



THE ROAD TO HELL IS PAVED WITH GOOD INTENTIONS

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The Republic of Cyprus marked the 45th anniversary of the Turkish invasion this summer. And the new political season opens in a painful and reluctant search for another reason to start new round of contacts with the Turkish-Cypriot side. From the outside observer's point, the whole performance leaves the impression that the two sides and their international mediators are driven not by the desire to find a lasting solution but just because the forty-five-year-old ritual obliges, and this is what was stated in their job description before they were all hired. There is the air of collective fatigue, apathy and déjà-vu, where both sides look like as if they have realized that years of couple therapy did not bring relief, even if they regularly change the therapist (read UN special envoy). The two are still terrified to pronounce in loud the word "divorce" but silently have already been thinking about it more than once, and probably, secretly even imagined how life would look like after the "D-day".

In moments like this, it is important to pause and try to see the bigger picture, the historical context, the available resources, risks, constraints, but most importantly, identify the imperatives, what represents the true value, what must remain a priority under any circumstances, and is worth of unpleasant compromises or foregone benefits.

The Republic of Cyprus will celebrate sixty years of its independence next year, forty-six of which it will technically be living in the state of war with Turkey. Looking back, despite the initial devastation caused by the invasion, loss of human lives, territory and the hardship of the 1970s and early 1980s, history was merciful to the Republic of Cyprus, and things have turned out much better than it otherwise could have been. And this is where it is vital to understand the historical context and the global forces, which emerged one after another like a giant tide, and within short thirty something years lifted Cyprus from the level of a devastated third-world country to the level of membership in the richest economic club in the world, the European Union.

The roots of the Cypriot economic success lie in several historical processes: decolonization of the 1960-70s; the financial globalisation launched in the 1980s; collapse of the USSR and of the communist block; the opening of China and the rise of emerging markets, and finally, the accession to the EU at the peak of the Union's harmony, wealth and prosperity.

Each of these processes created a major industry in Cyprus, generated and sustained an uninterrupted economic growth of the island's economy for over thirty years. *Now the cycle is coming to an end with each of these historical global forces logically dying down in front of our eyes with direct long-term consequences for the local economy and regional politics:* the offshore financial sector with its roots in the system inherited from the British, which flourished during the age of financialisation of the world economy, suffered the first blow in 2008, then from the devastating banking crisis of 2013, and finally, was almost suffocated by the imposed local and international regulation; the flood of financial capital from Russia/East Europe/Middle East dried down due to the fall of energy/commodity prices, their internal economic problems and Russia's ongoing confrontation with the West; success of the shipping industry on the back of the unprecedented growth of international trade driven by globalisation, opening of China and emerging markets, is now at serious risk due to mounting protectionism, intensifying trade wars and regionalisation of the world economy; and finally, the EU, after almost three decades of harmony, expansion and growing wealth (which new poorer entrants benefited substantially), entered the long period of fragmentation, discord and deep systemic problems, where small and weak peripheral states will be feeling the pain more acutely than their bigger and richer partners.

Looking back at the post-invasion history of the island, and especially, comparing it with the emerging dynamics of today, there are several important observations to make:

1. *Peaceful conflict.* Forty-five years of occupation took less than ten lives on the Greek-Cypriot side of the divide line... eight ... to be precise. This is less than the statistical error in the natural demographic loss, and it stands nowhere near human losses in conflicts like Karabach, where the fire is exchanged on a regular basis. For the sake of fairness, it must be admitted that no terrorist attacks or militant insurgency was organized from the occupied area over the years. Turkey's aspirations for the EU membership could also be mentioned among restraining factors. However, it should not be overestimated, especially, over the recent decade.
2. *Successful diplomatic blockade of the "TRNC".* Despite continuous efforts by Turkey to lobby recognition of the "TRNC" on the occupied territory, the Republic of Cyprus remained the only internationally-recognized nation-state on the island. However, this result owes less to the diplomatic prowess or influence of the official Nicosia, but rather to the established post-WW2 order based on the principals of respect for the international law, sovereignty and territorial integrity of nation-states.
3. *No direct economic competition/confrontation with Turkey.* This was one of those factors, which critically reduced the risk of confrontation over the decades. Denial of entry to Cyprus-registered vessels in the Turkish ports did

not prevent ROC to become one of the TOP-10 ship-registration centers in the world. Similarly, regular anti-Turkish voting by Cyprus in the European institutions did not stop Turkey to build flourishing economic relations with the Union. Fortunately, the two economies had different size and structure, and were reaping benefits of the globalisation by running on different tracks, without ever facing each other in the direct competition for strategic economic assets.

... enter the gas ...

Positive geological results on the gas prospects came at the time when the national economy suffered, probably, the worst economic devastation since 1974. The good news gave hope and played the role of the mythical light at end of the tunnel at the moment of desperation. Therefore, the overestimated optimism coupled with the lack of experience in the energy matters could forgive the initial collective exaltation and the chorus of incompetent and populist statements made by local politicians and some members of the government, who promised that by the year 2017 the country would be out of the crisis and the era of endless prosperity would begin. As the time was passing by, it became clear that the matter was much more complex in every aspect.

Thus, by the year 2019, not only that there is no gas production, let alone gas revenue, it is not yet even known how much gas is available under ground in the Cypriot EEZ. It would be unfair to put all the blame for the lack of quick geological results on the government. Searching for the natural resources is a complex issue and often is a gamble with the unknown result. What is already known, though, is that no matter the size of any future findings, the production of the Cypriot gas will be expensive, which will automatically make it much less competitive on the international market. High production cost might raise the issue of the economic viability of the whole project. In other words, under the highly probable scenario that the international gas prices will stay low for years to come, it might happen that leaving the gas where it is will be cheaper than trying to produce it.

But if lack of quick geological results could be just a disappointment, then what is truly worrisome is the accelerating "politicization" and the drift towards "militarization" of the energy issue around Cyprus.

Years of the domestic political talk on this matter culminated in the idea of the so-called trilateral security alliance of Greece, Cyprus and Israel, which in fact, created two gas projects. Putting it bluntly, one is the "*political gas*" project and another is the "*geological/economic gas*" project. And it looks like that the former is running far ahead, whereas the prospects and benefits of the latter are still very much unclear and questionable. The danger for the Republic of Cyprus is that the two projects began living separate lives and have already set in motion diverging dynamics with potentially destructive consequences.

Having received the support for the development of reserves and construction of the pipeline by the EU and the US, the Republic of Cyprus should not misinterpret it as a security guarantee or *carte blanche* against Turkish actions. At the end, decades-long European and American support for the trans-Afghan or trans-

Caspian pipeline projects did not lead to their realization, let alone stabilization of Afghanistan.

The “politicization” of the energy issue has already transformed the dynamics around the solution of the Cyprus problem and increased the security risks. For decades, rejection to immediately withdraw Turkish troops was the main stumbling block on the way to compromise. Today, the mere talk of the trilateral alliance (Greece, Cyprus, Israel) gives Ankara a strong enough justification for maintaining its troops for security reasons. But what represents the true game-changer is that the “political gas” project now directly pits the Republic of Cyprus against Turkey in the competition for strategic economic assets, i.e. the disputed offshore zone. And the incident with ENI’s drilling operation clearly showed Turkey’s determination, willingness and preparedness to use the military force defending its claims.

The Cypriot position will further be weakened by the ongoing disintegration and fragmentation of the post-WW2 order characterised by the erosion of respect for the international law, decline of influence and authority of political inter-state organizations as well as weakening or complete destruction of nation-states across neighbouring parts of the Middle East.

As for Turkey’s boldness, among multiple other considerations, it is also preparing for the 29 October 2023, the Centenary of the Turkish Republic. This means that its leadership has no right to bring compromises, setbacks, let alone, losses for the Republic’s birthday party. Given the difficult state of the Turkish economy and the ruling AKP’s electoral losses, the Turkish president will need to mobilize the nationalistic fervor directed at enemies conspiring against their Motherland (usually from abroad). Often, a “small victorious war” is among the preferred tools for such occasions.

It is almost certain that Turkey will not compromise either on the withdrawal of troops from the island or give up its claims for parts of the Cypriot EEZ, and is determined to use the military force defending what it considers its legitimate rights. Under such circumstances, and in the environment of further “politicization” of the gas project, chances for the solution of the Cyprus problem will be evaporating and the security risks increasing. The situation around the Republic of Cyprus might deteriorate after almost half a century of “peaceful conflict”. And the right question to ask is not “Who is going to fight against Turkey over Cyprus?”, but “Who can provide the security guarantees to the Republic and prevent any military action against it?”. Putting it bluntly, none of the neighbours, allies in the Mediterranean or in continental Europe is willing, prepared or capable of doing so!

It is time to get rid of dangerous illusions, including some counter-productive elements of the domestic political narrative, which were formed in the reality of the 1950s, and have absolutely nothing to do with the reality of today and tomorrow.

The Republic of Cyprus is surrounded by some of the strongest Middle Eastern states, one of which stands the chance to become the regional hegemon in the coming decades. The region is on the long-term trajectory of destabilisation and protracted violence. And the only thing, which always matters in the Middle East is the *hard power*! Period! If you don't have it, then invite the strongest one who has it, in exchange for security guarantees and the obligation to help you get stronger. The only country, which satisfies the criteria is the United States. Permanent American military base and Washington's official security guarantees to the Republic of Cyprus is the only way to secure long-term survival of this *community* and the *nation-state* for generations to come.

No matter how absurd or naïve the idea may sound right now, but the post-Brexit Britain will start comprehensive negotiations with the United States in the not-so-distant future, which will be defining their new long-term relations. A trilateral American-British-Cypriot agreement on the transfer of the UK military bases on the island to the United States could well be one of the side deals in the package.

It is obvious that Britain, after leaving the EU, will be fully consumed, first, by surviving the economic damage, and then, redefining itself and searching for its new place on the global arena. This process will be long, painful and *expensive*. The military budget, without doubt, will be reviewed as well. Therefore, transferring assets with the maintenance cost to the closest ally might not be the most absurd idea at the convenient time under the convenient pretext. At the end of the day, there is a historical precedent - it was the United States, which took over from the British Empire the control of the main trade routes and the chokepoints in the high seas in the mid-twentieth century, when Britain could no longer sustain the cost.

If the scenario of the direct US security guarantees is impossible, then the Republic of Cyprus must avoid any policies, which will quickly transform the existing security risks into *unmanageable existential threats*.