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First Reflections in the Recent Russian-Cypriot Deal

By Vasileios P. Karakasis

One week ago the President of the Republic of Cyprus (RoC), Anastasiades and President of the Russian Federation Putin struck a military deal, allowing Russian navy vessels to dock in Cypriot ports. Putin and Anastasiades sought to play down the geopolitical character of this agreement, clarifying that it is mainly driven by humanitarian purposes and Russia's intention to participate in internationally orchestrated initiatives to combat terrorism¹ and piracy. We anticipate, though, that important players of the international community will greet this deal with suspicion. Bearing in mind that ties between the West and Russia have plummeted in the wake of the Ukraine crisis, European governments are facing the fear of a "Russian beachhead" in the Eastern Mediterranean.

One of the authorized stakeholders in the island of Cyprus is the United Kingdom. The British retain two Sovereign Base Areas (in Akrotiri and Dhekelia) under the provisions of the 1960 Treaty of Independence. These bases are often employed by western forces and intelligence services en route to the Middle East. The British are deeply concerned whether the current military deal puts their interests on the island into jeopardy; they express fears that intelligence might become their biggest vulnerability due to the Russian military presence close to their base areas. That explains why this agreement has been projected on the House of Lords to be discussed on Tuesday 10.3.2015.

With respect to the American reaction and after being asked to comment on the recent deal, the US Department of State Deputy spokeswoman, Marie Harf, stated that the current circumstances should not offer momentum for "business as usual with Russia". She underlined the importance of Europeans to sing their voices against the Russian actions in Ukraine. The American Ambassador in RoC, in the light of the recent assassination of Nemtsov, the Russian opposition politician, posted a Tweet posing the following question: "What do people in Cyprus think about the week in Russia as seen from here? Mr. Anastasiades visit and statements,

¹ The recent activities of ISIS in the broader region could justify the grounds of his statement

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Nemtsov assassination?”. Needless to say that this statement evoked an outrage in the Cypriot society and an immediate reaction by the Cypriot government. Mr. Anastasiades sharply rebuked the US Ambassador for his tweet, portraying it as “exceedingly undiplomatic”.

A suspicious standing is to be also expected by Germany, which has emerged as a leading power in EU issues. Although it remains Russia’s one of the biggest trading partners, events do indicate a cooling off in their bilateral ties. Germany is reportedly adopting principles which will, probably, supersede its white book since 2006 calling for an overhauling of its security strategy vis-à-vis Russia as its highest security concern. Thus, Germany, the above mentioned actors alike, is anticipated to greet this development in suspicion as well.

What are the Russian expectations behind this deal? Many analysts have attributed the pertinent issue of a base in Cyprus to the ongoing conflict in Syria and Russia’s concerns about the possible loss of its key naval base in Tartus. That is true but, nevertheless, if we solely focus on these concerns, we might lose the sight of the bigger picture. We raise an imperative need to draw the attention to the (hyper) activity that the Russian diplomacy has performed in the Eastern Mediterranean amid the course of the last months.

In December 2014 Russian Gazprom and Turkey’s Botas Petroleum Pipeline Corporation signed a memorandum of understanding on the construction of a gas pipeline from Russia to Turkey under the Black Sea. This pipeline, the Turkish Stream, provides as an alternative option to the South Stream project that was called off by Russia as a response to the EU’s reluctance to support it in the wake of the Ukrainian crisis. Adding to this, the two countries pledged to triple the volume of bilateral trade by the end of the running decade. Almost three weeks ago, President Putin and the Egyptian President el-Sisi, had sealed a preliminary deal to cooperate on building a nuclear power plant. These days and with respect to Syria, Russian authorities, despite the uncertain perspectives, have stepped as primary mediators and arranged negotiations between representatives of the Assad regime and its opponents in Moscow. Additionally -although the international community paid little attention to this event- the (Soviet-born) Israeli Minister of Foreign Affairs, Mr. Avigdor Lieberman, paid a visit to Russia in order to meet his counterpart, Mr. Lavrov. The rationale behind this meeting was to exchange views on existing regional problems and perspectives for bilateral relations with

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Russia. All these moves should make us believe that Moscow pursues to become an active player in the Eastern Mediterranean.

After having drawn the big picture of the Russian initiatives in the Eastern Mediterranean, let's take a closer look to extra stimulants prompting the Russian involvement in the island, the naval basis aside. A look at the map would give us a glimpse of the Russian geo-strategic calculations. The island is located on the sea lane of the great maritime highway which connects the Mediterranean Sea with two sea gates, the Suez on the one hand and Bab al-Mandab with the Indian Ocean on the other. From there, it is linked to two other sea gates, the Strait of Hormuz which ends at the Persian Gulf, and the Strait of Malacca at the Pacific. The vast majority of the imports, coming from the Pacific, the Indian Ocean, and the Persian Gulf, has to pass through these key locations. It is estimated that approximately 40% of the EU's oil derives from the Persian Gulf and must pass through these three "chokepoints"². It comes without saying, why Russia, determined to enhance its global standing, wants to have its own say in the region.

Furthermore, an important amount of gas reserves has been detected off the southern side of the island and various companies have initiated drilling activities to explore hydrocarbons in the seabed of the Levant Basin. We should not exclude the possibility of Gazprom, or another Russian company raising an attractive bid for this purpose, although this option does not appear at the forefront so far.

Economic interests are also at stake. Before the Euro-crisis, the economic model of the Republic of Cyprus, comprising a favorable tax structure, backed by EU laws, had attracted Russian businesses and citizens, especially in the immediate aftermath of the Soviet Union's dissolution, when the Russian economy was in doldrums. The pursuit of financial security made many Russians open offshore accounts and accounts in Cyprus banks -gaining a significant share in Cyprus' banking system. Most of Russia's largest banks have some credit exposure to Cyprus, with VTB, Russia's second-largest being the most prominent one (through its Cypriot subsidiary, Russian Commercial Bank). Adding to this, approximately fifty thousand Russian speaking people are living in the Republic of Cyprus, the vast majority residing in Limassol, an

² Leigh J. & Vučović P. (2011) "A geopolitics of Cyprus" in *MERIA Journal*, Vol. 15(4)

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attractive port with an old city. We should also consider that Cyprus has been accounting for many years as one of the highest foreign direct investments (FDI) into Russia via repatriated capital.

Last but not least, the religious parameter should not be underestimated. It is to be noted that mainly since Peter the Great, the instrumentalisation of religion for geo-political calculus is an internal factor, well-attached to the Russian foreign policy dictates. The strong ties between the Orthodox Church of Cyprus and the Patriarchate of Moscow have facilitated the further strengthening of the Russian influence throughout the island. The 17th century icon of Virgin Mary that Mr. Putin presented Mr. Anastasiades with, as well the icon of Virgin Mary that President Anastasiades gave President Putin in return, constitute an appropriate reminder (among other presents) of these solid religious bonds.

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