

Extract from:
Jean-François Drevet and Andreas Theophanous,
'Cyprus and the EU: Appraisal and Challenges',
Policy Paper No. 58, Notre Europe, September 2012.

Summary of Andreas Theophanous's contribution

Fifty-two years after its establishment in 1960 and just eight years after membership to the European Union (EU), the Republic of Cyprus faces multidimensional challenges. Since the Turkish invasion of 1974, 38% of the territory of Cyprus remains under occupation. There was considerable displacement in 1974 but subsequently the economy embarked on a path of remarkable growth.

Cyprus is currently engaged in a peaceful liberation struggle (against Turkey) which is more reminiscent of a 19th century context (as it also includes an interethnic conflict) **while having to tackle the problems of the 21st century.** These include overcoming the effects of the global economic crisis, moving toward a new economic paradigm, dealing with the challenges of a modern society within the context of a multicultural Europe, addressing illegal immigration, improving the level of education, of health services and more recently the question of exploitation of its newfound energy resources. However, **the most important challenge after accession**

to the EU and the introduction of the euro is the reestablishment of the country's territorial integrity.

1. The contribution describes the **historical context of the birth of the Republic of Cyprus in 1960** following the anti-colonial struggle against British rule. Emphasis is given on the initial intercommunal and intra-communal strife and on foreign interventions culminating with the Turkish invasion of 1974. There is also a brief description of socio-economic developments in this first period.
2. The contribution also examines the **economic and geopolitical situation after 1974**. It explains the reasons for the failure to reach a negotiated solution to the Cyprus problem despite repeated UN initiatives. There is particular reference to the failed Annan Plan and the accompanying referenda on 24 April 2004, and to Cyprus accession to the EU. The paper also assesses the disastrous socioeconomic effects of the 1974 Turkish invasion, the recovery and the economic miracle that followed.
3. The **current strategic objectives of the Republic of Cyprus for reunification, for managing the economic challenges and the development of the energy sector** following the discovery of natural gas in its Exclusive Economic Zone, are also addressed. Despite past failures, the **membership of the Republic of Cyprus in the EU combined with Turkey's desire to join the EU or, even, achieve a strategic partnership agreement, provides a framework for a breakthrough.**

In an era of multiple identities, **the EU can provide the context for a common European identity that would make a unified Cyprus work.** At the same time Greek Cypriots and Turkish Cypriots can also nurture their own ethnic and cultural identities. In this respect the EU may play a significant contextualizing role even though it has not yet acquired its full potential in addressing more effectively major regional and international problems.

Given the years of unsuccessful attempts for a comprehensive settlement it is important to consider other possibilities: from the bizonal bicommunal federal model in which power is essentially concentrated in two constituent States to an integrationalist model of functional federation. For this scenario to materialise, however, in addition to the consent of the Turkish Cypriot side, it is of utmost importance that Turkey finally recognises the right of the Republic of Cyprus to exist.

Cyprus has to also **address new economic challenges** including the risks associated with the oversized banking sector which is largely exposed to Greece. The banking crisis following Greece's debt restructuring and the internal macroeconomic imbalances led Cyprus to apply to the European Stability Mechanism in June 2012. It is also essential that Cyprus also moves toward a paradigm shift. Within this framework fiscal rationalisation is required as well as moving to new engines of growth. The emerging energy sector constitutes a remarkable challenge involving both economic as well as political dimensions. It is important that Cyprus positions itself in ways that allow it to play an enhanced role in the region and the EU.

Assumption of the EU Presidency in July 2012 is a huge stepping-stone towards the Republic's 'adulthood'. Under difficult circumstances it helps re-confirm its sovereignty and status. The government has repeatedly stated that the Cyprus problem will not interfere in the execution of the Presidency and that it shall handle the operation in particular issues pertaining to Turkey with objectivity. Cyprus Presidency will deal with the negotiations on the Multiannual Financial Framework, the Europe 2020 Strategy, the Common European Asylum System, the Integrated Maritime Policy and the promotion of jobs, especially for young people. Cyprus is fully aware, that if handled efficiently, the EU Presidency will provide credibility and future gains for its own objectives.