological and industrial base can be overcome, which will have positive effects on the efficiency of defence spending, alongside better interoperability among the national armed forces. [Wolff et al 2025](#) have calculated that the combination of integrated markets and scaled-up procurement could lead to halving the unit costs of defence equipment. In other words, by exploiting the European dimension a given defence spending level can buy twice as much capabilities compared with the current system.

Concluding remarks

The two major criticisms addressed in this article are not unjustified, but it can be shown that at a closer look different conclusions must be drawn. Advocating higher defence spending by the EU and the member states is not favouring a militarised EU, with all negative connotations this expression has because of earlier historical experiences, but is about the EU polity finally taking responsibility for its own security as required by its aspiration for sovereignty and democracy. On the other hand, higher defence spending is not automatically implying to reduce the level of social protection so dear to Europeans but it can, to the contrary, stimulate innovation and growth and so strengthen the economic foundation of the welfare state.

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TORAH STUDY AS A FOUNDATIONAL VALUE OF THE STATE OF ISRAEL: THE 2026 BASIC LAW



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Introduction

On July 13, 2026, the Knesset plenum approved the Basic Law: Torah Study in its second and third readings. The draft was sponsored by MKs Yaakov Asher (United Torah Judaism) and Moshe Gafni (United Torah Judaism), and it was approved by 63 votes to 52.

Although the issue has attracted comparatively little attention beyond Israel, the enactment of the 2026 Basic Law has generated substantial scholarly and public debate within the country, owing to its potentially far-reaching implications for the State's legal and constitutional order, particularly regarding the character of the "Jewish and Democratic" State and the principle of equality.

The Basic Law: Torah Study

The Basic Law: Torah Study was part of the coalition agreement that formed Netanyahu's government in 2022 and has periodically sparked public debate. However, with the October 2026 elections approaching, the legislative process leading to the adoption of the law gained considerable momentum.

The final text of the Basic Law comprises a single article declaring: "The Torah study is a foundational value in the heritage of the Jewish people and in the State of Israel".¹

The original draft, approved in a first reading in June 2026, was considerably more extensive and detailed than the version ultimately adopted. It included a provision stating that the foundational value of Torah study should be accorded a "just balance" against other constitutional values. Moreover, the preliminary drafts stated that citizens who undertake the study of the Torah for an extended period shall be considered to be performing "meaningful service" for the State, thereby equating them, for purposes of their rights and

¹ [Basic-Law: Torah Study \(Originally adopted in 5786-2026\)](#).

obligations, with those serving in national military forces. These provisions were removed from the final text passed into legislation in July 2026.

The new Basic Law contains neither enforcement provisions nor funding provisions. Therefore, it may appear merely symbolic and declarative. Yet, when situated within the broader Israeli constitutional and political context, the recognition of Torah study as a constitutional value may have meaningful legal and practical implications.

The Haredi exemption from mandatory conscription and the public funding for Ultra-orthodox religious institutions

Whilst the provisions equating prolonged Torah study with military and civil service have been removed from the 2026 Basic Law, the constitutional status of Torah study can still be invoked to justify exempting Haredim from compulsory military service.

The debate on the exemption of *yeshiva*² students from mandatory conscription has been a recurring feature of Israeli political and legal history since the founding of the State.

In 2012, the High Court held the Service Deferral Law, 5762-2002 unconstitutional on the grounds that it violated the principle of equality.³ The said Law provided for the deferral of compulsory military service for full-time *yeshiva* students until the age of 23, at which point they could choose to participate in a shortened military program, serve a year of civilian national service, or continue their religious studies. According to the High Court, no principle of Jewish law explicitly prohibits military service. Accordingly, *yeshiva* students' appeal to religious obligations could not justify the differential treatment accorded to them by the Knesset. In 2017, the Court likewise held unconstitutional the Amendment 21 to the Deferral Law.

Since 2012, the High Court has been called upon on several occasions to adjudicate the issue of *yeshiva* students' exemption from conscription. Nevertheless, the issue remains a point of contention between the High Court and the Knesset.

On April 26, 2026, the Court delivered a landmark decision, ordering the government to enforce the IDF draft for Haredi men. For the first time in history, the responsibility for non-enlistment shifted from collective sanctions to Haredi institutions to the draft evaders, who will directly face withholding

² A *yeshiva* is a seminary for orthodox Jewish men who dedicate themselves to the study of the Torah.

³ The *Deferment of Military Draft for Yeshiva Students Whose Occupation Is the Study of Torah Law*, 5762-2002.

of State subsidies for housing and education, discounts on municipal taxes and public transportation, and criminal proceedings.

On July 14, 2026, the Knesset passed the so-called “Arrest Freeze Law”⁴, suspending for three months the arrest, investigation, and enforcement proceedings against Haredi draft evaders who are *yeshiva* students and who failed to report for conscription. Whilst on 15 July the High Court’s temporary order prevented the Arrest Freeze Law from coming into effect⁵, the 2026 Basic Law, which grants Torah study constitutional status, may strengthen the position of the said law before the Court.

The Basic Law: Torah study may have implications extending beyond military conscription. In particular, recognizing Torah study as a foundational value of the State could provide a legal basis for the continued allocation of public funding to *yeshivas* and faith-based schools that do not teach the core curriculum⁶, as well as for subsidies for *yeshiva* students who fail to comply with military obligations.

Following the enactment of the 2026 Basic Law, the Movement for Quality Government petitioned the High Court, accusing the Knesset of abusing its constituent power by advancing a specific political objective raised by a religious minority in exchange for the support of the Haredi parties to the Government⁷, thus, circumventing conscription rulings and breaching the principle of equality. Moreover, the petition also draws attention to the legislative process. Despite its constitutional status and the potential impact on the constitutional structure, the bill's drafting was transferred from the Constitution, Law, and Justice Committee to the House Committee, against the opinion of the Knesset legal advisor. The petitioners asked the Court to annul the law and to freeze its entry into force.⁸ Justice Grosskopf stated that the law contained no operative provisions; thus, no interim injunction was needed. However, he ordered the State and the other respondents to submit preliminary responses by September 15, 2026.⁹

⁴ The [Security Service Law](#) (Amendment No. 28 - Temporary Provision), 2026.

⁵ *HCJ 41953-07-26I srael Hofsheet et al. v. Knesset et al.*, [Israel High Court](#), July 15, 2026. [Hebrew]

⁶ K. Topidi, *Plural public education in Israel. For equal or different students*, in K. Topidi, *Law and Religious Diversity in Education. The Right to Difference*, New York, Routledge, 2021.

⁷ The Shas party formally conditioned his vote in favor of the 2026 state budget on the approval of legislative discipline on conscription exemptions. The survival of the Government has been conditioned by the obligation to approve the State budget “no later than 60 days before the start of the fiscal year” ([Basic Law: The State economy, 5735-1975 \(amended in 2023\)](#)). Beyond the said deadline, Israeli law provides for the automatic dissolution of the Knesset and the calling of early elections.

⁸ “The Movement for Quality Government Petitioned the High Court of Justice Demanding That the Basic Law on Torah Study Be Annulled” [“Movement for Quality Government”](#), July 14, 2026.

⁹ At the time of writing, the outcome of this request remains unknown.

The 2026 Basic Law within the Israeli “constitutional crisis”

The enactment of the Basic Law: Torah study, together with the recent High Court's decisions on the conscription of the Haredi men, is the result of a long-lasting institutional tension between the parliamentary majority in the Knesset and the judiciary. The Government maintains that the appropriate way to resolve the issue of Haredi conscription is through legislation. Consequently, it deliberately violates the High Court orders on this matter. The High Court implicitly rejects this position by stressing that this argument cannot justify inertia in the execution of the existing law.¹⁰

In this context, the 2026 Basic Law may be viewed as a further development in Israel's ongoing constitutional crisis¹¹ as its provisions contribute to reshaping the country's constitutional structure by challenging “institutions that can restrain governmental action”.¹² In particular, “[t]wo institutions are targeted as a first step: the Supreme Court of Israel and government legal advisers”.¹³

The issue becomes even more complex when situated within the context of the ongoing war, as well as the approaching elections, in which the ultra-Orthodox parties have always played a crucial role, given the features of the Israeli electoral system.¹⁴

Finally, the 2026 Basic Law raises fundamental questions concerning the very nature of the Israeli form of State, particularly the balance between its “Jewish” and “Democratic” characters. The issue would warrant extensive consideration. In brief, it may be argued that enshrining the study of the Torah as a fundamental value of the State in a Basic Law appears to follow the trajectory initiated by the *Basic Law: Israel – The Nation State of the Jewish People* (2018), strengthening the Jewish character of the State.¹⁵

¹⁰ D. Kretzmer, *Israel's Constitutional Crisis*, in *Quaderni costituzionali*, 1, 2023, pp. 178 – 185.

¹¹ E. Campelli, *La pena e il sistema. Una sineddoche costituzionale israeliana*, in *Nomos. Le attualità del diritto*, 1, 2026, pp. 4 -5.

¹² D. Kretzmer, *Israel's Constitutional Crisis*, cit., p. 181.

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¹⁴ P. Lintl, *Haredi Parties and Israeli Democracy*. In: Kumaraswamy, P.R. (eds) *The Palgrave International Handbook of Israel*. Palgrave Macmillan, Singapore, 2021.

¹⁵ [Basic Law: Israel - The Nation State of the Jewish People \(Originally adopted in 5778-2018\)](#).

EUROPE'S WATER BLIND SPOT: THE CONTRADICTION AT THE HEART OF THE EU'S AI STRATEGY



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Europe is racing to build the physical infrastructure of artificial intelligence. It is racing, just as hard, to protect a resource that is already running short: water. The tension between these two priorities is becoming increasingly difficult to ignore.

The European Commission's proposed Cloud and AI Development Act (CADA) aims to at least triple EU data-centre capacity within five to seven years. Its European Water Resilience Strategy, meanwhile, calls for the EU to improve water efficiency by at least 10 per cent by 2030. These are not contradictory objectives. But they expose a gap in policy thinking: Europe's AI strategy is explicit about the need for physical infrastructure, while water policy is still largely discussed as a question of conservation and resilience rather than infrastructure allocation.

This matters for technological sovereignty. Europe needs greater control over the computing, cloud and digital infrastructure on which its economy, public administration and security increasingly depend. Yet sovereignty is not created by capacity targets alone. A data centre is a physical asset embedded in an energy system, a water system, a land market and a regional economy. Europe therefore needs to consider not only how much computing capacity it requires, but where that capacity can be developed without creating new vulnerabilities.

The physical cost of the AI build-out

The scale of the energy challenge is already becoming clearer. The International Energy Agency (IEA) estimates that data centres consumed around 415 terawatt-hours (TWh) of electricity globally in 2024 and projects this figure to reach about 945 TWh by 2030, with AI a major driver. The aggregate figures are manageable in a global context, but the local effects are much less evenly distributed. Data centres are geographically concentrated, creating pressure on particular grids and infrastructure systems.

Water follows a similar pattern, though it receives far less scrutiny. Cooling draws water directly, and the electricity that powers a facility is itself water intensive at the point of generation. The European Environment Agency estimates that agriculture accounts for roughly half of the EU's annual water consumption, with electricity cooling around one fifth. Data centres are not yet Europe's main water users. But water scarcity is local, while the political benefits of computing capacity are claimed nationally and across Europe. A facility in a water abundant region adds little strain. The same facility in a drought prone basin adds real strain, and efficiency gains in cooling technology do not remove that siting problem. A more efficient facility can still place substantial pressure on a constrained water system.

Spain's Aragón region shows what this looks like once it stops being hypothetical. Amazon reports its Aragón data centres used 68 million litres of water in 2025, in a region where agriculture and residents already compete for limited supply. Some newer projects there use water free cooling. Many existing facilities do not, and the difference is not accidental. It reflects the absence of any binding water criterion in how these sites were approved. Aragón was chosen for its land, energy and connectivity. Water was treated as a constraint to manage and not a condition of entry.

Cyprus as an early stress test

It also worth looking into the case of Cyprus. Water scarcity is not a future scenario on the island; it is a structural constraint. The Cypriot government records 2025 as the eighth-worst hydrological year since 1901 and describes 2026 as a year of heightened water risk. It also notes that national water needs have at times exceeded existing capabilities.

Desalination provides an important buffer, but it does not abolish scarcity. It requires energy, infrastructure and continuing investment. Water security is therefore closely connected to energy security and infrastructure resilience. New resource-intensive digital infrastructure has to be assessed against that broader balance.

Cyprus is nonetheless pushing to become a regional digital hub. Cyta's expansion of the RedMax data centre in Latsia, agreed in July 2026, will produce the island's largest privately owned facility, with the first phase due in early 2027. A 2026 feasibility study by Frederick University's H2Zero Research Unit found configurations from 5 to 100 megawatts technically feasible and identified coastal sites as offering cooling advantages. These findings are useful, but technical feasibility is not the same as strategic suitability. A facility can be technically viable and still impose an opportunity cost on a resource-constrained economy.

A small island-state with a constrained grid, limited land and acute water stress is being asked to absorb infrastructure designed for economies with none of those constraints. Cyprus should not be competing for hyperscale facilities on the same terms as Ireland or the Nordics. It has neither the water margin nor the grid capacity. The more defensible path is narrower: regional cloud services, secure data storage, cybersecurity and research infrastructure, rather than a race toward the largest possible footprint.

From capacity targets to resource-aware strategy

The EU does not have to abandon its AI ambitions. It should, however, decide where these objectives can coexist, which forms of computing are worth the resources they require, and which productive capacities must be protected in the process. Cyprus and the wider Mediterranean may encounter these limits earlier than northern Europe. That makes them more than peripheral cases. They are an early test of whether Europe's AI strategy is being designed around the physical realities of the continent, or around the assumption that those realities can always be engineered away.

Four changes could help address these issues:

First, capacity targets should be regionalised, not uniform. Planning should set expansion ceilings by water availability, grid capacity and projected climate stress, not treat twenty seven member states as interchangeable sites for the same policy.

Second, AI infrastructure should follow resource geography, not investor preference. Large, resource intensive facilities belong where power and water systems can absorb them. Constrained states should be steered toward smaller, higher value infrastructure rather than competing for scale they cannot sustain.

Third, water efficiency should be a condition of approval, not a reporting line. In stressed regions, closed loop cooling and treated wastewater should be required before permits are granted, not encouraged after construction begins.

Fourth, public support should track strategic return. Land, grid investment and permitting speed are public assets. They should be priced against measurable contributions to European capability, not handed out on the promise of investment alone.

The cloud is not weightless. It runs on electricity, water and land, and Europe has been building capacity faster than it has been building the conditions to govern where that capacity goes. The Commission does not need new legal powers to close that gap. It needs to apply the water and energy instruments it already has to the infrastructure it is currently exempting from them. Until

it does, AI capacity will keep expanding under a sovereignty framework that has not yet answered the more basic question of what that capacity is allowed to cost.

BEYOND THE PRECONCEIVED SCHEMES: SMALL STATES AND THE POST-NEOLIBERAL GEOPOLITICS OF THE MIDDLE EAST CRISIS



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Neoliberalism has a highly ambivalent relationship with economic and political crises. While prone to producing systemic shocks, the ideology is fundamentally unable to manage them satisfactorily. Typically, state intervention stabilizes the capitalist economy during a crisis, only for the state to recede afterward. This pattern, however, has obfuscated the vital difference between what Yanis Varoufakis conceptualizes as small-c and capital-C crises, while diverting attention away from the ongoing dissolution of the neoliberal paradigm. Although this paradigm anchored a bipartisan political order during the 1980s, 1990s, and early 2000s, it has been in deep trouble ever since.

In broad terms, the Iraq War and even the 2008 financial crisis could be viewed as crises within the neoliberal model, insofar as they led to temporary deviations from this model and ultimately reinforced an international order hostile to the military, political, and economic aspirations of the capitalist periphery and semi-periphery. On the other hand, the COVID-19 crisis planted the seeds for abandoning the neoliberal paradigm in favour of state-led forms of corporatism which are either encouraged or, at least, tolerated by influential international organizations such as the European Union. The aim of this article is to delineate the changing contours of global political economy in the aftermath of the regional conflict involving Iran and the wider Middle East region. We use as our point of departure the political theory of Michael Hardt and Antonio Negri, as formulated in *Empire* (2000) and subsequently revised in *Multitude* (2004). This theory has far-reaching implications for revisiting the role of small—even island—states in the international system and debating the ways in which they can conceptualize their interests in a world where the importance of borders and territory is on the rise and globalization can no longer be taken for granted.

Without being identical with neoliberalism, globalization can hardly be understood independently of it. The rise of transnational social forces in the course of the 1970s led to the triumph of a particular vision of globalization during the 1990s. Interpreted through the prism of market fundamentalism

by Tariq Ali and others, this vision was accepted in its broad outlines not only by neoliberal ideologues but also by thinkers who in the past had associated themselves with other political projects. The post-Marxism of Hardt and Negri proved to be a huge success in the United States despite the lengths to which they went to dissociate their “Empire” from any single nation, including the most powerful one. The United States was celebrated not as a traditional empire, but rather because of its differences with the European nations that had dominated the eighteenth and nineteenth centuries; war was portrayed as obsolete at a historical juncture when only international police action could restore order and/or promote humanitarian ends within an apparently unified world. Many of those assumptions were, however, subsequently abandoned in *Multitude*, which had to engage with the problem of American unilateralism during the George W. Bush period and what the authors saw as an attempted coup within the Empire.

The United States was no longer seen as a constituent part of an impersonal Empire but rather as the purest expression of a global aristocracy that still assumes the form of a network, alongside international organizations and other forces. A notable omission in this analysis, however, was an appreciation of the significance of largely reactionary political forces such as Islamism or Third-World nationalism, or even the conceptual tools necessary to properly evaluate the international role and domestic politics of the BRICS countries.

If Hardt and Negri had to revisit their theory in the aftermath of Bush’s war against Iraq, the Iran conflict and its wider regional and global implications necessitate a more wide-ranging re-examination of the dialectic between corporatism and neoliberalism as state/society complexes. While the tenacity of the Iranian regime is not reducible to any single factor and requires an accounting of the coexistence and intermingling of religious authority, political institutions, and security networks, it first and foremost reveals the importance of a state-directed industrial and economic policy that is able to absorb external shocks.

Leaving Iran aside, another non-liberal country, China, seems to be doing remarkably well amid the disruption of the global oil trade because of the existence of a diversified and self-sufficient energy system. To those developments one should also add complex phenomena such as the transformation of governments into insurers of last resort who intervene when risks for the private sector become too high. To the extent that one would like to examine all those developments through a single prism, this cannot be that of neoliberalism or even the post-Marxist globalism of Hardt and Negri. Individual liberties, borderless cooperation and global supply chains are only part of the picture small states must consider when formulating their interests and exercising sovereignty. Being closer to the epicentre of the Middle East conflict than any other nation, Cyprus also has

the most to learn from it, provided that it does not examine it through the preconceived interpretative schemes of a bygone era.

Ultimately, the unfolding crisis in the Middle East functions as a catalyst for a broader, structural transformation. It marks a shift where the romanticized, borderless flows of the early 2000s are replaced by a fragmented global order. In this new reality, state-led survival strategies and regional re-territorialization dictate economic survival. For a small island state like Cyprus, navigating this landscape requires shedding the residual illusions of the neoliberal era. The island can no longer view its prospects solely through frictionless integration or passive reliance on external networks. Instead, Cyprus must recognize that the return of the state as an "insurer of last resort" and the rising importance of territorial sovereignty require a proactive, multidimensional strategy. Only by understanding this dialectic between state intervention and geopolitical risk can small states protect their sovereignty in an era where global supply chains are increasingly weaponized and borders have regained their definitive, historical weight.

THE WTO AT A CRITICAL CROSSROADS: COMMON RULES, UNEQUAL BENEFITS



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Thrace*

The World Trade Organization warns that multilateral trade cooperation needs reform to prevent the fragmentation of the global economy, as existing rules struggle to keep pace with shifts in economic power, increased state intervention, digitalisation and geopolitical tensions. This concern has not emerged suddenly. Rather, it can be seen as a persistent issue since the end of the Second World War, when the global economic system turned towards liberalisation and tariff reduction. What is perhaps worth asking, however, is whether global economic governance and competition for power genuinely represent opposing logics. Although the approach to international trade changed, this change was neither universal nor achieved without resistance. Each GATT negotiating round delivered gradual tariff reductions, yet negotiations always took place within an intergovernmental framework, shaped by each participating state's cost-benefit calculations and its power to influence the agenda.

However, the establishment of the WTO in 1995 and the transition to a stronger institutional framework did not automatically change how states behaved in international competition. Consensus and the creation of a global organisation designed to further safeguard the unimpeded conduct of free trade were undoubtedly significant achievements. Yet their effectiveness has proved to be constrained by members' willingness to accept common rules even when these limit their particular strategic ambitions. The institutionalisation of cooperation did not eliminate competition for power; it created a framework within which that competition could unfold and be managed. In this sense, global economic governance and power politics are not mutually exclusive, since the rules themselves reflect the balance of power and the compromises from which they emerged. Put simply, even the powers that played a decisive role in shaping the rules may seek to revise or circumvent them when their priorities change.

The crucial question, therefore, is under what conditions states continue to regard collective commitments as more beneficial than unilateral action. When market access, technological superiority and control over strategic

production activities are viewed primarily as sources of national power, the aggregate economic benefits of cooperation may not be sufficient to sustain it. What then becomes particularly important to a state is not only how much it gains, but also whether cooperation strengthens a competitor even more—especially when this comes at its own expense or when it faces domestic pressure. The coexistence of common rules and unequal power becomes particularly apparent in three areas: the setting of the negotiating agenda, the settlement of trade disputes and preferential trade agreements.

First, the negotiating agenda

Because the WTO operates on the basis of consensus, adaptation remains difficult: its 166 members are at different levels of development and have conflicting interests. More specifically, the WTO, like its predecessor, the GATT, operates according to common rules, while decision-making remains in the hands of its members. Major decisions are taken collectively, with all members having an equal voice. The standard practice is decision-making by consensus, which is reached when no member formally objects. In certain circumstances, the organisation's agreements also provide for voting, usually requiring a supermajority. The Ministerial Conference, the organisation's highest decision-making body, meets at least once every two years and has the authority to decide on any matter covered by its multilateral trade agreements.

When negotiations follow a law-based approach, states adhere to commonly accepted procedures and seek agreements that open markets through relatively balanced commitments.¹ The objective is to generate benefits without leaving any participant worse off. By contrast, when negotiations follow a power-based approach, states rely primarily on the size of their markets to influence decisions in their favour. The European Union and the United States are prominent examples, as their large markets have afforded them considerable bargaining power. In 1994, together they accounted for almost half of global GDP. Thus, although all members are formally equal, they do not exercise equal influence. Agreements may therefore favour powerful states and major trading blocs, such as the EU, while worsening the position of less developed countries.

Second, the settlement of trade disputes

The establishment of the dispute settlement mechanism during the Uruguay Round highlighted the importance WTO members attach to compliance with the obligations they have undertaken under the organisation's founding agreement. However, limited capacity for trade retaliation, an inability to

¹ Steinberg, R. H. (2002). In the shadow of law or power? Consensus-based bargaining and outcomes in the GATT/WTO. *International Organization*, 56(2), 339–374.

cover legal costs and dependence on bilateral aid can discourage a country from participating in a dispute, even when its exports are adversely affected. Indeed, several studies² confirm that decisions to participate in and make use of the dispute settlement mechanism are linked to economic and political inequalities. Specifically, an exporting country is less likely to participate if it has a low GDP, limited capacity for trade retaliation, a preferential trade agreement with the respondent country, or dependence on that country for bilateral aid within the framework of international development cooperation.

Consequently, even when their trade interests are harmed, states do not have the same practical capacity or the same incentives to seek protection for those interests.

Third, preferential trade agreements

Reciprocity and non-discrimination are among the WTO's fundamental principles. Members seek to exchange trade concessions, such as reciprocal tariff reductions, while generally being required to extend to all other members the same favourable treatment they grant to any one of them. At the same time, once imported products enter the domestic market, they should not receive less favourable treatment than comparable domestic products in terms of internal taxation and relevant regulations. These principles, however, are subject to established exceptions, such as preferential trade agreements and special treatment for developing countries.

The creation of a free trade area or a customs union grants its members preferential market access that third countries do not enjoy. This is a recognised exception to the principle of non-discrimination, which, under certain conditions, may cause trade diversion at the expense of more efficient producers outside the agreement. Put simply, regional and sectoral agreements can support the system, but they may also reinforce exclusion and favour preferred partners over more efficient producers. This means that a country may source products from a trading partner that produces them at a higher cost because their agreement provides for reduced or zero tariffs. Conversely, a more efficient producer outside the agreement may effectively be excluded from the market because tariffs make its products more expensive. This is the phenomenon of trade diversion, whereby preferential treatment determines the choice of supplier at the expense of productive efficiency.

² See, for example: Bown, C. P. (2005). Participation in WTO dispute settlement: Complainants, interested parties, and free riders. *The World Bank Economic Review*, 19(2), 287–310; and Bown, C. P., & Reynolds, K. M. (2015). Trade flows and trade disputes. *The Review of International Organizations*, 10(2), 145–177.

The limitation of the estimates, therefore, is that while they highlight the potential economic cost of fragmentation, comparisons of aggregate figures are insufficient to assess the distribution of benefits and adjustment costs, or to explain which states can more effectively influence the terms of cooperation. According to several economists' projections, competition between large rival trading blocs could reduce global GDP by 5.1% and exports by 18.6% by 2050. Conversely, stronger cooperation could increase these figures by 2.9% and 18%, respectively. Yet what these projections do not tell us is who will benefit most from this increase, on what terms cooperation will take place and, of course, what the costs will be for less developed countries.

The existence of mutual benefits therefore implies neither their equitable distribution nor the best possible outcome for the less powerful. An agreement may improve the position of all participants while primarily reflecting the priorities of the strongest, leaving others with limited scope to shape its terms. A weaker state may accept it because of the high cost of exclusion rather than because it meaningfully fulfils that state's development ambitions.

From this perspective, reform of global economic governance must be assessed both in terms of its capacity to expand aggregate benefits and the opportunities it provides for the less powerful to influence the rules and claim a greater share of those benefits. The issue is therefore fundamentally structural: who ultimately determines the terms of cooperation, who enjoys its benefits and who bears the costs of adjustment.

THE RED SEA: A CONSTITUENT ELEMENT OF THE GREEK GEOPOLITICAL PERSPECTIVE



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Since time immemorial, Greeks have been travelers, mariners, and seafarers—and, in this specific context, voyagers to the Indian Ocean. The Red Sea is a source of material wealth and enriching experiences, serving to broaden our horizons. Conversely, the challenges of navigating from there to the Mediterranean give rise to economic concern and social insecurity across Europe.

After the Trojan War, Menelaus served the Egyptian Pharaoh and navigated the northern extremity of the Red Sea—the body of water we now call the Gulf of Suez. Ptolemy I Soter, founder of the Greek dynasty in Egypt and the most fortunate of the Successors, extended his kingdom's presence along the entire length of the Red Sea coast, spanning both the African mainland and the opposite shore of the Arabian Peninsula. He developed lucrative trade ties with the region's southwestern part—Arabia Felix, known today as Yemen. Evidence of this Ptolemaic influence can be found in art objects housed at the Dumbarton Oaks Museum in Washington. The anonymous 1st-century AD author who wrote the **Periplus of the Erythraean Sea** (and the regions beyond) in our language was a Greek from Egypt. In the 4th century AD, the missionaries Aedesius and Frumentius were sent from New Rome—Constantinople—to bring the light of Christianity to Ethiopia—specifically the Kingdom of Aksum—located at the entrance to the Red Sea. Two centuries later, during the reign of Justinian, another Egyptian Greek—Cosmas, known as Indicopleustes—traveled as far as Ceylon (then called Taprobane); in his later years, while a monk at Sinai, he described with considerable accuracy the trading posts and anchorages both within and beyond the Red Sea in his work, **Christian Topography**.

Greeks did not become estranged from this region even after the Empire's withdrawal from Egypt and Palestine. In more recent times—whether under Ottoman rule, the Khedives of Egypt, or British administration in Egypt and Sudan—they settled along the coasts and established communities stretching from Ismailia and Suez to Port Sudan, Asmara and Massawa in Eritrea, Djibouti, and Berbera in Somalia. The Greek-owned merchant fleet traverses

the reef-strewn waters of the Red Sea, transporting hydrocarbons, all manner of dry cargo, and shipping containers.

If present-day Ethiopia—never colonized and philhellenic thanks to Frumentius and the active expatriate communities of the 19th and 20th centuries—marks the southernmost point of the Greek geo-cultural horizon, then the Red Sea, the Gulf of Aden, the Sea of Oman, and their ports constitute the maritime highway through which Greek seafarers transport energy, food, and industrial and consumer goods to Greece, the Mediterranean, and Europe. No seafarer of any other nation knows the secrets of this elongated sea—stretching nearly 2,000 kilometers—as well as the Greek seafarer.

However, over the past twenty years, Greece has successfully participated—through its Navy units—in UN and EU operations, specifically **Atalanta** and **Aspides**. These missions aim to combat piracy in the Gulf of Aden and beyond, and, more recently, to protect international shipping from attacks by the powerful Ansarullah (Houthi) organization-state in Yemen. A Greek Rear Admiral has just assumed command of Operation **Aspides**, while the frigate **Psara** has been commended for its actions in the vicinity of the Bab el-Mandeb Strait.

An overview of security and stability issues in the Red Sea

The importance of the Red Sea for Europe and Asia stems primarily from the need of European nations to source hydrocarbons from Persian Gulf producers, as well as industrial goods, consumer products, and rare earth elements from the countries of East Asia—specifically China, Japan, and South Korea, and, in recent years, India.

Consequently, security and stability in the Red Sea and the adjacent Horn of Africa region are of paramount importance to the international community and the global economy. Egypt holds a pivotal yet precarious position in the geopolitics of the Red Sea; it is a power that controls the Suez Canal while also relying heavily on the revenue generated by its operation. Stability and social peace in Egypt—a country with a current population of approximately 110 million—remain a constant priority. The same applies to Ethiopia—a landlocked country since 1990 with a population of 130 million—which is on a collision course with Egypt over the retention of Blue Nile waters for irrigation, food security, and energy purposes.

Egypt, Sudan, Eritrea, Djibouti, Yemen, Saudi Arabia, Jordan, and Israel share the Red Sea coast, while at its outlet to the Indian Ocean, our friendly, pro-Ethiopian Somaliland vies with pro-Turkish Somalia.

At the same time, Turkey has for years been making inroads into the region by establishing bases (in Somalia) and attempting to intervene in the Sudanese civil war on the side of the government—maintaining a presence in Port Sudan and Suakin and, despite its own difficult fiscal situation, funding schools and development programs. From a geopolitical perspective, there can be no doubt that today's neo-Ottoman Turkey is planning a return to the Red Sea—and, through it, to the Indian Ocean—much as was the case prior to 1917; indeed, it seeks to "rectify" the historical error made by the Sultans in failing to establish a naval fleet in the Indian Ocean following the era of Admiral Piri Reis. In this pivotal region of the globe, Turkey oscillates between colonial overextension and an imperial resurgence. Ankara is well aware that these ambitions cannot be realized without Egypt's cooperation and unhindered passage through the Suez Canal from the Mediterranean to the Red Sea. It was primarily for this geopolitical reason that Turkey supported the Muslim Brotherhood during the two-year period (2011–2013) of Mohamed Morsi's administration.

The Mecca Pact

The trilateral defense pact between Turkey, Pakistan, and Saudi Arabia is underpinned—to varying degrees—by opposition to Israel's general policy. It represents a direct response to the inability of the US to effectively protect the Arab monarchies of the Persian Gulf against Iranian missile retaliation. The weakest link in the triangle—as a state—is Saudi Arabia; its leadership seeks to demonstrate, both domestically and internationally, that it is purchasing security while facing Yemen's Houthis and the destruction of infrastructure in its oil-producing regions, all while remaining at direct odds with the United Arab Emirates and in long-standing conflict with Qatar. The Mecca Pact—driven by the influence of Pakistan and Turkey—pushes the India-Middle East-Europe Economic Corridor (IMEC) project (already a long-term undertaking) further into the future, unless a breakthrough emerges regarding the Palestinian issue or Riyadh shifts its stance. From a geoeconomic perspective, the Pact primarily disadvantages India and its partners, while benefiting Pakistan—which skillfully maneuvers between the US and China—and, evidently, China itself, which, as usual, avoids direct involvement in the proceedings. Turkey—drawing on its legacy as the Ottoman Empire and the Caliphate (which lasted until 1924)—is stepping up its efforts to strengthen its position in the Red Sea and the Gulf of Aden. Iran, while the immediate impetus behind the "Mecca Trio" initiative—though not a direct target of the pact itself—will henceforth be expected to curb its strikes against Saudi Arabia. Egypt declined to participate in the initiative, nor is it expected to do so, consistent with its policy of maintaining a delicate balance—particularly given its relations with Greece, Cyprus, and Israel.

Greece is deriving no benefits: the IMEC project is being deferred to an indefinite future, the partnership with Saudi Arabia is losing momentum, and Israel cannot ignore this new alignment. Nevertheless, a need emerges to

enrich and deepen engagement with Egypt, alongside an opportunity to take a comprehensive view of our relations with the littoral states of the Red Sea and the Horn of Africa—focusing primarily on what remains of the cooperation with Saudi Arabia, but also considering other nations active in this critical region, such as our ally France and the highly active UAE. Furthermore, Greece and the Republic of Cyprus ought to reaffirm their relationship with Ethiopia—utilizing both cultural diplomacy tools and labor employment agreements—and also establish observation posts in Djibouti and Berbera, Somaliland. However, there can be no talk of recognizing the state of Somaliland in the foreseeable future. In this regard, Athens must carefully monitor Egypt's interests and avoid opposing them due to a miscalculation. The fact that Egypt—out of necessity, given its rift with fellow Hamitic nation Ethiopia—supports Somalia (albeit for different reasons than Turkey) must not lead Athens and Nicosia to draw erroneous conclusions.

Sudan – United Arab Emirates

Civil war has been raging in Sudan for three years, exacting an untold human toll—particularly in the western province of Darfur. The capital, Khartoum, remains in the hands of General al-Burhan's Sudanese Armed Forces (SAF), while areas west of the Nile—primarily Darfur and Kordofan, as well as pockets extending to the borders with Ethiopia and Eritrea—are controlled by the Rapid Support Forces (RSF) of the rebel warlord Dagalo. The legitimate government maintains control over the route connecting Khartoum to the vital port of Port Sudan.

Regarding the alliances formed by the two warring parties: Egypt and Saudi Arabia primarily support the Khartoum government, whereas the UAE—along with elements from Russia (formerly Wagner)—backs Dagalo, who has access to the country's gold mines scattered throughout the state. However, the most significant mines are located in the northeastern region—between the Nile and the Red Sea—within territory held by the SAF. Particular emphasis is placed on the UAE's substantial logistical and financial support for the RSF, justified by the aim of combating Islamic fundamentalism; this support is part of a broader policy to expand the Emirates' influence in the Red Sea region. Gold smuggling is, to a significant extent, the fuel prolonging the civil war in Sudan.

Dahlak Islands – Yemen/Houthis

The Dahlak island group belongs to Eritrea. The islands are located relatively close to the African coast, off the port of Massawa. They constitute a crucial strategic prize. The Dahlak archipelago has long been a subject of interest for Israel.

Houthis

The Ansarullah organization—an umbrella movement dominated by the Yemeni Shiite groups collectively known as the Houthis—represents the resilient, hardy, and tough highland tribes of northern Yemen and constitutes the country's primary political-military force, despite lacking international legitimacy. It controls the historic capital, Sanaa, and the port of Hodeidah. It is closely linked to the Iranian regime, with whose policies it coordinates, yet it maintains a significant degree of operational independence. However, its supply of long-range missile systems—capable of reaching Israel—is attributable to Iran, albeit with on-site modifications. The Houthis are not expected to be overthrown. After all, they embody Yemeni nationalism in opposition to the wealthy Saudis of the plains. Success for the international community—in its effort to maintain freedom of navigation from the Bab el-Mandeb Strait to the Suez and the Mediterranean—would lie in neutralizing the Houthi arsenal through a combination of military and political means. During the second week of September 2026, the Houthis launched surprise raids south of their traditional territories; as of September 13, 2026, they control the entirety of Yemen's Red Sea coast, as well as the Hannish archipelago—formerly claimed by Eritrea—and the strategic island of Perim (with an area equal to that of Megisti), situated right in the Bab el-Mandeb Strait opposite Djibouti. Speculation suggests that the relative American inaction aims to compel Riyadh—and the beleaguered Crown Prince MbS—to discreetly freeze his activities under the Mecca Pact, move closer to Israel, and revive the prospect of the IMEC corridor becoming operational. Under current circumstances, with Saudi Arabia facing blows from various quarters affecting both its territory and its prestige, the need to maintain the political-military bond with Greece becomes evident.

The issue of the Blue Nile waters

From this point on, it stands as a symbol of Ethiopian statehood, self-reliance, and national rebirth. Ethiopia succeeded in fending off Egypt's relentless maneuvers—ranging from threats to diplomatic tactics—aimed at thwarting the project or limiting the dam's capacity. In Cairo (and to a much lesser extent in Khartoum), the view prevails that the loss of the "gifts of the Nile" would exponentially exacerbate Egypt's economic and social problems—particularly considering that approximately 55 billion cubic meters of Nile water (from both the White and Blue Nile) flow into the country annually. This dynamic—involving Ethiopia with its 130 million inhabitants and Egypt with its 110 million, alongside the construction of the GERD—gives rise to geopolitical consequences. Landlocked Ethiopia, having lost access to the sea following the 1993 secession of Eritrea, is compelled to seek an outlet to the Indian Ocean. In January 2024, a Memorandum of Understanding (MoU) was signed with the internationally unrecognized Somaliland for the long-term lease of a vast tract of land near the port of Berbera, with the aim of developing port facilities for both commercial and military use.

The prevailing assessment is that, despite the threats, Egypt will not resort to military action against Ethiopia, nor will Somalia—where Egyptian units have been deployed—facilitate such a move. However, if the government in Addis Ababa fails to demonstrate a basic spirit of cooperation with the downstream states of Sudan and Egypt, it will remain vulnerable to various forms of pressure, both overt and covert. Athens—and possibly Nicosia—has a vested interest in the matter and is well-positioned to offer good offices to these two friendly nations, whether in Athens or through the UN Permanent Mission in New York.

Somalia - Somaliland

Somaliland—formerly British Somaliland—comprises the northern and western part of Somalia (centered on Mogadishu), from which it seceded in 1991 following bloody struggles. It occupies the southern coast of the Gulf of Aden, serving as a direct extension of Djibouti and providing Ethiopia with its shortest outlet to the Indian Ocean. It is relatively well-governed, in contrast to the "failed state" of official Somalia, which remains plagued by tribal conflicts, fanatical Islamist groups, and pirate networks operating on both sides of the Horn of Africa (Cape Guardafui).

The balance of power within the Organization of African States (OAS) poses a major obstacle to the request for recognition of Somaliland as an independent state. The prevailing view is that the case of South Sudan (which gained independence in 2011) cannot serve as a precedent for Somaliland. In early 2026, Israel formally recognized Somaliland—a move driven by factors extending beyond mere rivalry with Turkey, which is firmly entrenched in Mogadishu. Greece is justified, in cooperation with the shipping community, in seriously considering the establishment of a commercial agency or outpost representing maritime interests in Berbera. There is no reason for Greece to take further steps in the foreseeable future, unless a momentum towards recognizing Somaliland were to suddenly emerge. It is worth noting that, at the inauguration of the GERD a year ago, the Ethiopian government invited the President of Somalia—not Somaliland—in a move signaling a concern to keep balanced relations.

Bab el-Mandeb

The western entrance to this strait—a critical "choke point" for supply chains, energy, and the transport of industrial goods to Europe—is controlled from the territory of French-speaking Djibouti. This is the site of the major US base, Camp Lemonnier, which currently hosts 3,000 American military personnel under the command of US Africa Command. France, China (since 2017), Japan, and Italy also maintain military bases in Djibouti. The state of Eritrea extends to the northern end of the Bab el-Mandeb entrance; its main port, Massawa, lies 200 km further north. The United Arab Emirates maintains a

base at the Eritrean port of Assab. The city of Aden—located on Yemen's southern coast near, yet outside, the Bab el-Mandeb Strait; once a British stronghold, then part of South Yemen, and today simply the largest city in southern Yemen—remains the key center outside the control of the Ansarullah (Houthi) forces. Control of Djibouti and Aden by pro-Western forces is insufficient to ensure the security of international shipping; the Houthis—pro-Palestinian and anti-Zionist—positioned slightly further north, remain capable of disrupting maritime traffic bound for the Suez Canal using missiles as well as unmanned aerial and surface vehicles, with Egypt being the first to suffer the consequences. The EU's Operation ASPIDES plays a vital role in mitigating the impact of the Houthis' illicit activities. However, a diplomatic approach to the issue is required.

Thoughts and proposals

Greece should urgently consider opening a Maritime Attaché office with a broad mandate in Djibouti. This proposal was submitted two years ago by the undersigned to the then-Minister of Merchant Marine, Christos Stylianides. Furthermore, as previously mentioned, a commercial outpost should be established in Berbera, Somaliland.

Establishing a working group within the Ministry of Foreign Affairs focused on the Red Sea and the Horn of Africa—convened on a periodic basis—would be highly beneficial. A structured dialogue with the Cyprus Ministry of Foreign Affairs, regarding these same issues, would also be advisable. The Greek government could encourage and support the organization of a specialized conference (with limited participation) on navigation in the Red Sea, in order to examine the relevant issues and advance Greece's specific interests in the region.

WATER GOVERNANCE AND HUMAN RIGHTS IN THE ERA OF CLIMATE CRISIS: GLOBAL CHALLENGES WITH A SPECIAL REFERENCE TO THE RECENT DEVASTATING FLOODS IN NEPAL



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1. Introduction

The current paper analyzes issues regarding the legal framework and the governance of water resources amidst the ongoing climate crisis, with specific reference to the recent floods in Nepal and the tragic consequences they left behind. It seeks to highlight the close link between water governance and the protection and promotion of a wide range of human rights.

The climate crisis is a reality we are experiencing today, and we are called upon to manage and adapt to it. Water governance and climate crisis are interrelated. Consequently, the new challenges posed due to the climate crisis have to play a decisive role in the formulation of water strategy.

2. Water governance and Human Rights in the era of climate crisis

2.1. Water governance and climate crisis

Climate change is primarily a water crisis. We feel its impacts through worsening floods, rising sea levels, shrinking ice fields, wildfires and droughts. However, effective water management can fight climate change. Sustainable water management is central to building the resilience of societies and ecosystems and to reducing carbon emissions.¹

¹ United Nations, UN Water, "Water and Climate Change", <https://www.unwater.org/water-facts/water-and-climate-change>

For further study:

- *Guidance on Water Supply and Sanitation in Extreme Weather Events*, edited by L. Sinisi and R. Aertgeerts, World Health Organization, 2010.

- "Water for Sustainable Food and Agriculture", A report produced for the G20 Presidency of Germany, Food and Agriculture Organization of the United Nations, Rome, 2017.

Increasing floods and droughts, caused in part by the climate crisis, pose contemporary challenges for water governance on a global scale. Furthermore, the climate crisis contributes to water degradation and intensifies competition among water users worldwide, reinforcing even more the geopolitical dimension of water management.

2.2. Water governance and Human Rights

In the current paper, it is argued that water governance is closely linked to a great number of human rights and that, due to the climate crisis, we have to pay even greater attention to the protection of the relevant rights. It is proposed to approach the management of the climate crisis from a human-centric perspective, placing people and the protection of their rights at the heart of the common interest and joint action.

It should be noted that the UN General Assembly Resolution A/RES/64/292 (2010)² “The human right to water and sanitation” recognizes the right to safe and clean drinking water and sanitation as a human right, that is essential for the full enjoyment of life and of all human rights. It, also, calls upon states and international organizations to provide financial resources, capacity-building and technology transfer, -through international assistance and cooperation- in particular to developing countries, in order to scale up efforts to provide safe, clean, accessible and affordable drinking water and sanitation for all.

In a previous research and publication³ I have proposed to link the human right to water and sanitation with other human and peoples’ rights, in order to highlight its special value, to enrich its content, to empower it and to make it justiciable.

In particular, having regard to the **Universal Declaration of Human Rights**⁴, the **International Covenant on Civil and Political Rights**⁵, and the **International Covenant on Economic, Social and Cultural Rights**⁶; the human right to water and sanitation could be connected with the following rights:

- the right to life,

² A/RES/64/292 (2010) “The human right to water and sanitation” (2010)
<https://undocs.org/en/A/RES/64/292>

³ - Virginia Balafouta, “Strengthening ‘International law of transboundary rivers’ through international human rights law, international criminal law and international humanitarian law. The dynamics of the right to water.”, *American Yearbook of International Law – AYIL*, Volume 1, No 1, 2022, pp. 2-28.

⁴ Universal Declaration of Human Rights (1948)
<http://www.un.org/en/documents/udhr/>

⁵ International Covenant on Civil and Political Rights (1966)
<https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-civil-and-political-rights>

⁶ International Covenant on Economic, Social, and Cultural Rights (1966)
<http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>

- the right to human dignity,
- the right to health,
- the right to adequate food,
- the rights of vulnerable groups: women, children, the older people, people with disabilities,
- the right to education,
- the right to work,
- the right to a healthy environment, and
- the right to development.

Moreover, I attempt the connection of the right to water and sanitation with several rights already enshrined: i) in the European Convention on Human Rights, ii) in the American Convention on Human Rights, and iii) in the African Charter of Human and Peoples' Rights. In this way, it would be possible for individuals and for states to legally invoke and judicially assert this right. The regional instruments and mechanisms for the protection and promotion of human rights would, therefore, be able to be utilized in the field of water issues.

Also, the combined invocation of the right to water and sanitation and of other rights -already enshrined in regional human rights instruments- could also be strengthened by the approach of evolutionary interpretation⁷ of international and regional treaties.

From the **European Convention on Human Rights**⁸, the right to water and sanitation could be linked to the following rights enshrined in the Convention:

- the right to life (article 2),
- the right to respect for private and family life (article 8),
- the prohibition of discrimination (article 14).

At the same time, from the **Protocol** to the Convention, the right to water and sanitation could be linked to:

- the right to education (article 2).

From the **Protocol No. 12** to the Convention, the right to water and sanitation could be linked to:

- the general prohibition of discrimination (article 1).

From the **American Convention on Human Rights**⁹, the right to water and sanitation could be linked to the following rights enshrined in the Convention:

- the right to life (article 4),

⁷ On the evolutionary interpretation of international and regional conventions,

- Virginia Balafouta, "The Evolutionary Interpretation of Regional and International Conventions. Proportionate application of the case law of the European Court of Human Rights to other Conventions.", *Human Rights*, Issue 77, Sakkoulas Publications, Athens-Thessaloniki, 2018, pp. 589-611.

⁸ European Convention on Human Rights (1950)

https://echr.coe.int/Documents/Convention_ENG.pdf

⁹ American Convention on Human Rights (1969)

https://www.oas.org/dil/treaties_b-32_american_convention_on_human_rights.pdf

- the rights of the family (article 17),
- the rights of the child (article 19),
- the right to equal protection (article 24),
- the progressive development (article 26).

From the **African Charter on Human and Peoples' Rights**¹⁰, the right to water and sanitation could be linked to the following rights of individuals and peoples enshrined in the Convention:

- the prohibition of distinction of any kind (article 2),
- the right of every individual to equality before the law and to equal protection of the law (article 3),
- the right for respect of the life and the integrity of every individual (article 4),
- the right of every individual to receive information (article 9 §1),
- the right of every individual to work under equitable and satisfactory conditions, and to receive equal pay for equal work (article 15),
- the right to health (article 16),
- the right to education (article 17 §1),
- the right of every individual to take part in the cultural life of his community (article 17 §2),
- the rights of the family (article 18 §1),
- the rights of vulnerable groups: women, children, aged, people with disabilities (article 18 §3,4),
- the peoples' right to equality (article 19),
- the peoples' right to existence, economic and social development (article 20),
- the peoples' freedom of disposition of their wealth and natural resources (article 21),
- the peoples' right to their economic, social and cultural development, with due regard to their freedom and identity and in the equal enjoyment of the common heritage of mankind (article 22),
- the peoples' right to national and international peace and security (article 23),
- the peoples' right to a general satisfactory environment favourable to their development (article 24).

Subsequently, special reference is made to the recent devastating floods which hit Nepal on 26 August 2026. The evidence presented below demonstrates -unfortunately- in reality the link between most of the aforementioned rights and water-related issues.

¹⁰ African Charter on Human and Peoples' Rights (1981)
[https://au.int/sites/default/files/treaties/36390-treaty-0011 -
_african_charter_on_human_and_peoples_rights_e.pdf](https://au.int/sites/default/files/treaties/36390-treaty-0011_-_african_charter_on_human_and_peoples_rights_e.pdf)
[https://treaties.un.org/doc/Publication/UNTS/Volume%201520/volume-1520-I-26363-
English.pdf](https://treaties.un.org/doc/Publication/UNTS/Volume%201520/volume-1520-I-26363-English.pdf)

3. The recent floods in Nepal and their devastating consequences in the field of human rights

On 26 August 2026, severe flash floods affected parts of central Nepal, including communities along the Bhote Koshi and Trishuli river corridors. Rasuwa, Nuwakot, Dhading and Chitwan districts in Bagmati Province, and Gorkha and Tanahun districts in Gandaki Province, have been affected. The Government of Nepal has declared 15 municipalities in the affected districts as disaster crisis-affected areas for three months.¹¹

The catastrophic floods were triggered by a glacier collapse in the Himalayas on the border with China.¹²

They have affected about 84.270 persons and resulted in vast destruction and damage to critical roads, schools, power grids and water systems.

According to data provided by the UN, by 9 September 2026, 1.367 persons were confirmed dead following the floods, 5.132 persons are missing, 13.646 persons have been rescued.

The UN Resident Coordinator for Nepal, Lila Pieters Yahia, stressed that Nepal has contributed very little to global greenhouse gas emissions and yet is experiencing profound human and economic consequences from a changing climate.¹³

In the wake of disaster, children are particularly vulnerable to health and protection risks. According to the United Nations Children's Fund (UNICEF), at least 22.000 children urgently need safe drinking water, sanitation and hygiene support. Water systems have been damaged across affected districts, while toilets and other sanitation facilities have been damaged or destroyed, raising the risk of waterborne and infectious diseases. Families may also struggle to meet children's nutritional needs, while pregnant and breastfeeding women also need support.

Moreover, at least 19 schools have been damaged, including eight that were completely and eight partially destroyed, while more than 10.000 school-age children need immediate psychosocial support and access to safe learning spaces.

¹¹ World Health Organization, "Nepal: flash floods and health response", <https://www.who.int/nepal/emergencies/2026-rasuwa-flash-floods>

¹² United Nations, UN News, "Nepal floods: Mounting death toll and concern for women and girls", 1 September 2026, <https://news.un.org/en/story/2026/09/1168234>

¹³ United Nations, UN News, "Flood-ravaged Nepal calls for climate justice", 9 September 2026, <https://news.un.org/en/story/2026/09/1168305>

*Preliminary reports also indicate that children have been separated from their parents and caregivers. Displacement and increased movement, particularly in border areas, heighten the risks of trafficking, exploitation, abuse and gender-based violence.*¹⁴

*According to the UN Women, an estimated 43.000 women and girls in Nepal need immediate humanitarian assistance. The UN Women Regional Director for Asia and the Pacific, Christine Arab, referred to "a disaster which met inequality".*¹⁵

Taking into account all these facts and evidence regarding the devastating floods in Nepal, we find that almost all the aforementioned rights are adversely affected.

4. Conclusions

In conclusion, the importance and critical nature of water resources governance have been recognized, yet they have become even more imperative in the era of climate crisis. Particular attention should be paid to climate justice and to "climate vulnerability".

Water management and, by extension, the right to water and sanitation are linked to a great number of human rights. Therefore, in the governance of water resources and the management of the climate crisis, it is crucial to adopt a human-centric approach that places people and their well-being at the heart of the common interest and the joint action and strategies. The recent floods in Nepal and the tragic consequences they left behind urgently highlight this necessity.

¹⁴ UNICEF, "Nepal floods leave 22.000 children without safe water", 3 September 2026, https://news.un.org/en/story/2026/09/1168269?utm_source=UN+News+-+Newsletter&utm_campaign=d41b2611a4-EMAIL_CAMPAIGN_2026_09_04_12_00&utm_medium=email&utm_term=0_fdbf1af606-d41b2611a4-109718121

¹⁵ UN Women, "Nepal floods: 43,000 women and girls need immediate humanitarian assistance", 1 September 2026, <https://www.unwomen.org/en/news-stories/press-briefing/2026/09/nepal-floods-43000-women-and-girls-need-immediate-humanitarian-assistance>

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