

Argyris G. Passas and Evangelia I. Katakalous

# The Cyprus EU Presidency

“Riders on the Storm”



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## **Preface**

Undeniably, the on-going economic crisis is a major challenge to the leadership of the European Union. Cyprus assumed the rotating EU presidency in the midst of the economic crisis, a crisis that has hit hard the country itself.

However, the current crisis is not the only challenge to Cyprus. The presidency agenda has also been dominated, inter alia, by unsuccessful efforts to reach an agreement on the Multiannual Financial Framework (MFF) for 2014-2020. As a result, the question of the MFF will be handed over to the upcoming Irish presidency.

Finally, it is not only economic issues that mark the Cyprus presidency. The country remains divided between Greek Cypriots and Turkish Cypriots, which gives the country a unique standing amongst EU member states. This somewhat delicate political situation has also to be considered when assessing the Cypriot presidency.

This Occasional Paper offers a solid background on the history of Cyprus-EU relations. It furthermore provides an interim description and analysis of what the presidency has achieved.

Anna Stellingner  
Head of Agency

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## Abbreviations

AA	Association Agreement
CAPA	Cyprus Academy for Public Administration
COREPER	Permanent Representatives Committee
CSDP	Common Security and Defence Policy
EEC	European Economic Community
EKDDA	Greek National Center for Public Administration and Local Government
EP	European Parliament
EU	European Union
FAC	Foreign Affairs Council
GAC	General Affairs Council
GDP	Gross Domestic Product
MFA	Ministry of Foreign Affairs
MFF	Multiannual Financial Framework
NB	Negotiating Box
RoC	Republic of Cyprus
TFEU	Treaty on the Functioning of the European Union
UN	United Nations

## Executive Summary

An historical overview of the “Cyprus question” is necessary for the comprehensive understanding of the European course of the Republic of Cyprus (RoC). The RoC became independent in 1960. Following the Turkish military invasion in 1974, 38 per cent of its territory (i.e. the northern part) remains occupied. The international community and the member states of the EU recognize the *de jure* sovereignty of the RoC over the entire island, except for two British military bases, despite the fact that the Cypriot government exercises effective control limited to the southern part of the island.

The Cyprus political leadership conflated the political settlement to the Cyprus problem with EU membership. For a ten-year period (1993-2003), the prospect of accession was the catalyst for a number of socio-political, economic and institutional reforms. Cyprus joined the EU in May 2004 under a “*sui generis*” (unique) status; the *acquis communautaire* does not produce any effect on the occupied part of the island.

Cyprus assumed the presidency of the Council of the EU in July 2012. There are two main differences between the RoC and its predecessors of the “Trio” (Poland and Denmark). First of all, Cyprus is a member of the Eurozone. For the last year and a half (January 2011-June 2012), the Council had been presided by non-eurozone countries. Second, the European sovereign debt crisis has had a “domino effect” on Cyprus economy.

The goal of the presidency is to promote effective policies resulting in more efficient governance, mitigating the uncertainty and instability caused by the crisis. The presidency is based on a two-fold approach; reinstating the founding principles of the European edifice and focusing on targeted, realistic and integrated policies.

The motto of the Cyprus Presidency is “*Towards a Better Europe*”. Working toward this goal, the presidency set four main priorities:

1. Europe: “more efficient and sustainable”
2. Europe: “with a better performing and growth-based economy”
3. Europe: “more relevant to its citizens, with solidarity and social cohesion”
4. Europe: “in the world, closer to its neighbours”

The RoC institutionalized a new political authority in order to provide the necessary leadership by appointing a Deputy Minister to the President for European Affairs and a Ministerial Committee for the coordination of European Affairs and consequently the running of the Presidency. At the administrative level (a) a new service was created, the so-called Secretariat of Cyprus Presidency of the EU under the political authority of the Deputy Minister for European Affairs and administratively attached to the Planning Bureau, aiming to coordinate the government machine involved in the exercise of the presidency, (b) European Affairs Units were established in all Ministries and Independent Services and (c) the RoC opted for a “Brussels-based Presidency” and for that purpose it seconded almost 200 officers to the Permanent Representation of Cyprus to the EU.

The report is divided into three sections: the first examines the historical development of the Cyprus question from independence until today and takes stock of the process from the Association Agreement to accession (1972-2004). Finally, it describes the current political and economic state of play. The second part deals with the organization of the central government and the “system” of management of European affairs and, finally, the last section analyzes the general and specific priorities of the first Cyprus Presidency.

# 1 Introduction

The Lisbon Treaty changed the role of the rotating presidency by:

- a. separating the European Council from the Council of the European Union,
- b. removing foreign affairs from the General Affairs Council (GAC) to the new Council's configuration the Foreign Affairs Council (FAC),
- c. establishing permanent presidencies for the European Council and the High Representative of the Union for Foreign Affairs and Security Policy for the FAC and
- d. the institutionalisation of the group presidency, the so called "Trio", which encourages three successive presidencies to cooperate on a common political programme.

The rotating presidency has lost its visible role (i) in foreign affairs, (ii) at the European Council summits, gaining instead an increased role as an internal representative in the EU policy process, especially legislative negotiations. That leads to the relocation of the focus on the effective internal operation of the Council. It is noteworthy that as a result of the almost generalised use of the ordinary legislative procedure (co-decision), the presidency has become the key actor in all stages (formal and informal dialogues and conciliation committees etc) of the legislative process and especially at the level of COREPER<sup>1</sup>.

The Republic of Cyprus represents a unique case of an EU member state; it is a bi-communal unitary state, consisting of Greek Cypriots and Turkish

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<sup>1</sup> For a further discussion see, General Secretariat of the Council, Guide to the ordinary legislative procedure (October 2009) at <http://www.consilium.europa.eu/policies/ordinary-legislative-procedure/guide-to-procedure?lang=en>, European Parliament, Codecision and conciliation: a guide to how the Parliament co-legislates under the Treaty of Lisbon, (January 2012) at [http://www.europarl.europa.eu/code/information/guide\\_en.pdf](http://www.europarl.europa.eu/code/information/guide_en.pdf), Bostock, D., COREPER Revisited, *Journal of Common Market Studies*, 40 (2) (2002), 215-234, Farrell, H. and Héritier, A., Codecision and institutional change, *West European Politics*, 30 (2) (2007), 285-300, Héritier, A. & Reh, Ch., Codecision and its discontents: intra-organisational politics and institutional reform in the European Parliament, Paper prepared for the EUSA Biannual Meeting, Boston, 3-5 March 2011 and Stie, A. E, Co-decision – the panacea for EU democracy?, ARENA Report Series, 10/1 (2010), at <http://www.sv.uio.no/arena/english/research/publications/arena-publications/reports/#toc2>

Cypriots, under foreign rule for the most part of its history due to its prominent geographical location. Cyprus attained “quasi-independence” in 1960 and was territorially divided in 1974 following the Turkish invasion. Despite repeated UN efforts for a solution to the “Cyprus problem”, the post-invasion status quo on the island has not changed.

The Cyprus leaders sought a political settlement to the Cyprus problem through EU membership. Following a 30-year pre-accession period, determined by the political developments on the island and its implications, Cyprus joined the EU on 1 May 2004. Although the unification of the island had originally been set as a precondition for EU membership, the Helsinki European Council in 1999 paved the way for the RoC’s accession, despite it being a divided state.

RoC’s EU membership has complicated Turkey’s accession course. To this day, Turkey refuses to recognize the RoC, which is an EU prerequisite for the resumption of negotiations. Its unilateral decision to boycott the Cyprus Presidency is indicative of its intransigent attitude. However, Cyprus regards the political problem and the presidency on the Council as two “parallel and independent processes” and made it clear from the start that “it will not accept to have a second class presidency due to its national problem”.<sup>2</sup>

Cyprus assumes the presidency of the Council at a stormy juncture for the EU. With the financial, economic and sovereign debt crisis at its peak, there is an urgent need for targeted, efficient and effective EU policies to mitigate the economic, political and social consequences of the crisis.

The report is structured as follows: section 2 examines the historical development of the Cyprus question from the independence in 1960 until today - from the Association Agreement of 1972 to the application for membership (1990) and, finally, accession in 2004. Finally, it describes the current political and economic state of play. The third section deals with the

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<sup>2</sup> A. Mavroyiannis, “Cyprus Presidency – working towards a Better Europe”, Lecture at Europa Huset, 15/5/2012, at [http://www.mfa.gov.cy/mfa/embassies/embassy\\_stockholm.nsf/ecsw24\\_se/9B4F79D61CE56E9DC1257A45002F500E/\\$file/Cyprus%20EU%20Presidency-Mavroyiannis%20lecture.pdf](http://www.mfa.gov.cy/mfa/embassies/embassy_stockholm.nsf/ecsw24_se/9B4F79D61CE56E9DC1257A45002F500E/$file/Cyprus%20EU%20Presidency-Mavroyiannis%20lecture.pdf), accessed 15/10/2012

organization of the central government and the “system” of management of European affairs and, finally, the last section analyzes the general and specific priorities of the first Cyprus Presidency.

The aim of the report is not to list every possible action of the Cyprus Presidency. Rather, taking into account that the agenda becomes progressively heavier towards the end of presidency’s term, our focus is on the domestic and European parameters that define the framework in which the presidency operates and the way that a small new member state conceives this role and consequently its vision on Europe.

## **2 The long way to accession**

### **2.1 The “Cyprus question”: a history of bicomunal conflict**

In order to examine and understand the European course of the Republic of Cyprus it is essential to provide a brief overview of the so-called “Cyprus question”. To this end, this chapter looks at the turbulent history of the island covering a 50 year period: from 1960, when Cyprus attained independence, up until today.

#### **2.1.1 The 1960 Agreements: a stillborn settlement**

After three centuries under the Ottoman Rule (1571-1878) and 82 years as a British colony (1878-1960), the RoC was proclaimed an independent state on 16 August 1960. Despite their different ethnic, cultural and religious backgrounds, the two communities of the island, the Greek Cypriots and the Turkish Cypriots, had by and large coexisted peacefully for decades, while maintaining special ties with their “motherlands”.

In the second half of the 1950s, the guerrilla warfare of the Greek Cypriot EOKA (National Organization of Cypriot Fighters), who sought the union of Cyprus with Greece (“*enosis*”), posed a serious threat to the British presence on the island. As a countermeasure, Turkish Cypriots established the paramilitary TMT (Turkish Resistance Organisation), which called for the partition (“*taksim*”) of the island. In line with their “divide and rule” policy, the British impelled the division of Cyprus along ethnic lines.

Following a five-year decolonization struggle against the British Empire, Britain, Greece, Turkey and the leaders of the Greek Cypriot and Turkish Cypriot communities, signed the Zurich-London Agreements in 1959. These Agreements led to the Constitution of 1960 and three associated Treaties.

The Constitution of 1960 is actually a “given” Constitution, since the people of Cyprus were neither involved in the drafting process, nor ratified it in a national referendum. It is important to point out that the concept of popular sovereignty, which designates people as the source of power is not cited in

any of the 199 Articles of the Constitution. The founding principle of the Constitution is “consociationalism”.<sup>3</sup>

The Treaty of Guarantee was concluded between the RoC, Britain, Greece and Turkey. Cyprus undertook not to participate in “union with any other State”, or to proceed to partition of the island (Article 1). The three powers would guarantee the independence, territorial integrity and security of the RoC (Article 2). Under Article 4, they were given the right of unilateral or collective action “with the sole aim of re-establishing the state of affairs created by the present Treaty”.

In virtue of the Treaty of Alliance the Contracting Parties (namely the RoC, Greece and Turkey) agreed “to resist any attack or aggression, direct or indirect, against the independence or the territorial integrity” of the new state (Article 2); hence they were allowed to station military contingents on the island (Additional Protocol 1).

Finally, according to the Treaty of Establishment, Britain retained sovereignty over two military bases (the Sovereign Base Areas of Akrotiri and Dhekelia).

Cyprus shared significant similarities with the former British colonies of Ireland and India, both of which were divided in the aftermath of their decolonization struggles.<sup>4</sup> The division of the polity into two national communities became evident in all levels of governance and political power (Government, National Administration, the Judiciary and Armed Forces).

These institutional and political arrangements contradict with the modern concept of state sovereignty and the principle of self-determination. The concept of sovereignty in international law is grounded upon the mutual recognition (and respect) of the principle of non-intervention on behalf of the states. Nevertheless, the Founding Treaties of the RoC effectively constrained

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<sup>3</sup> Consociationalism is an institutional setting according to which “ethnic or inter-group tension can be resolved democratically by the creation of a permanent multi-group coalition government. It emphasizes conflict resolution by elite cooperation rather than societal cohesion”, C.Yakinthou, Consociational Democracy and Cyprus: the house that Annan built?, in A. Varnava and H. Faustmann (ed.) *Reunifying Cyprus: the Annan Plan and beyond*, (I.B. Tauris, 2009), p. 25

<sup>4</sup> A. Sepos, *The Europeanization of Cyprus*, (Palgrave Macmillan, 2008), p. 20

the sovereignty of the new state, allowing the three guaranteeing powers to interfere in its domestic and external affairs.<sup>5</sup>

The Constitution and the 1960 Accords had failed to embody the extraordinary socio-psychological and political conditions existing in Cyprus. Therefore, it came as no surprise that the early days of the Republic were marked by intercommunal and intracommunal tension; “the lack of political maturity and experience were not conducive toward a normalised political life”.<sup>6</sup> Furthermore, the constitutional text per se “did not encourage the creation of common objectives and a shared vision between the two communities”,<sup>7</sup> while the constant and deliberate interventions of foreign powers undermined all efforts of peaceful coexistence among the two communities.

This fragile situation escalated as early as 1963 and was followed by a severe armed conflict, which eventually led to the withdrawal of the Turkish Cypriots from the government, the national parliament and the Public Service a year later. The Turkish Cypriots were relocated into enclaves in the northern part of the island, which was considered as a “disguised” first step by Turkey to achieve a gradual ethnic cleansing of the North. A United Nations Peacekeeping Mission (UNFICYP) was set up in order to prevent further dispute between the two communities and remains to the island up to this date.<sup>8</sup> The drawing of the “Green Line”, demarcating the “first division” of the island, was a result of the 1963 events.

Ten years later, on 20 July 1974, the military junta of Greece, cooperating with the Greek Cypriot paramilitary organization “EOKA B”, initiated a coup d’ état against President Makarios, aiming to annex Cyprus to Greece. Turkey reacted to this unilateral action by invading the northern part of Cyprus,

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<sup>5</sup> Chr. Giallourides, The external political orientation of the Republic of Cyprus, in: Chr. Giallourides and P. Tsakonas (ed.), *Greece and Turkey after the end of the Cold War*, (Sideris Publishing, 1999), p. 334 (in Greek)

<sup>6</sup> J-F Drevet and A. Theophanous (2012), Cyprus and the EU: Appraisal and Challenges, at [http://www.notre-europe.eu/media/EU\\_Cyprus\\_Drevet-Theophanous\\_NE-CCEIA\\_Sept12.pdf](http://www.notre-europe.eu/media/EU_Cyprus_Drevet-Theophanous_NE-CCEIA_Sept12.pdf), p. 48, accessed 23/10/2012

<sup>7</sup> Drevet and Theophanous, see above note 6

<sup>8</sup> See UN Security Council Resolution 186 (1964) of 4 March 1964 at [http://www.unficy.org/media/SC%20Resolutions/1964\\_03-04\\_SCR186.pdf](http://www.unficy.org/media/SC%20Resolutions/1964_03-04_SCR186.pdf), accessed 12/10/2012

under the pretence of restoring the constitutional order on the island and occupied 38% of its territory. The UN responded with Resolution 353(1974), demanding an immediate end to the military intervention in the RoC. A ceasefire went into effect on 22 July 1974. The Turkish military invasion triggered a serious humanitarian crisis, with thousands of dead people, the violent displacement of about 200.000 Greek Cypriots and approximately 1.500 missing persons. The result of the 1974 events was the irrevocable partition of the island.

In November 1983, the Turkish Cypriot leadership unilaterally declared the occupied territory an independent state, under the name “Turkish Republic of North Cyprus” (the so-called “pseudostate”). The UN issued Resolution 541(1983), declaring this one-sided action as “legally invalid” and calling for its withdrawal. This secessionist entity is recognized only by Turkey.

The international community and the member states of the EU recognize the *de jure* sovereignty of the RoC over the entire island, except for the British Bases, notwithstanding the Cyprus government exercises effective control over the southern part of the island. The northern part continues to be occupied by Turkey, in which it deploys 40.000 soldiers. The former UN Secretary-General, Boutros Boutros-Ghali, has described the northern part of Cyprus “as one of the most highly militarized areas in the world in terms of the ratio between the numbers of military personnel and civilians”.<sup>9</sup>

### **2.1.2 Another deadlock: the Annan Plan and forward**

From 1964 and onwards, the UN has taken on numerous initiatives toward a political settlement of the Cyprus issue, all the same none of these efforts turned out to be successful.<sup>10</sup>

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<sup>9</sup> Report of the Secretary-General of 15 June 1995 on the United Nations operation in Cyprus, at <http://www.cyprusun.org/?p=2757>, accessed 15/10/2012

<sup>10</sup> For a brief outline of UN initiatives, see: J. Ker-Lindsay, A History of Cyprus peace proposals, in A. Varnava and H. Faustmann (ed.) (2009), Reunifying Cyprus: the Annan Plan and beyond, (I.B. Tauris, 2009), 11-22

In 1999, the former UN Secretary-General Kofi Annan resumed the negotiations. The “Annan Plan” in its fifth and final draft (“Annan V”), was presented on 31 March 2004. The Plan provided for the establishment of the United Republic of Cyprus as “an independent state in the form of an indissoluble partnership, with a federal government and two equal constituent states, the Greek Cypriot State and the Turkish Cypriot State”.<sup>11</sup> The Plan was brought before separate and simultaneous referenda on 24 April 2004. The Greek Cypriots rejected it with a 75, 8 per cent majority, while the Turkish Cypriots approved it with a 64, 91 per cent majority.

On 8 July 2006, an Agreement was concluded between the President of RoC and the Turkish Cypriot leader, affirming their commitment to a comprehensive settlement on the basis of a *bizonal, bicomunal federation and political equality*.<sup>12</sup> As from September 2008, intercommunal negotiations have been relaunched between the incumbent President of the RoC, Mr. Demetris Christofias and the subsequent leaders of the Turkish Cypriot community.

Four years later, on April 2012, the Secretary-General of the UN, Ban Ki-moon, informed both sides that there had not yet been sufficient progress on core issues of reunification talks to call a multilateral Conference.<sup>13</sup> In his latest report on the UN operation in Cyprus (June 2012), the Secretary-General pointed out that “until the sides reach an agreement on how to proceed with the substantive negotiations, the focus will be on continuing the work of the technical committees”.<sup>14</sup> As from July 2012, the negotiations have

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<sup>11</sup> Article 2 of the Annan Plan, *The Comprehensive Settlement of the Cyprus Problem*, at [http://www.unannanplan.agrino.org/Annan\\_Plan\\_MARCH\\_30\\_2004.pdf](http://www.unannanplan.agrino.org/Annan_Plan_MARCH_30_2004.pdf), accessed 15/10/2012

<sup>12</sup> Agreement between the President of the Republic Mr. Tassos Papadopoulos and the Turkish Cypriot leader Mr. Mehmet Ali Talat of 8 July 2006, at <http://www.moi.gov.cy/moi/pio/pio.nsf/All/793035B13B07CD8FC225727C00353501?OpenDocument>, accessed 24/10/2012

<sup>13</sup> United Nations News Centre, “Cyprus: not enough progress in talks to call for international conference”, 21/4/2012, at <http://www.un.org/apps/news/story.asp?NewsID=41834#.UIfo7Ge-aSo>, accessed 24/10/2012

<sup>14</sup> The Technical Committees were established in 2008 and cover areas such as crime and criminal matters, economic and commercial matters, cultural heritage, crisis management, humanitarian matters, health and the environment, see: Report of the Secretary-General of 29 June 2012 on the United Nations Operation in Cyprus, at [http://www.un.org/ga/search/view\\_doc.asp?symbol=S/2012/507](http://www.un.org/ga/search/view_doc.asp?symbol=S/2012/507), accessed 15/10/2012

paused and are not expected to resume until after the Presidential Election in February 2013. In May 2012, President Christofias announced that he will not seek re-election, because of an impasse in reunification talks.<sup>15</sup>

## **2.2 The European perspective: diversity in unity?**

The division of Cyprus has always been an “internationalized” issue.<sup>16</sup> Right from its emergence, the RoC appealed to the UN for assistance. At the same time, the political leaders of the Republic sought a political settlement to the Cyprus problem through EU membership. Conversely, by accepting a divided Cyprus into the EU, “the member states imported the Cyprus conflict into the Union”.<sup>17</sup>

### **2.2.1 The pre-accession era**

Two Greek Presidencies stand out as milestones in the accession process of the RoC. The second Greek Presidency (second semester of 1988) marked the beginning of the public debate with regards to the RoC’s accession to the European Economic Community, whilst the Accession Treaty was signed in April 2003 during the Fourth Greek Presidency.

Cyprus’s relations with the EU date back to the early ‘70s when the Association Agreement was signed between the RoC and what was then the European Economic Community.<sup>18</sup> The AA provided for the establishment of a Customs Union in two stages. Regardless of the economic benefits stemming from the association with the EEC, the Agreement reflected, above all, a political choice on behalf of the Greek Cypriot leadership.

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<sup>15</sup> “Cyprus President says will not seek re-election”, 14/5/2012, at <http://www.reuters.com/article/2012/05/14/us-cyprus-president-idUSBRE84D0MP20120514>, accessed 15/10/2012

<sup>16</sup> M. Ioannou, The thirty-year term of the Cyprus issue in the UN, in Chr. Giallourides and P. Tsakonas (ed) *Greece and Turkey after the end of the Cold War*, (Sideris Publishing, 1999), p. 361 (in Greek)

<sup>17</sup> S. Talmon, The European Union-Turkey controversy over Cyprus or a tale of two treaty declarations, *Chinese Journal of International Law*, 5(3) (2006), p. 580 and Drevet/Theophanous (2012), see above note 3, p. 3

<sup>18</sup> The Association Agreement was signed on 19 December 1972 and entered into force in 1 June 1973.

The 1974 events inevitably delayed the conclusion of the first stage, originally set for 1977. It was not until 1988 that an Additional Protocol entered into force, marking the transition to the second stage of association, namely the implementation of a Customs Union in a 15-year period. This stage was never completed, since the accession negotiations started in 1998. Overall, the AA “paved the way for the development of the political relationship between Cyprus and the EEC and laid the foundations for a more dynamic and competitive Cypriot economy”.<sup>19</sup>

Cyprus-EU relations “remained an elite-driven process for more than two decades”.<sup>20</sup> The first time the possibility of membership occupied the public debate and attracted media attention was during the second half of 1988, when Greece held the presidency of the Council. Taking into stock the salient political role of the Council Presidencies, it was believed that Greece could promptly and effectively forward Cyprus’s application for membership.<sup>21</sup> The application was finally submitted in July 1990, *on behalf of the entire population of the island*, but was subsequently declared illegal by the Turkish Cypriots.

Likewise with the AA, membership to the EU was a strategic move, aiming to serve “as a catalyst for the efforts to solve the Cyprus problem”.<sup>22</sup> The EU was identified as “a space where human rights, democratic values and the rule of law prevail”,<sup>23</sup> therefore it was hoped that accession to the EU would ensure peace and security to the long-divided island. After all, the “European idea” itself was founded upon the unification of the people of Europe in an area of peace, stability, solidarity and prosperity.

The European Commission issued its opinion on the application of Cyprus on 30 June 1993, confirming that Cyprus was considered “eligible for membership and that as soon as the prospect of a settlement is surer, the Community [would

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<sup>19</sup> Sepos (1998), see above note 4, p. 37

<sup>20</sup> K. Agapiou-Josephides, Changing patterns of Euroscepticism in Cyprus: European Discourse in a Divided Polity and Society, *South European Society and Politics*, 16(1), (2011), p. 162

<sup>21</sup> Giallourides (1999), see above note 5, p. 345

<sup>22</sup> Sepos (1998), see above note 4, p. 38

<sup>23</sup> Agapiou-Josephides (2011), see above note 20, p. 163. It should be noted though that this perception begun to change as soon as the EU publicly endorsed the Annan Plan and reacted negatively at its rejection on behalf of the Greek Cypriot community.

be] ready to start the process with Cyprus that should eventually lead to its accession".<sup>24</sup> A year later, the European Councils of Essen and Corfu affirmed that "the next wave of EU enlargement will include Cyprus and Malta.

The RoC successfully concluded the "screening" procedure after 37 meetings, which covered the whole range of the 31 chapters under negotiation. The procedure began in April 1998 and was completed in June 1999. At the Helsinki European Council of December 1999 it was decided that the political settlement of the Cyprus problem would henceforth not be considered as a prerequisite for accession.<sup>25</sup> The stage of "accession negotiations" was concluded in December 2002 at the European Council in Copenhagen.

During the 1993-2003 decade, the prospect of accession was the main lever for Cyprus's socio-political, economic and institutional modernisation.<sup>26</sup> Managing the complicated negotiations and adopting a series of structural reforms, which are not confined to sectoral policies alone, but exert a far-reaching impact on the political system, domestic institutions and society, was by no means an easy task for a "small state", with limited human and financial resources, as the RoC.<sup>27</sup>

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<sup>24</sup> According to the Commission: "Cyprus's geographical position, the deep-lying bonds which, for two thousand years, have located the island at the very fount of European culture and civilization, the intensity of the European influence apparent in the values shared by the people of Cyprus and in the conduct of the cultural, political, economic and social life of its citizens, the wealth of its contacts of every kind with the Community, all these confer on Cyprus, beyond all doubt, its European identity and character and confirm its vocation to belong to the Community", Commission Opinion of 1993 on the application by the Republic of Cyprus for membership, at <http://aei.pitt.edu/5760/>, accessed 16/10/2012

<sup>25</sup> As referred to in the presidency's conclusions: "A political settlement will facilitate the accession of Cyprus to the EU. If no settlement has been reached by the completion of accession negotiations, the Council's decision on accession will be made without the above being a precondition."

<sup>26</sup> The European Parliament, at its Resolution on Cyprus's membership application, notes that Cyprus is placed "at the forefront of the candidate countries", with regards to the transposition of the *acquis communautaire* and "that its progress on the adoption of the *acquis communautaire* continues to be excellent", European Parliament Resolution of 2001 on Cyprus's membership application to the European Union and the state of negotiations,, at [http://www.europarl.europa.eu/omk/omnsapir.so/pv2?PRG=CALDOC&FILE=010905&LANGUE=EN&TPV=PROV&SDOCTA=18&TXTLST=1&Type\\_Doc=FIRST&POS=1](http://www.europarl.europa.eu/omk/omnsapir.so/pv2?PRG=CALDOC&FILE=010905&LANGUE=EN&TPV=PROV&SDOCTA=18&TXTLST=1&Type_Doc=FIRST&POS=1), accessed 24/10/2012

<sup>27</sup> K. Agapiou-Josephides, The political system of Cyprus at the threshold of European Union: patterns of continuity, change and adaptation, *Euro-med integration and the 'ring of friends': the Mediterranean's European challenge*, 4, (2003)

The Accession Treaty was signed on 16 April 2003, during the Greek Presidency of the Council. The Treaty included Protocol 10, foreseeing the suspension of the *acquis communautaire* “in those areas [...] in which the government of RoC does not exercise effective control”.<sup>28</sup> The RoC entered the EU on 1 May 2004, a week after the Annan Plan was rejected at a referendum by the Greek Cypriots, being a divided state. As from January 2008, Cyprus has adopted the euro as its national currency.

It should be taken into account that Article 3 of the Protocol explicitly states that the suspension of the *acquis communautaire* in the northern part of the island, “does not preclude measures with a view to promoting the economic development” of this area. To this end, Regulation 866/2004 lays down specific rules for the crossing of goods and persons and the provision of services from the “Green Line”, given that this territory is excluded from both the customs and tax jurisdiction of the EU, as well as the “area of freedom, security and justice”. Regulation 389/2006 establishes an instrument of financial support for encouraging the economic development of the Turkish Cypriot Community. The scope of these measures is to facilitate the much-anticipated reunification process of the island within the EU context.

The perspective of EU membership was by and large backed by the national political parties, who saw accession as a window of opportunity for the reunification of Cyprus and the consolidation of peace and security in the area.<sup>29</sup> Cyprus’s application for membership triggered off changes in the programmatic and organizational settings of all political parties. Following the submission of Cyprus’s application in 1990, the parties modified their respective programmes “to integrate the European dimension into references to domestic policy”.<sup>30</sup> A second development refers to the creation of sectoral committees or think tanks on EU affairs (e.g. environmental committees). Finally, the parties established communication channels with their affiliate party groups in the European Parliament.<sup>31</sup> It is equally important that the

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<sup>28</sup> According to Article 4, “in the event of a settlement, the Council [...] will decide on the adaptations to the terms concerning the accession of Cyprus to the EU with regard to the Turkish Cypriot Community”.

<sup>29</sup> Sepos (1998), see above note 4, p. 67

<sup>30</sup> I. Katsourides, *Europeanization and Political Parties in Accession Countries: The Political Parties of Cyprus* (2003), at <http://edz.bib.uni-mannheim.de/daten/edz-k/gde/03/Katsourides.pdf>, p. 5, accessed 16/10/2012

<sup>31</sup> Katsourides (2003), see above note 30

political parties unequivocally recognized the necessity of rapid harmonization; consequently, out of the 620 relative bills, 614 passed unanimously.<sup>32</sup>

The “Progressive Party for the Working People” (AKEL), the oldest political party in Cyprus, was founded in 1941 as the successor of the Communist Party. Unlike its European “sister parties”, AKEL plays a prominent role in domestic politics. The party had pursued an ideologically-based opposition vis-à-vis the EU for almost 4 decades. The end of the Cold War, the popularity of EU among the Cypriot public opinion (its electoral base included), the lack of any realistic alternatives and the correlation of the European perspective with a political settlement to the Cyprus problem were conducive to the re-orientation of the party’s anti-European rhetoric at the 18<sup>th</sup> Congress in 1995.<sup>33</sup> AKEL’s current attitude towards EU can be described as “eurocritical”.<sup>34</sup> The incumbent President of Cyprus, Dimitris Christofias is backed by AKEL. In the last parliamentary elections, which took place in 2011, the party received the second largest number of votes (32, 67 per cent) and elected 19 deputies to the House of Representatives.

The “Democratic Rally of Cyprus” (DI.SY) is the conservative right-wing party founded in 1976. EU membership was an ideological and political goal for the party ever since it was established. DI.SY adopted a new ideological platform called “Eurodemocracy” in 1998, redefining its principles in view of Cyprus’s accession to the EU.<sup>35</sup> In the latest parliamentary elections,

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<sup>32</sup> Agapiou-Josephides (2003), see above note 27, p. 246

<sup>33</sup> Katsourides (2003), see above note 30

<sup>34</sup> Agapiou-Josephides (2011), see above note 20, p. 176. For instance, on 30 April 2004, a day before the RoC entered the Union, the Central Committee of AKEL issued a Declaration stating that: “The EU is a regional integration which, under the present circumstances, is founded upon neo-liberal policies, which are far from [the party’s] vision and perception of social justice. However, through its contradictions, the EU offers potential and entails the perspective and the challenge for a more democratic Europe; a Europe of peace, prosperity, security, equality and ecology”, at [www.akel.org.cy/nqcontent.cfm?a\\_id=5854&tt=graphic&lang=11](http://www.akel.org.cy/nqcontent.cfm?a_id=5854&tt=graphic&lang=11), (in Greek) accessed 21/10/2012

<sup>35</sup> “Eurodemocracy” consists of: human-centered values and human rights, a powerful welfare state, as opposed to the “entrepreneurial state”, social liberalism, market economy and social cohesion, national identity and European orientation, modesty, consensus and unity, pragmatism and responsibility, the rejection of all kinds of fanaticism, dogmatism and extremity, “Eurodemocracy: Our Proposal for the 21st Century”, 12/12/1998, at <http://www.disy.org.cy/default.asp?id=127>, (in Greek) accessed 21/10/2012

DI.SY won the majority of votes (34, 28 per cent and 20 seats in the House of Representatives).

The Democratic Party (DH.KO) is the centrist political party, founded in 1976. DH.KO has also held a favorable position toward accession to the EU. The party received 15,76 per cent of the popular vote in 2011 and elected 9 deputies.

## **2.2.2 The post-accession era: state of play**

Taking account of the long-standing status quo in the island, the RoC represents the most complicated case of an enlargement country so far.<sup>36</sup> Cyprus is the third smallest EU member state (after Luxembourg and Malta), marking the southern border of the EU, with an area of 9.251 square kilometres. According to the latest census data, released on October 2012, population in the government-controlled areas is 840.407, representing a 0,2 per cent of the total EU population. The Turkish-Cypriot population is estimated at about 90.100.

The marginal state of the economy currently tops the domestic agenda, while Presidential Election is scheduled to take place in February 2013. When President Christofias was elected in 2008, the Cyprus economy was blooming; national debt to GDP ratio was below 50 per cent, while unemployment stood at 3, 8 per cent, two of the best records in the EU.

However, today, the tables have turned. Cyprus has seen its economy shrinking for fourth quarter running. The main findings of the latest EU Employment and Social Quarterly Review (September 2012) are far from encouraging: “The outlook for Cyprus remains bleak as the consumer confidence indicator continues to deteriorate, unemployment expectations are on the increase and expectations about the general economic situation are again worsening compared to the first months in 2012”.<sup>37</sup> According to the latest data released by Eurostat (October 2012), the government debt stood at EUR 14.939

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<sup>36</sup> G. Kyris, *The European Union and the Cyprus problem: a story of limited impetus*, *Eastern Journal of European Studies*, 3(1) (2012), p. 87

<sup>37</sup> European Commission, “EU Employment and Social Situation”, *Quarterly Review*, September 2012, at <http://ec.europa.eu/social/main.jsp?langId=el&catId=89&newsId=1668&furtherNews=yes>, accessed 16/10/2012

billion, or 83,3 per cent of GDP at the end of the second quarter of 2012. Furthermore, Cyprus registers the second highest debt increase in the EU, compared with the second quarter of 2011 (16, 5 percentage points).<sup>38</sup> The unemployment rate climbed to 11, 3 per cent (49.742 persons) at the second quarter of 2012, while youth unemployment (ages 15-24) reached a historic high of 25,9 per cent.<sup>39</sup>

Cyprus has been locked out of international markets as of May 2011. The government resorted to a EUR 2,5 billion loan from Russia in December 2011, in order to cover its financing needs. Furthermore, the banking sector suffers from a large exposure to Greek debt, while non-performing loans have increased substantially. Domestic Cyprus banks lost significant capital after the voluntary participation in the “haircut” on Greek government bonds. The total exposure of the banking sector to Greece amounted to about EUR 25 billion (or 144 per cent of GDP), which is a large share considering the small size of the economy.<sup>40</sup> Hence, one of the recommendations that the Council adopted for Cyprus, in the context of the “European Semester”, is “the strengthening of the regulatory provisions for the efficient recapitalization of the financial institutions in order to limit exposure of the financial sector to external shocks”.<sup>41</sup>

The political and economic crisis was further aggravated by a massive ammunition blast at the “Evangelos Florakis” Naval Base in July 2011. As a result of the explosion, the island’s primary electricity generator in Vassilikos

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<sup>38</sup> Eurostat Newsrelease, Euroindicators, 24/10/2012, at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/2-24102012-AP/EN/2-24102012-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-24102012-AP/EN/2-24102012-AP-EN.PDF),

accessed 26/10/2012. According to the Governor of the Central Bank of Cyprus, the debt is expected to peak at 87,3 per cent of GDP by the end of 2012.

<sup>39</sup> Labour Force Research, Main Findings, 2nd Quarter 2012, at [http://www.mof.gov.cy/mof/cystat/statistics.nsf/labour\\_32main\\_gr/labour\\_32main\\_gr?OpenForm&sub=2&sel=2](http://www.mof.gov.cy/mof/cystat/statistics.nsf/labour_32main_gr/labour_32main_gr?OpenForm&sub=2&sel=2), accessed 14/10/2012

<sup>40</sup> European Economy, *Macroeconomic imbalances – Cyprus*, Occasional Papers 101, July 2012, at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2012/pdf/ocp101\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp101_en.pdf), accessed 15/10/2012

<sup>41</sup> Council Recommendation of 6 July 2012 on the National Reform Programme 2012 of Cyprus and delivering a Council opinion on the Stability Programme of Cyprus, 2012-2015, at <http://register.consilium.europa.eu/pdf/en/12/st11/st11247.en12.pdf>, accessed 24/10/2012

was destroyed. The Vassilikos power station was one of the major infrastructure projects in Cyprus, covering more than half of the island's electricity needs. The cost of restoring the power plant alone is estimated at around EUR 1 billion. On March 2012, the European Investment Bank granted Cyprus a EUR 130 million loan, addressing the urgent need for energy production in the island.<sup>42</sup>

All the same, the discovery of gas fields in the eastern Mediterranean in late 2011 is a significant development that can reinvigorate the Cyprus economy. The Cyprus government has defined as a main goal to turn Cyprus into a regional energy hub for the processing and transfer of energy resources from the adjacent areas to the European market. To this end, it is developing an energy strategy, based on two pillars: infrastructure-building and setting up new institutions, such as the Hydrocarbons State Company and the National Hydrocarbons Fund.<sup>43</sup>

With regards to foreign policy issues, relations with Turkey have diachronically constituted the biggest challenge for Cyprus. Following the European Council of Brussels in December 2004, the EU decided to open accession negotiations with Turkey in October 2005, provided that Turkey signed an Additional Protocol (the so-called "Ankara Protocol"), extending its Customs Union to the 10 new member states that joined the EU in May 2004. Turkey signed the Protocol in July 2005, nonetheless the Turkish government, consistent with its staunch position on the Cyprus issue, hastened to clarify that this administrative act "[did] not imply in any way the recognition of the Greek Cypriot administration by Turkey".<sup>44</sup> In December 2006, the General Affairs

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<sup>42</sup> European Investment Bank Press Release, "Vital EIB Support of EUR 130 million for energy production in Cyprus", 8/3/2012, at [http://europa.eu/rapid/press-release\\_BEI-12-35\\_en.htm](http://europa.eu/rapid/press-release_BEI-12-35_en.htm), accessed 16/10/2012

<sup>43</sup> Minister of Commerce, Industry and Tourism, Mr. Neoclis Sylikiotis, "The new energy landscape and its geo-strategic importance to the area", Greeting at "The Economist" Conference, 9/10/2012

<sup>44</sup> Republic of Turkey, Ministry of Foreign Affairs, Press Release and Statements, "Turkish Government's Decision to include all new EU members in the scope of the Council of Ministers Decree No. 2002/4616 of 3 September 2002 which specifies the countries to which the Turkey-EU Customs Union applies", 2/10/2004, at [http://www.mfa.gov.tr/no\\_128--\\_2-october-2004\\_-turkish-government\\_s-decision-to-include-all-new-eu-members-in-the-scope-of-the-council-of-ministers-decree-no\\_-2002\\_4616-of-3-september-2002-which-specifies-the-countries-to-which-the-turkey-eu-customs-union-applies\\_\\_\\_\\_.en.mfa](http://www.mfa.gov.tr/no_128--_2-october-2004_-turkish-government_s-decision-to-include-all-new-eu-members-in-the-scope-of-the-council-of-ministers-decree-no_-2002_4616-of-3-september-2002-which-specifies-the-countries-to-which-the-turkey-eu-customs-union-applies____.en.mfa), accessed 20/10/2012

Council of the EU decided to suspend negotiations on eight chapters relevant to Turkey's restrictions vis-à-vis Cyprus and not to provisionally close the other chapters until Turkey abides by its commitments under the "Ankara Protocol".<sup>45</sup>

This intransigent attitude goes on until today. Turkey is vetoing Cyprus's membership in international organizations, such as the OECD. Moreover, Turkey decided to "freeze" its relations with the Presidency of the Council during the second half of 2012 and not to attend meetings hosted or chaired by the Cyprus EU Presidency. During his visit to Berlin, on 31 October 2012, the Turkish Prime Minister, Tayyip Erdogan, argued that the RoC's accession to the EU "was a serious mistake and the mistake continues with increasing effects".<sup>46</sup>

It is clear that any political settlement to the Cyprus problem should be founded upon the *acquis communautaire* and the fundamental values of the EU. This precondition has already been set forth 10 years ago at the Seville European Council, while the negotiations on the "Annan Plan" were underway.<sup>47</sup> Recovering the full exercise of sovereignty and adopting a feasible reunification plan will allow Cyprus to become a member state like any other.<sup>48</sup> As already pointed out, the RoC's sovereignty is constrained by the one-sided Treaties of 1960 and the illegal occupation of its northern territory. Nevertheless, it should be made clear that reunification itself raises

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<sup>45</sup> These chapters are: Chapter 1: free movement of goods, Chapter 3: right of establishment and freedom to provide service, Chapter 9: financial services, Chapter 11: agriculture and rural development, Chapter 13: fisheries, Chapter 14: transport policy, Chapter 29: customs union and Chapter 30: external relations, Council of the EU, General Affairs Council Press Release, Brussels 11/12/2006, at [http://eu2006.fi/NEWS\\_AND\\_DOCUMENTS/CONCLUSIONS/VKO51/EN\\_GB/1166704672000/\\_FILES/76461160247132429/DEFAULT/ST16289\\_EN06.PDF](http://eu2006.fi/NEWS_AND_DOCUMENTS/CONCLUSIONS/VKO51/EN_GB/1166704672000/_FILES/76461160247132429/DEFAULT/ST16289_EN06.PDF), accessed 20/10/2012

<sup>46</sup> "Merkel reassures Turkey on EU talks, Erdogan raps Cyprus", <http://www.reuters.com/article/2012/10/31/us-germany-turkey-erdogan-idUSBRE89U12720121031>, accessed 31/10/2012

<sup>47</sup> "The European Union would accommodate the terms of a comprehensive settlement in the Treaty of Accession in line with the principles on which the EU is founded: as a Member State, Cyprus will have to speak with a single voice and ensure proper application of EU law".

<sup>48</sup> Drevet and Theophanous (2012), see above note 6, p. 4

“thorny” and emotionally-laden issues, such as the uneven development between the two communities, as well as housing and property restitution.

The role of the EU in the political settlement of the Cyprus issue is contested. It is widely considered that “the EU remains ‘hostage’ of the complex EU integration process of Cyprus and, although now constituting an important aspect of the Cyprus problem, the impetus that has provided for an actual resolution of the dispute remains importantly limited”.<sup>49</sup> Other scholars point out that the fact that a candidate country, Turkey, occupies one third of the territory of another member state and has repeatedly refused to recognize that state reflects upon the credibility of the EU.<sup>50</sup>

Cyprus took over the Presidency of the Council at a critical juncture for the future of the EU. Eight years after accession, the political problem of the island remains unresolved, while the government has to mitigate the economic and social impact of the European crisis. As of June 2012, Cyprus has become the 5<sup>th</sup> member of the eurozone to request a bailout from the EU. The government of the RoC is currently negotiating a Financial Adjustment Programme with the European Commission, the European Central Bank and the International Monetary Fund (the so-called “Troika”). Up to now, both national political parties, as well as the Cypriot public opinion, have reacted positively to such a development.

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<sup>49</sup> Kyrīs (2012), see above note 36, p. 96

<sup>50</sup> Drevet and Theophanous (2012), see above note 6, p. 2

### 3 Managing the Presidency

Cyprus's system of government is a presidential democracy with a clear division of powers (executive, legislative, and judicial) based on a complex system of checks and balances. The RoC is a unitary state with a unique feature, its bicomunal character. Public institutions and recruitment to the civil service require fixed quotas to be allocated between the two communities. Since the withdrawal of the Turkish community from all public offices, in the aftermath of the inter-communal conflict of 1963, the functioning of the Republic became possible by the exercise of all state functions by the Greek Cypriot members only, that is, without the participation of the Turkish Cypriot community required by the Constitution. The "law of necessity" is invoked to this end. The doctrine of necessity, which appeared in the case law of the Supreme Court in 1964, enables action to be taken in a manner not regulated by law only in exceptional circumstances where such action is required by supreme public interest. In other words, as Skoutaris puts it, "The doctrine of necessity, as defined in the *Mustafa Ibrahim* case, not only has provided the necessary legal basis in order for the Cypriot State to deal with the absence of the Turkish Cypriots from the government, and their subsequent substitution with Greek Cypriots, but also, has allowed the amendment of non-fundamental Articles of the Constitution."<sup>51</sup>

The President is the head of state and represents the republic in all its official functions.<sup>52</sup> He or she belongs to the Greek Cypriot community and is directly elected for a five-year term by universal suffrage and secret ballot. The president appoints and dismisses the members of the council of ministers and has vast executive powers. The constitution also provides for a Turkish Cypriot vice president, who is the vice head of state and has similar powers to the president's. Since the crisis of 1963, the office of the vice president has remained vacant. The constitution provides that the council of ministers be composed of seven Greek Cypriots and three Turkish Cypriots, who shall be designated, respectively, by the president and the vice president of the

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<sup>51</sup> N. Skoutaris, *The Cyprus Issue: The Four Freedoms in a Member State Under Siege*, (Hart Publishing, 2011), p. 25 and reference no 76 for further bibliographical sources on this issue.

<sup>52</sup> Until today RoC had 6 presidents of the Republic, Archbishop Makarios 1960-1977, President Kyprianou 1977-1988, President Vassiliou 1988-1993, President Klerides 1993-2003, President Papadopoulos 2003-2008 and President Christofias 2008-2013 (February).

republic. Since the constitutional crisis of 1963, all 10 ministers are Greek Cypriots and an 11th ministry of education and culture was added in order to replace the dissolved Greek Communal Chamber<sup>53</sup>. The council of ministers exercises the executive power alongside the president<sup>54</sup>.

### **3.1 The pre-accession centralized management of EU affairs<sup>55</sup>**

Within the framework of the Association Agreement (AA) of 1972, joint institutions of the EU and Cyprus were created for the implementation and monitoring of the agreement (e.g. Association Council on the political level, Association Committee with its sub-committees on the administrative level). The pre-accession period began with the submission of Cyprus's application for membership in the EU on 4 July 1990 and the endorsement by the Council of Ministers of the Opinion of the European Commission (October 1993) which invited the latter to open a substantive dialogue with the government of Cyprus in order to prepare for accession negotiations. The dialogue began in November 1993 and was completed in February 1995. For the management of the discussions the government established 22 working groups, each dealing with a separate chapter of the *acquis communautaire*. Those groups gave the opportunity to Cypriot officials to familiarise themselves with the *acquis communautaire* and to identify the areas where Cyprus internal legislation needed to be harmonised with the *acquis*. Moreover a 'structured dialogue' was established at the political-ministerial level, as well as the administrative one with expert meetings on various issues (e.g. social policy,

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<sup>53</sup> Ministry of Foreign Affairs, Ministry of Internal Affairs, Ministry of Finance, Ministry of Education & Culture, Ministry of Justice and Public Order, Ministry of Health and Social Securities, Ministry of Defense, Ministry of Labour and Social Insurance, Ministry of Agriculture & Natural Resources, Ministry of Communications and Works, Ministry of Commerce, Industry and Tourism

<sup>54</sup> There are a number of organisations and bodies that act as independent institutions. Those bodies are: the Attorney General who heads the States Law Office and acts as the Legal Representative of the State and the Auditor General who heads the Audit Office; the Governor of the Central Bank of Cyprus; the Office of the Coordinator for Harmonization of Cyprus to the EU; the Office of the Commissioner for Public Aid; the Office of the Data Protection Commissioner; the Office of the Ombudsman (Commissioner for Administration); the Public Service Commission; the Educational Service Commission and the Planning Bureau.

<sup>55</sup> This paragraph draws on A. Sepos, The Europeanization of Cyprus Central Government Administration: The Impact of EU Membership Negotiations, *Journal of Southern Europe and Balkans*, 7:3 (2005), 367-385, and A. Sepos, The Europeanization of Cyprus, see above note 4

justice and home affairs, financial and monetary affairs, etc). In addition, the pre-accession period permitted the participation of Cyprus in some European programmes in various policy areas such as education and training (e.g. Socrates, Leonardo), audiovisual (e.g. Media II), science and technology (e.g. Fourth Framework Programme), cultural cooperation (e.g. Ariane, Kaleidoscope, Raphael programmes) and energy (e.g. Save II). All negotiation and coordination structures from working groups up to cabinet level have been established and integrated with the central decision-making structures that were put in place. An Office of the Chief Negotiator was established in March 1998 and headed by ex-President of the Republic, Dr George Vassiliou, with the responsibility to guide and manage the accession negotiations, to supervise and coordinate the harmonisation process and to inform the House of Representatives on the negotiations. The Chief Negotiator was in charge of a small negotiating team composed of nearly 10 officials seconded from the Ministry of Foreign Affairs, the Planning Bureau and the Law Office of the Republic, together with the Permanent Secretary of the Planning Bureau and the Permanent Secretary of the Ministry of Agriculture. The Chief Negotiator was further assisted by 30 working groups that had previously served the implementation of the Association Agreement and the ‘structured dialogue’. Political decisions, including the approval of Cyprus’s negotiating positions were taken by the Council of Ministers. A Ministerial Committee for EU Affairs was settled, chaired by the President of the Republic and composed of the Chief Negotiator, the Attorney General, the Minister of Foreign Affairs and the Minister of Finance, all Ministers of line departments involved in the accession process as well as the Governor of the Central Bank of Cyprus. By the end of the accession negotiations in December 2002, the newly elected President of the Republic, Tassos Papadopoulos (2003), appointed former MP Takis Hadjidimitriou, as head of the renamed (in June 2003) Office of the Coordinator for Harmonization of Cyprus to the EU. Hadjidimitriou resigned in May 2004 because of his disagreement with the government policy on the UN’s Annan Plan.

The Ministry of Foreign Affairs was the major player in the national coordination of Cyprus’s EU policy with a de facto horizontal competence on EU affairs. The Planning Bureau, an independent body under the Ministry of Finance, cooperated closely with the Chief Negotiator and the ministries for the formulation of the various proposals and supported the Chief Negotiator in the harmonisation process. More specifically, it provided guidance and

coordinated ministries and government departments; participated in all rounds of negotiations; prepared the ministries' sectoral harmonisation programmes; monitored their implementation and submitted proposals to the government on various policy issues. Finally, the Planning Bureau was responsible for assessing the various stages of the harmonization process. The Law Office of the Republic, headed by the Attorney General, comprised a division specialized in EU law and provided the various government services with the necessary legal advice and expertise by participating in the elaboration of proposals and bills related to the harmonisation process before they were submitted to the Council of Ministers and then to the House of Representatives. The role of the House of Representatives was also important in the pre-accession harmonization process. For that purpose a special Committee for European Affairs was established in May 2001. The European Affairs Committee was assisted in its tasks by a European Affairs Department consisting of legal officers specialised in European law.

As it is generally recognized, accession negotiations have usually been the 'hour of the executive'<sup>56</sup>. In other words, the harmonization of the *acquis communautaire* is a centralized exercise which (a) is a relatively easy task since (b) it involves a limited number of services and officials. For that reason, the process of harmonization did not reveal the range of problems that the Cyprus government and administration would be confronted with after accession to the EU, given that there is a big difference between transposing European Community Law and effectively participating in the process of policy and law-making.

## **3.2 After accession: learning by doing**

### **3.2.1 The failure of centralization**

The Cyprus full membership and the participation of the executive in the policy and decision-making process was the principal challenge. This challenge was obscured by the "frozen" relations and mutual distrust between the government of Tassos Papadopoulos and the European institutions as a consequence of the negative referendum of the 24th of April 2004 on the Annan Plan. The statement of the then Commissioner for Enlargement Mr. G. Verheugen that he felt 'cheated' by the government of the Republic of

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<sup>56</sup> Sepos 2005, see above note 55

Cyprus exemplifies the frosty climate in the relations between the Cyprus government and the European Commission<sup>57</sup>.

During the first years of membership, the Papadopoulos government underestimated the need for a visible and enduring system of management of European affairs at the political and the administrative level. Consequently, the Ministry of Foreign Affairs (MFA) and the Planning Bureau<sup>58</sup> remained the *de facto* central coordinating authorities for European affairs, while the Ministry of Finances took the lead in the preparation of Cyprus for the adoption of the Euro. The President of the RoC is informed about EU affairs, usually when issues become politicized, through his Diplomatic Office and a small circle of officials consisting primarily of the Ministers of Foreign Affairs and Finance, the Permanent Representative of Cyprus to the EU, the Permanent Secretary of the Planning Bureau, the Attorney-General, as well as the relevant minister, and other political advisors who are not necessarily members of the government<sup>59</sup>. The Diplomatic Office of the Presidency of the RoC was under-staffed, deprived of expertise in EU affairs, while most of its resources remained devoted to the Cyprus national problem.

At the administrative level, Permanent Representation to the EU remains the key actor and *ultimum refugium* for the EU affairs coordination and the representation of the various ministries and independent services to the Council. However, Cypriot officials attending meetings of Council working groups often lack instructions from their ministry and thus rely on their personal skills and knowledge of the issue at hand. It is, therefore, not surprising that the credibility of these negotiators often suffers.

The political climate in the RoC's relationship with the EU begun to change after the election of Dimitris Christofias as President. The new government made a decision – as early as August 2008 – to establish a new autonomous

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<sup>57</sup> Sharon Spiteri, Verheugen feels 'cheated' by Greek Cypriot government, *Euroserver* 21.04.2004, at <http://euobserver.com/enlargement/15270>

<sup>58</sup> As Sepos 2008 p. 52-53, notes "[...] the fact that the Foreign Ministry has not been officially designated as the central coordination authority of the state on EU affairs – with the Planning Bureau sometimes alternating in that role – often creates confusion whereby officials in Brussels do not distinguish the lead voice in the capital when it comes to dealing with EU issues, and 'they address their concerns to individual line ministries instead'.

<sup>59</sup> Sepos 2008 p. 52

unit, namely the Secretariat of Cyprus Presidency of the EU (hereafter ‘Secretariat’). Its basic function is to coordinate and oversee the government ministries and independent services involved in the running of the Presidency of the Council of the EU. The Secretariat is also responsible for keeping informed (via its Head) both the President of the Republic and the House of Representatives.

The Head of the Secretariat reports to the President of the RoC and the Secretariat is part of the RoC Presidency’s machinery. President Christofias appointed Dr Andreas Moleski as Head of the Secretariat for a four-year term (09/11/09-28/02/13).

The Secretariat was meant to oversee a network of 13 new interdepartmental working groups that deal with a range of issues including the preparation of the presidency’s programme and priorities, the training of civil servants, logistics etc. However, it is doubtful whether these groups have ever met, an exception being the group responsible for the training of officials involved in the running of the EU Presidency.

At the administrative level, European Affairs Units were established in all ministries and independent services for the first time in February 2010. Their role is to manage and coordinate the handling of EU affairs both within and across departments and ministries as well as the Permanent Representation in Brussels.

This system was meant to be centralised with the Secretariat as the focal point. However, A. Moleski (the first Head of the Secretariat) was not a politician, nor was he a member of the cabinet. As a consequence, he could not perform the role of political coordinator despite being a man of the President’s confidence. Indeed, despite his experience in various senior government posts (including Permanent Secretary of the Planning Bureau, Secretary General of the Cabinet between 2003 and 2009) did not have any substantial experience and understanding of the operation of the EU’s policy and decision making process. Moreover, he generated tensions with several members of the Cabinet by exercising his duties in a manner that sought to turn the Secretariat into a key player in government’s architecture because this would serve his personal political ambitions in the post-EU Presidency era. Similar conflicts arose at the administrative level due to the Secretariat officials’ efforts to

impose a centralized management of EU affairs, including the running of the EU Presidency. Finally, the effectiveness of the newly established European Units varies across departments and ministries often due to senior officials' centralizing tendencies that restrict the personnel involved in the handling of EU affairs. The Head of the Secretariat, Dr. Andreas Moleski, resigned in June 2011 as a result of accusations of nepotism in recruitment practices.

### **3.2.2 Pragmatism prevails**

Three months after Moleski's resignation, President Christofias appointed by law (123(I)/2011) Ambassador A. Mavroyiannis Deputy Minister to the President of the Republic for European Affairs. Dr. Mavroyiannis is a very experienced diplomat<sup>60</sup> who at the time of this appointment was serving as Permanent Representative to the EU (August 2008-September 2011). In addition to his academic credentials, he also has a deep understanding of EU affairs and the EU's policy and decision making process. A convinced pro-European, the new Deputy Minister is the leading figure in RoC's Presidency of the EU. Indeed, one of his first decisions was to abolish the failed, centralised system of handling EU affairs and the Presidency. More specifically,

- a. Deputy Minister who is a political figure on a term (3 October 2011-31 January 2013), reports to the President of RoC. He is also responsible for keeping the House of Representatives informed and must now submit a report to it (and the President) on RoC's EU Presidency record, prior to giving up his office. He has the right to attend meetings of the Cabinet but no voting rights. He is a political representative of RoC in EU institutions

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<sup>60</sup> The Deputy Minister's CV is available at <http://www.cy2012.eu/index.php/en/page/the-cyprus-ministers/?cv=34>

– especially the General Affairs Council, which he also chairs.<sup>61</sup> He has overall political responsibility for (a) the organisation and the management of the Presidency in close co-operation with the relevant Cabinet members and (b) the Presidency’s strategic communication policy in collaboration with the Government’s spokesperson and the Press & Information Office.

- b. The Cabinet has also instituted a Ministerial Committee chaired by the Minister of Foreign Affairs and composed of the Minister of Finance and the Deputy Minister for EU Affairs. The Permanent Secretary of Planning Bureau and the Permanent Representative in the EU are also present. This government body coordinates RoC’s EU Presidency at the political level.
- c. The Secretariat now reports politically to the Deputy Minister for EU Affairs while in administrative terms it operates under the authority of the Permanent Secretary of the Planning Bureau, with an officer of this bureau acting as the new Head of the Secretariat. The Secretariat retains its pivotal position in coordinating RoC’s EU Presidency at the administrative level through oversight of a decentralised system whereby European Affairs Units in Ministries and Independent Services are responsible for carrying out the agreed tasks.
- d. Finally, the Permanent Representation is the locus for the management of RoC’s EU Presidency (Brussels based presidency) due to both geographic (distance from Brussels) and pragmatic reasons. For that reason the Cyprus Permanent Representation was reinforced with seconded officers from the various Ministries and Independent Services (from 51 officers in 2007 to more than 200 currently).

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<sup>61</sup> This replaced the system whereby the responsibility for the RoC government’s representation in the GAC alternated between MFA, the Permanent Representative in the EU and occasionally the Permanent Secretary of the MFA. Given the importance of the GAC (e.g. coordination of the other Council formations, the inclusion in its agenda horizontal issues like budgets and the multiannual financial frameworks (MAFF), the preparation of the European Council agenda etc) its separation from the FAC under the Treaty of Lisbon and the fluctuating attendance that has been observed, significantly reduced the potential for continuity of the Council’s work, as different persons follow the agenda from one meeting to the next. For an in depth discussion of the problems in the functioning of the GAC see P. M. Kaczynski, and A. Byrne, *The General Affairs Council. The Key to Political Influence of Rotating Presidencies*, *CEPS Policy Briefs*, 246 (July 2011)

### **3.2.3 Training public servants**

A joint project between the Greek National Center for Public Administration and Local Government (EKDDAA) and the Cyprus Academy for Public Administration (CAPA) was set up to provide a comprehensive plan for the training of public officers involved in the management of the Presidency of the Council (2010-2013). Under this agreement, EKDDAA has elaborated an operational plan that included actions for five target group categories and proposed respective training actions. These five categories were: a. Ministers and Permanent Secretaries, b. Chairpersons/Presidents and National Representatives, c. Presidency supporting groups, d. Serving officers in central ministries and independent services and e. Press officers, Interpreters and Liaison officers.

The project included specialized HR training with workshops on negotiation and effective communication techniques. Specialized seminars for the presidency's supporting groups, the Press and liaison officers were offered.

As a first phase, 16 “ministerial workshops” were organized with the participation of all the administrative staff involved, regardless of hierarchy, where organizational issues on the European policy process emerged, as well as issues concerning the effective management of EU affairs on an intra-ministerial and inter-ministerial level. The trainers were high rank executives of the Greek administration as well as EU executives from the Commission and the General Secretariat of the Council.

For the second and most important target group, Chairpersons/Presidents and National Representatives, a threefold training program was developed: a. A Personalized Procedural Approach, that is the elaboration of a steps and actions guide for the future Chairpersons/Presidents (Guide for the Presidency edited in a booklet and an in e-form as well), b. A module seminar ending at a simulation exercise of negotiations in Council's working groups, delivered in Nicosia and in Brussels for officers seconded to the Cyprus Permanent Representation to the EU (13 seminars attended by 261 officers) and c. Workshops on basic skills (negotiating techniques, effective communication techniques, team working, presentations technique, quick reading and effective text writing techniques).

Apart from the Comprehensive Training Plan, some extra seminars on specific issues (e.g. relations with the EP, Co-decision, delegated/implementing acts, use of interpretation) were offered mainly to Chairpersons and the European Affairs Units, organised by the Cyprus EU Presidency Secretariat in collaboration with the Council General Secretariat, the Commission General Secretariat, and the European Parliament Secretariat. In addition, the Cyprus EU Presidency Secretariat issued Manuals for the Chair of the Council (Minister) and on the relations with the European Parliament.

### **3.2.4 A system in the making?**

RoC's experience indicates that exercising the EU Presidency can be turned from a risk to an opportunity even for a small country with limited human, financial and administrative resources. The rotating presidency is in reality an upgraded form of routine national representation and contributed both to the maturation of a member state's officials and occasion that may improve public administration's skills and capabilities. In RoC's case too, the Presidency has helped

- (a) highlight the significance of individual officials' ability to inspire and lead a demanding collective effort in a short space of time and
- (b) test in reality different ways of handling EU affairs at the domestic level.

The presidency also has its own institutional legacy. At the political level – and even temporarily – new pragmatic solutions have been invented (such as the appointment of a Deputy Minister for EU Affairs despite the constitutional obstacle, and the creation of a small Ministerial Committee). These led to the designation of a stable and visible central coordination authority that increases horizontal and vertical coordination efficiency at the domestic level. This coordination system provides for an arbitration mechanism to settle inter-ministerial divergences that strengthens the country's overall government strategy and the coherence of its national position at the European Union level. At the administrative level, the creation of (a) the Secretariat for the Presidency and (b) the European Affairs Units and the expansion of the number of officials involved in running the presidency are major examples of capacity-building that increase the skills in handling EU affairs. The same applies to CAPA that – through its involvement in the training of the officials involved in the presidency – has further improved its own capacity, training methods and tools to provide a better service to its intended audience. Of

course, it remains to be seen whether these mechanisms will stand the test of time, especially after the forthcoming presidential elections of 2013.

## 4 Setting priorities

Cyprus assumed the Presidency of the Council at a challenging moment for the future of the EU. The unprecedented consequences of the economic crisis have underscored the need for more effective policies and measures at EU level, whereas austerity policies followed by several EU governments, have accounted for a decline in pro-European attitudes among European citizens.

There are two obvious differences between the RoC and its predecessors of the “Trio”. First of all, Cyprus is a member of the Eurozone. For the last year and a half (January 2011-June 2012), the Council had been presided by non-eurozone countries (Hungary-Poland-Denmark). Second, the European sovereign debt crisis has had a “domino effect” on Cyprus economy.

This chapter looks at the horizontal priorities of the Cyprus Presidency, focusing on the dossiers that have been placed at the forefront of its agenda.

### 4.1 The vision of the Presidency: a “Better Europe”

The Cyprus Presidency is based on a two-pillar approach; reinstating the founding principles of the European edifice and focusing on *targeted*, *realistic* and *integrated* policies. As mentioned in section two, invocation of the fundamental EU values was one of the driving forces behind the RoC’s application for EU membership. Therefore, adherence to the “European values” is a reference point in Cyprus’s membership of the EU.

The statements of two high-level Cyprus officials outline the framework of the presidency. According to the Permanent Representative of Cyprus to the EU, Kornelios Korneliou, there had initially been a long list of priorities which was gradually shortened the closer Cyprus was getting to the start of the presidency. As Korneliou put it: “We know the problems of the EU, so we know were the priorities must be [...] A reliable EU must deliver to citizens, exit the crisis and restore confidence. We must instil confidence and show that we can act. We can do this by going back to the values and founding principles of the EU. *The answer isn’t ‘more’ or ‘less’ Europe, but ‘better Europe’*. A better Europe will be more relevant to its citizens and to the world”.<sup>62</sup>

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<sup>62</sup> The priorities of the Cypriot Presidency of the EU, 6/12/2012, at [http://www.epc.eu/events\\_rep\\_details.php?cat\\_id=6&pub\\_id=2670](http://www.epc.eu/events_rep_details.php?cat_id=6&pub_id=2670), accessed 25/10/2012

During his speech at the official presentation of the presidency's priorities in Brussels, the Cyprus Deputy Minister for EU Affairs, Andreas Mavroyiannis, affirmed that the presidency will cooperate closely with the member states and the EU institutions, in order to work in a *pragmatic and practical way* "Towards a Better Europe". Cyprus aims to promote Europe as "*filoxenos topos*" (hospitable space) *for enterprises, ideas, services, innovation and culture*".<sup>63</sup>

The Cyprus Presidency brought back to the fore the ancient concept of hospitality ("filoxenia"). The logo of the presidency portrays a ship, painted in the blue colour of the European flag. While sailing it becomes a dove, the universal symbol for peace and the emblem of the RoC. Its three sails are coloured copper and green -inspired by the Cyprus flag and the sun-bathed, dotted with olive trees and rich in copper land of Cyprus- and light blue like the sea and the sky, which becomes a friendly and hospitable shelter for the harmonious co-existence of peoples. "Filoxenia" has also lent its name to the Conference Centre on Nicosia (the capital of Cyprus), where the activities of the presidency take place. The number of meetings organized by the presidency (Informal Council meetings, High-Level Group meetings, Conferences, Working Party meetings, meetings of EU institutions) is estimated at approximately 185, whereas 40.000 people are expected to visit Cyprus from July to December 2012.

The motto of the Cyprus Presidency is "*Towards a Better Europe*". Working toward this goal, the presidency set four main priorities:

1. Europe: "more efficient and sustainable"
2. Europe: "with a better performing and growth-based economy"
3. Europe: "more relevant to its citizens, with solidarity and social cohesion"
4. Europe: "in the world, closer to its neighbours"<sup>64</sup>

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<sup>63</sup> Press Release: "Cyprus Presidency: Looking Towards a 'Better Europe'", 2/7/2012, at <http://www.cy2012.eu/en/news/press-release---cyprus-eu-presidency-looking-towards-a-better-europe>, accessed 10/10/2012

<sup>64</sup> Priorities of the Cyprus Presidency of the Council of the European Union (1st July-31 December 2012), at <http://www.cy2012.eu/index.php/en/file/x8yAAZB3R8D2nxXo9+AUZw==/>, accessed 25/10/2012

The negotiations on the new Multiannual Financial Framework (2014-2020), stand out as the most critical issue of the presidency, whereupon the goal is to reach an agreement by the end of 2012, in line with the European Council conclusions of June 2012.

## **4.2 The priorities of the Presidency: an interim report**

### **4.2.1 Europe: “more efficient and sustainable”**

The aim of the presidency is to “promote effective policies that will result in more efficient governance, addressing the uncertainty and instability caused by the crisis”. It’s no overstatement to say that this first priority is the *benchmark* of the Cyprus Presidency.

#### **a) The Multiannual Financial Framework 2014-2020**

The so-called “MFF package” for the period 2014-2020 consists of the MFF Regulation, 5 legislative acts on the EU “own resources” and about 70 sector-specific proposals in areas such as research, cohesion policy, agriculture and fisheries and foreign affairs. The presidency’s main goal is to finalize the negotiations by the end of 2012. The timely agreement of the new MFF is important, taking into consideration that another 12-18 months are required for the different Council configurations to conclude the regulatory framework with regards to all the multi-annual programmes and projects financed under the MFF.<sup>65</sup>

Reaching a political agreement on the MFF is by no means an easy task. The economic, financial and sovereign debt crisis in the member states has set the bar high for a fair and effective budget, aiming at stimulating growth, competitiveness and employment and restoring the confidence of European citizens in the EU. Moreover, the traditional contention between “net contributors”<sup>66</sup> and “net recipients” is impeding the agreement on a common position within the Council. Last but not least, this is the first MFF in the post-Lisbon era; thereby, pursuant to Article 312 TFEU, the MFF Regulation

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<sup>65</sup> See: Council of the EU: 10 things you need to know to follow the MFF negotiations”, at <http://www.consilium.europa.eu/special-reports/mff/10-things>, accessed 15/10/2012

<sup>66</sup> The “net contributors” to the EU Budget are: Germany, the Netherlands, Denmark, Finland, France, Italy, United Kingdom, Austria and Sweden.

is adopted by the Council unanimously, after having obtained the consent of the EP.

The relevant talks are based on the European Commission proposal of June 2011, setting total commitment appropriations to EUR 1.025 trillion (amounting to a 5% increase, when compared to the 2007-2013 period).<sup>67</sup> The presidency conducts the negotiations through the “Negotiating Box”. The NB is a document elaborated by the Danish Presidency, following discussions with the member states, which outlines key issues and options in relation to expenditure and revenue. Negotiations abide by the principle that “*nothing is agreed until everything is agreed*”.

The Cyprus Deputy Minister for EU Affairs, Andreas Mavroyiannis, held a round of bilateral consultations in Brussels with all member states and Croatia (10-19/7/2012). The scope of the meetings was to acquire detailed knowledge of the positions of member states, in particular as regards their top priorities and concerns in the negotiations, to explore potential areas of convergence and search for common ground in view of future work.<sup>68</sup>

The result of the meetings was the basis for an “Issues Paper”<sup>69</sup> which was presented and discussed at an Informal Meeting with the European Ministers and State Secretaries for European Affairs in August 2012. As mentioned in the “Issues Paper”, the “Bilaterals” confirmed that an agreement could not be attained at the overall level proposed by the Commission. Given this outcome, the presidency recognized that it was inevitable that *the total level of expenditure proposed by the Commission, including all elements inside and outside of the MFF, would have to be adjusted downwards*.<sup>70</sup>

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<sup>67</sup> Communication from the Commission of 29/6/2011 to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on “A Budget for Europe 2020” (COM(2011) 500 final), at [http://ec.europa.eu/health/programme/docs/maff-2020\\_en.pdf](http://ec.europa.eu/health/programme/docs/maff-2020_en.pdf), accessed 31/10/2012

<sup>68</sup> Press Release: “Cyprus Presidency concludes bilateral meetings for the seven year financial framework negotiations”, at <http://www.cy2012.eu/en/news/press-release---cyprus-presidency-concludes-bilateral-meetings-for-the-seven-year-financial-framework>, accessed 15/10/2012

<sup>69</sup> Presidency Issues Paper: “Multiannual Financial Framework 2014-2020”, Informal Meeting of Ministers and Secretaries of State for European Affairs, Nicosia 30/8/2012, at <http://www.cy2012.eu/index.php/de/file/t4OXQzwQKPz2nxXo9+AUZw==>, accessed 21/10/2012

<sup>70</sup> See above note 69

In the aftermath of the October European Council, the presidency tabled a second revised version of the NB on 29 October 2012, marking the first stage in the negotiations that concrete figures on spending were introduced.<sup>71</sup> Downward adjustments were introduced through reduced amounts in all Headings, Sub-headings and Sub-ceilings. The NB proposed savings amounting to at least EUR 50 + (plus) billion across all Headings of the MFF. According to the presidency, this represented a starting point for national delegations to reflect on the effects of reductions.

The presentation of the NB triggered what an EP member described as “the battle of the figures”.<sup>72</sup> On 30 October 2012, the presidency’s proposal was rejected by the Commission and the EP. The Commission issued a statement saying that it “remains committed to its proposal, which strikes the right responsible balance in times of crisis, both in the overall amount and in the balance between policies. The next MFF needs to be a tool for investment in growth and jobs”.<sup>73</sup> EP’s rapporteurs commented that the presidency proposal “sends out a very bad signal when it comes to policy priorities, as the deepest cuts are made precisely in those policy areas that are considered vital for stimulating competitiveness, growth and employment”.<sup>74</sup>

In the wake of the economic crisis, austerity-driven measures, including tax increases and spending cuts, have been introduced in many member states. It is self-evident that domestic spending has become an extremely sensitive issue for national policy-makers, with many arguing that the EU budget should

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<sup>71</sup> Multiannual Financial Framework (2014-2020), Negotiating Box, at <http://www.cy2012.eu/index.php/en/file/7iV7gepKq3D2nxXo9+AUZw==>, accessed 31/10/2012

<sup>72</sup> Lidia Joanna Geringer de Oedenberg, MFF 2014-2020: the battle of the figures”, at <http://lidiageringer.wordpress.com/2012/11/08/mff-2014-2020-the-battle-of-the-figures/>, accessed 8/11/2012

<sup>73</sup> European Commission, “Statement of 30 October 2012 on the Negotiating Box on the next Multiannual Financial Framework presented by the Cypriot Council Presidency”, at [http://europa.eu/rapid/press-release\\_MEMO-12-817\\_en.htm](http://europa.eu/rapid/press-release_MEMO-12-817_en.htm), accessed 31/10/2012

<sup>74</sup> European Parliament’s Budget Committee: “Presidency MFF Proposal puts EU policies in jeopardy”, at 30/10/2012, <http://www.europarl.europa.eu/news/en/pressroom/content/20121030IPR54802/html/EP-Presidency-MFF-proposal-puts-EU-policies-in-jeopardy>, accessed 31/10/2012

reflect the efforts being made at the national level to reduce expenditure<sup>75</sup> and accordingly, they request a substantial reduction in the overall MFF in relation to the amount proposed by the Commission. For instance, the British Prime Minister, David Cameron, opts for a EUR 200 billion cut, while other member states, led by Germany, insist for a budget that amounts to 1 per cent of the members' GDP, which would require a cut of EUR 130 billion from the Commission's proposal.<sup>76</sup>

Following the Bilateral Meetings to be organized by the Cabinet of the President of the European Council at the beginning of November, with the participation of the Cyprus Presidency, the NB will be discussed at the GAC of 20 November, with a view to the Extraordinary European Council on 22-23 November, focusing exclusively on the MFF.

With regards to Cyprus, it is noteworthy that Article 11(a) of the Commission's Amended Proposal foresees the adjustment of the MFF in the event of reunification of the island, to take account of the additional financial needs.<sup>77</sup>

Coming to the 2013 Budget, the goal is to reach an agreement within the deadlines foreseen by the TFEU. The Cyprus Presidency is currently deploying major efforts to "reconcile" adverse positions. The first Conciliation Committee was convened on 26 October at the premises of the EP, while a second "Conciliation Committee" is due to take place on 9 November 2012

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<sup>75</sup> C. Dhéret (2011), "What next for EU Cohesion Policy? Going 'beyond' GDP to deliver greater well-being", at:

[http://www.epc.eu/documents/uploads/pub\\_1243\\_what\\_next\\_for\\_eu\\_cohesion\\_policy.pdf](http://www.epc.eu/documents/uploads/pub_1243_what_next_for_eu_cohesion_policy.pdf), accessed 15/10/2012

<sup>76</sup> "Cyprus EU budget deal rejected by Commission, Parliament", EurActiv, Published 31/10/2012, updated 2/11/2012, at

[http://www.euractiv.com/specialreport-budget/cyprus-presidency-budget-proposals-news-515784?utm\\_source=EurActiv%20Newsletter&utm\\_campaign=037aaff970-newsletter\\_daily\\_update&utm\\_medium=email](http://www.euractiv.com/specialreport-budget/cyprus-presidency-budget-proposals-news-515784?utm_source=EurActiv%20Newsletter&utm_campaign=037aaff970-newsletter_daily_update&utm_medium=email), accessed 4/11/2012

<sup>77</sup> Commission Communication of 6/7/2012, "Amended Proposal for a Council Regulation laying down the Multiannual Financial Framework for the years 2014-2020", (COM(2012) 388 final), at

[http://ec.europa.eu/budget/library/biblio/documents/fin\\_fw\\_k1420/MFF\\_COM\\_2012\\_388\\_en.pdf](http://ec.europa.eu/budget/library/biblio/documents/fin_fw_k1420/MFF_COM_2012_388_en.pdf)

following the ECOFIN-Budget Council. The conciliation period ends on 13 November.<sup>78</sup>

It should be reminded that in case the conciliation procedure fails, the Commission has to submit a new draft budget, in line with Article 314 of the TFEU. Should the budget not be adopted at the beginning of 2013, a sum equivalent to not more than one twelfth of the budget appropriations for 2012, or of the draft budget proposed by the Commission, whichever is smaller, may be spent each month for any chapter of the budget, according to Article 315 TFEU.

### **b) The negotiations on the regulatory framework and the financial programs in different sectoral policies**

While the spotlight remains on the MFF, negotiations on the regulatory framework of the multi-annual EU financial instruments for the post-2013 period are advancing. The presidency follows a two-sided approach:

- *more efficient and simplified implementation mechanisms*
- *quality of spending*, so that the policies and programmes that will be financed have “real European added value”

In response to increasing demands for reducing the administrative burden and costs for the beneficiaries of EU funds, the Commission adopted a Communication on “A Simplification Agenda for the MFF 2014-2020”.<sup>79</sup> The Agenda designates two building blocks of simplification: the *review of the Financial Regulation* and the *sector-specific legislative proposals of EU spending programmes and instruments*. According to the Commission proposals, simplification can be delivered in practice through “clarity of objectives and instruments, consistency of rules and legal certainty, ‘light and

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<sup>78</sup> These meetings are prepared by the so-called “trialogues/trilogues”, that is meetings between representatives of the Cyprus Presidency, the EP and the Commission, see: Council Press Release, “Conciliation on EU Budget 2013 launched”, 23/10/2012, at [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/133146.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/133146.pdf), accessed 24/10/2012

<sup>79</sup> Commission Communication of 8/2/2012 – A Simplification Agenda for the MFF 2014-2020, (COM(2012) 42 final), at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0042:FIN:EN:PDF>, accessed 10/10/2012

speedy administrative procedures and processes’ (from application through to implementation, reporting and auditing)”.<sup>80</sup>

On 11 July 2012, the COREPER endorsed the political agreement between the EP and the Council on the triennial revision of the Financial Regulation, following an extensive negotiation process. The new Regulation lays down “the principles and procedures governing the establishment and implementation of the EU budget and the control of the European Communities’ finances.”<sup>81</sup>

Cohesion Policy is the second largest EU budget “item”, accounting for over a third of total EU expenditure (35.7%). Under the Lisbon Treaty, economic, social and territorial cohesion fall under the shared competence between the EU and the member states. The Commission proposes to allocate EUR 376 billion for the new programming period, including EUR 40 billion for the “Connecting Europe” Facility (CEF), aiming to enhance cross-border projects in energy, transport and information technology.

Cyprus is a member of the “Friends of Cohesion Policy” group, which was set up during the negotiations on the MFF 2007-2013, to fine-tune the positions of the “net beneficiaries”.<sup>82</sup> The Group met in Bratislava on 5 October 2012 and issued a Joint Declaration backing the Commission’s proposal in relation to the overall level of resources allocated to Cohesion Policy.<sup>83</sup> The meeting was also attended by the President of the European Commission, José Manuel Barroso and the President of the EP, Martin Schulz. Cyprus’s affiliation

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<sup>80</sup> See above note 79

<sup>81</sup> European Parliament and Council Regulation (EU, EURATOM) 966/2012 of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) 1605/2002 (OJ 2012 L 298/1), at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:298:0001:0096:EN:PDF>, accessed 27/10/2012

<sup>82</sup> The Group consists of 15 EU member states: Bulgaria, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain.

<sup>83</sup> Friends of Cohesion, “Joint Declaration on the Multiannual Financial Framework 2014-2020”, at <http://www.vlada.gov.sk/friends-of-cohesion-joint-declaration-on-the-multiannual-financial-framework-2014-2020/>, accessed 10/10/2012

with this group shows that “an honest broker does not mean being a neutral broker”.<sup>84</sup>

While “net beneficiaries” insist that cohesion spending is essential to buttress the development of poorer regions, “net contributors” argue that impact assessments need to take greater account of “value-for-money” considerations; “an approach which could see the EU move away from the initial goals of Cohesion Policy by reducing the concept of effectiveness solely to the economic objective (efficiency)”.<sup>85</sup>

The goal of the presidency is to reach an agreement in the Council for all pending issues of the Regulations (apart from the financial aspects, included in the NB). In September 2012, the Commission submitted an amended proposal for the “Common Provisions Regulation” of the Common Strategic Framework.<sup>86</sup> Informal trialogues were initiated in September. The subjects under negotiation are grouped into blocs.

On 16 October 2012, the GAC agreed on a partial general approach<sup>87</sup> on seven thematic blocs: territorial development, European territorial cooperation, financial issues, management and control systems, information and communication, technical assistance and country specific recommendations and indicators.<sup>88</sup> This partial general approach complements the ones agreed on 24 April and 26 June during the Danish Presidency. Additional elements

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<sup>84</sup> Andrew Gardner, “Money worries and border battles”, Special Report on the Cypriot Presidency of the EU, *European Voice*, 21/6/2012, at <http://www.europeanvoice.com/folder/thecypriotpresidencyoftheeu/213.aspx>, accessed 21/10/2012

<sup>85</sup> C. Dhéret (2011), see above note 75

<sup>86</sup> Amended Proposal for a Regulation of the European Parliament and of the Council of 11/9/2012 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012PC0496:EN:NOT>, accessed 31/10/2012

<sup>87</sup> A general approach is a political agreement of the Council pending the first-reading position of the EP. A general approach is *partial* if it covers only parts of the proposed legislative act.

<sup>88</sup> Press Release: General Affairs Council reaches partial general approach on the legislative package for Cohesion policy, 16/10/2012, at <http://www.cy2012.eu/index.php/en/news-categories/areas/general-affairs/press-release-general-affairs-council-reaches-partial-general-approach-on-the-legislative-package-fo>, accessed 20/10/2012

of the Regulation will be presented at the GAC meeting in November for a fourth general approach.

The last Informal Ministerial Meeting under the Cyprus Presidency, which took place on 6 November 2012, focused on Cohesion Policy. Discussions were conducted on the basis of a presidency paper entitled “Improving the effectiveness and added value of Cohesion Policy”.<sup>89</sup> According to the Cyprus Deputy Minister for EU Affairs, Andreas Mavroyiannis, “the paper aimed at initiating discussions and assist us in reaching some common ground on how to make better use of the new elements introduced in the EU Cohesion Policy”.<sup>90</sup> The Conclusions drawn from the Meeting will also be presented at the November GAC meeting.

“Horizon 2020” brought together the three main sources of funding for research, innovation and technological development: the Framework Programme, the “Innovation” part of the “Competitiveness and Innovation Framework Programme” (CIP) and the “European Institute for Innovation and Technology” (EIT), with a total budget of EUR 80 billion for the new Programming Period. Following thorough work under the presidency, on 10 October 2012, the Competitiveness Council reached a partial general approach on the “Regulation laying down the Rules for participation and dissemination in Horizon 2020”. Agreement was also reached on the amended Regulation of the EIT. Adoption of both Regulations requires the consent of the EP.<sup>91</sup>

With regards to the reform of the Common Fisheries Policy, on 24 October 2012 EU Fisheries Ministers reached a partial general approach on the Commission’s legislative proposal for the “European Maritime and Fisheries

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<sup>89</sup> The “Issues Paper” is available at:  
<http://www.cy2012.eu/index.php/en/file/3TKOM5BmzJn2nxXo9+AUZw==>,  
accessed 7/11/2012

<sup>90</sup> Press Release: “Working towards enhancing the effectiveness of cohesion policy”, 6/11/2012, at  
<http://www.cy2012.eu/index.php/en/news-categories/areas/general-affairs/press-release-working-towards-enhancing-the-effectiveness-of-cohesion-policy>,  
accessed 7/11/2012

<sup>91</sup> Press Release: “Research Ministers reach ‘partial general approach’ on two regulations for the ‘Horizon 2020’ programme”, 10/10/2012, at  
<http://www.cy2012.eu/index.php/en/news-categories/areas/competitiveness/press-release-research-ministers-reach-partial-general-approach-on-two-regulations-for-the-horizon-2>,  
accessed 12/10/2012

Fund 2014-2020” (EMFF), merging the maritime and fisheries fund in one financial instrument.<sup>92</sup>

### **c) Sectoral “Europe 2020” Policies: Energy, Sustainable Development and the Integrated Maritime Policy**

The EU has set a target of achieving 20% primary energy savings by 2020. The Energy Efficiency Labelling Programme “Energy Star”, focuses on energy efficient office equipment (computers, displays, printers, copiers, scanners, etc). The programme is mandatory for office equipment purchased for use by public authorities.

Regulation 106/2008 lays down the rules on the “Energy Star” programme, which is implemented in the EU on the basis of an Agreement between the US Government and the European Community. Given that the Agreement expired in December 2011, the Council adopted a Decision on 12 July 2011 authorising the Commission to negotiate a new 5-year agreement. The negotiations were concluded on 29 November 2011. The proposals for the new Agreement and the amendment of Regulation 106/2008 take stock of the experience gained during the first two periods of implementation of the Energy Star programme in the EU (2001-2010), as well as the consultations of the European Union Energy Star Board.<sup>93</sup>

On 26 October 2012 COREPER I approved a consolidated text of the “Energy Star” Regulation. The text agreed by COREPER is set to be submitted first to a vote in the EP’s ITRE Committee,<sup>94</sup> in order to be tabled later to the EP’s Plenary and Council for approval. The COREPER has confirmed to the Chair of the Committee that the Council will adopt the consolidated text in case of

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<sup>92</sup> Press Release: “Cyprus Presidency reaches its basic target on fisheries”, 24/10/2012, at <http://www.cy2012.eu/index.php/en/news-categories/areas/agriculture-and-fisheries/press-release-cyprus-presidency-reaches-its-basic-target-on-fisheries>, accessed 25/10/2012

<sup>93</sup> Commission Communication of 15/3/2012 on “Proposal for a Regulation of the European Parliament and of the Council on a European Union energy-efficiency labelling programme for office equipment amending Regulation (EC) No 106/2008 on a Community energy-efficiency labelling programme for office equipment”, (COM(2012) 109 final), at [http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/com/com\\_com%282012%290109\\_/com\\_com%282012%290109\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_com%282012%290109_/com_com%282012%290109_en.pdf), accessed 15/10/2012

<sup>94</sup> ITRE is the EP’s Industry, Research and Energy Committee.

adoption by the EP, paving the way for an early agreement<sup>95</sup>, the so called “fast track legislation”.<sup>96</sup>

On 25 October 2012 the Ministers of Environment endorsed a common position following the “Rio+20” Summit of June 2012 (the UN Conference on Sustainable Development). The agreed conclusions reaffirm the interdependence between sustainable development, environmental protection and the fight against poverty, emphasize the commitment of the EU and the member states to take ambitious actions and stress the necessity of a re-evaluation of all the relevant EU and national policies, strategies and programmes for a better implementation of the “Rio+20” agenda.<sup>97</sup>

The Environment Council also defined the EU stance for the upcoming “Conference of the Parties to the UN Framework Convention on Climate Change and the Kyoto Protocol”, taking place in Doha from 26 November to 7 December 2012. The adoption of a common position will enable the Cyprus Presidency and the European Commission, who will be leading the European delegation, to pursue an agreement on a “second commitment period” under the Kyoto Protocol starting 1/1/2013 and secure a new global post-2020 climate agreement.<sup>98</sup>

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<sup>95</sup> Press Release: “Agreement on “Energy Star” Regulation”, at <http://www.cy2012.eu/index.php/en/news-categories/areas/transport-telecommunications-energy/press-release-agreement-on-energy-star-regulation>, accessed 30/10/2012

<sup>96</sup> About the expansion of the “early agreements” see Costa, O., Dehousse R. et Trakalova A. Codecision and “early agreements”: An improvement or a subversion of the legislative procedure?, *Notre Europe* (Study 88, 2011) at <http://www.eng.notre-europe.eu/011-2606-Co-decision-and-early-agreements-an-improvement-or-a-subversion-of-the-legislative-procedure.html>, accessed 20/10/2012, Farrel, H., A. Héritier, Interorganizational Negotiation and Intraorganizational Power in Shared Decision Making: Early Agreements Under Codecision and Their Impact on the European Parliament and Council, *Comparative Political Studies*, 37 (10) (2004), 1184-1212. and de Ruiter, R. and Neuhold, C., Why Is Fast Track the Way to Go? Justifications for Early Agreement in the Co-Decision Procedure and Their Effects, *European Law Journal*, 18 (4) (2012), 536-554.

<sup>97</sup> Press Release: “EU ready for Doha”, at <http://www.cy2012.eu/index.php/en/news-categories/areas/environment/press-release-eu-ready-for-doha>, accessed 27/10/2012

<sup>98</sup> Council of the European Union: “Environment Ministers set out EU position ahead of Doha Climate Conference”, at <http://www.consilium.europa.eu/homepage/highlights/environment-ministers-set-out-eu-position-ahead-of-doha-climate-conference?lang=en>, accessed 27/10/2012

Back in 2007, the Portuguese Presidency had launched the “Integrated Maritime Policy” (IMP). One of the main aspirations of the Cyprus Presidency was the reactivation of the IMP, which represents a policy with “national added value” for Cyprus itself, being an international shipping centre.

To this end, the presidency organized an Informal Meeting of EU Ministers for Maritime Policy on 7 and 8 October 2012. The outcome of this meeting was the adoption of a political declaration, namely the “Limassol Declaration”. The Declaration was presented by the Cyprus Minister of Communications and Works, Mr. Efthemios Florentzou, in the presence of the President of Cyprus and the President of the European Commission.

The declaration sets forth a Marine and Maritime Agenda to back the “Europe 2020” strategy by supporting the “growth, competitiveness and job-creating potential towards a sustainable blue economy”.<sup>99</sup> As mentioned in the Commission Communication “Blue Growth: Opportunities for marine and maritime sustainable growth”, the agenda focuses on dynamic maritime sectors, such as marine renewable energy, aquaculture, blue biotechnology, coastal tourism and sea bed mining.<sup>100</sup>

#### **4.2.2 Europe: “with a better performing and growth-based economy”**

The economic, financial and sovereign debt crisis highlighted the need for greater effectiveness of EU policies and measures. In other words, “the crisis-context has, in and of itself, forced priorities into the Community agenda”.<sup>101</sup> According to the Cyprus Presidency, the approach for the recovery of the

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<sup>99</sup> Declaration of the European Ministers responsible for the Integrated Maritime Policy and the European Commission, on a Marine and Maritime Agenda for growth and jobs; “the Limassol Declaration”, at <http://www.cy2012.eu/index.php/el/file/TphGtH7COdr2nxXo9+AUZw==/>, accessed 21/10/2012

<sup>100</sup> European Commission: “Blue Growth: Opportunities for Marine and Maritime Sustainable Growth”, at [http://ec.europa.eu/maritimeaffairs/documentation/publications/documents/blue-growth\\_en.pdf](http://ec.europa.eu/maritimeaffairs/documentation/publications/documents/blue-growth_en.pdf), accessed 15/10/2012

<sup>101</sup> “Think Global – Act European: The Contribution of 16 European Think Tanks to the Polish, Danish and Cypriot Trio Presidency of the European Union”, at [http://www.cy2012.eu/index.php/en/file/\\_OJ2CQoL4TbGpdeP\\_+CepQ==/](http://www.cy2012.eu/index.php/en/file/_OJ2CQoL4TbGpdeP_+CepQ==/), accessed 15/10/2012

European economies should be twofold: comprising both an enhanced framework of economic governance, as well as growth-promoting measures, in the context of an integrated and functional internal market and the targets of the “Europe 2020” Strategy.

### **a) Enhancing euro-area economic and budgetary surveillance**

In the first ECOFIN’s Meeting on 10 July 2012, the EU Economy and Finance Ministers adopted a general position on the so-called “2 Pack”.<sup>102</sup> The “2 Pack” refers to two Regulations proposed by the Commission in November 2011, applicable only to Euro-area member states: a) Common Provisions on monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficits in euro-area member states (original Commission proposal) and b) Strengthening of economic and budgetary surveillance of member states experiencing or threatened with serious difficulties with respect to their financial stability to the euro area.

The goal of the presidency is a first reading agreement with the EP. At present, it seems difficult to reach an agreement during 2012 on both files, unless the EP agrees to modify its position on key issues, such as common debt agency, debt redemption fund, or the introduction of the balanced budget rule in secondary legislation.

### **b) Single Supervisory Mechanism**

The two Regulations under negotiation are: (1) The “European Central Bank Regulation”, conferring strong powers for the supervision of all banks in the euro area to the ECB and national supervisory authorities i.e. the creation of a Single Supervisory Mechanism (SSM) and 2) The “European Banking Authority Regulation”, which contains limited and specific changes to the Regulation establishing the EBA to ensure a balance in its decision making structures between the euro area and non-euro area member states. This set of proposals is a first step towards an integrated financial framework which includes further components, e.g. a single rulebook, common deposit protection and a single bank resolution mechanism.

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<sup>102</sup> See:

[http://ec.europa.eu/economy\\_finance/articles/governance/2012-03-14\\_six\\_pack\\_en.htm](http://ec.europa.eu/economy_finance/articles/governance/2012-03-14_six_pack_en.htm)

On 15 September 2012, EU Economy and Finance Ministers and Central Bank Governors discussed at an Informal Meeting the reform of the financial sector, with a special emphasis in the European Banking Union and more specifically the establishment of an effective SSM.

The newly created ad-hoc Working Party held its first meeting on 27-28 September 2012. The presidency has assigned top priority to this file aiming to a political agreement before the end of 2012. The two Regulations will be discussed in November ECOFIN for a factual reporting (state of play) and in December ECOFIN for a general approach.

### **c) Towards a digital single market: the “European Digital Agenda”**

One of the goals of the Cyprus Presidency is to promote an effective digital single market within the framework of the “European Digital Agenda”. The EDA is one of the seven “Flagship Initiatives” of the “Europe 2020” Strategy.

The presidency organized an Informal Ministerial Meeting on Transport and Telecommunications (17/7/2012), focusing on the integration of Information Communications Technologies (ICT) in the implementation of European Transport Policy. Paraphrasing the established abbreviation ICT to “Intelligent Communications Transport”, the Cyprus Presidency initiated a debate on the benefits that could arise from the successful interaction of these two policy areas.<sup>103</sup>

The review of the Directive on the re-use of Public Service Information (“PSI Directive”) is a key action of the EDA. The directive entered into force on 31 December 2003. A recent survey on the economic impact of PSI, conducted by the Commission in 2011, showed that the overall direct and indirect economic benefits are estimated up to EUR 140 billion across the EU. In

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<sup>103</sup> Press Release: “EU Ministers declare Intelligent Communications Transport the way forward for an inter-connected Europe”, 17/7/2012, at <http://www.cy2012.eu/en/news/press-release--eu-ministers-declare-intelligent-communications-transport-the-way-forward-for-an-inte>, accessed 17/10/2012

December 2011, the Commission presented an amending proposal.<sup>104</sup> The presidency's goal is to achieve a first reading agreement at the December Transport, Telecommunications and Energy Council (TTE).

The Department of Electronic Communications (DEC) of the Cyprus Ministry of Communications and Works drafted the National Digital Strategy, which was approved by the Cabinet in February 2012. The main goals of the strategy include the digital connection of Cyprus, the modernization of public administration, the provision of public e-services and the promotion of digital education/entrepreneurship. One of the main pillars of the National Strategy is the implementation of a broadband strategy, aiming to connect Cyprus with high and ultra-high speed networks, as well as to increase broadband penetration.<sup>105</sup>

#### **4.2.3 Europe: “more relevant to its citizens, with solidarity and social cohesion”**

The unprecedented austerity measures introduced by many EU governments as a response to the ongoing recession have given rise to anti-European sentiments. This tendency is not confined to the countries of the “European south”, as the case of the UK shows. Therefore, it is being said that euroscepticism has emerged as the “new cultural trend”.<sup>106</sup>

The first results of the Standard Eurobarometer on “Public Opinion in the EU” (September 2012) are revealing:

- the four main sources of concern for European citizens are economic: the unemployment rate tops the list (46 per cent), followed by the economic

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<sup>104</sup> European Commission, Proposal for a Directive of the European Parliament and of the Council “amending Directive 2003/98/EC on re-use of public sector information”, at [http://ec.europa.eu/information\\_society/policy/psi/docs/pdfs/directive\\_proposal/2012/proposal\\_directive.pdf](http://ec.europa.eu/information_society/policy/psi/docs/pdfs/directive_proposal/2012/proposal_directive.pdf), accessed 14/10/2012

<sup>105</sup> “The EU Digital Agenda”, Speech of Cyprus Minister of Communications and Works, Mr. Efthymios Flourentzou at the Cyprus EU Presidency Summit: “Leadership Strategy for Stability, Progress and Prosperity in Europe”, 9/10/2012

<sup>106</sup> C. Papanikolaou, “In crisis-ridden Europe, euroscepticism is the new cultural trend” (2012), at <http://www.opendemocracy.net/christos-papanikolaou/in-crisis-ridden-europe-euroscepticism-is-new-cultural-trend>, accessed 15/10/2012

situation (35 per cent), rising prices (24 per cent) and government debt (19 per cent)

- trust in the EU has fallen since autumn 2011 and now stands at its lowest ever level (31 per cent, -3 percentage points)
- although Europeans consider that the EU is best placed to take effective action against the effects of the financial and economic crisis, support for this view has fallen slightly since autumn 2011 (21 per cent, -2 percentage points)<sup>107</sup>

Against this background, the third priority of the Cyprus Presidency is to bring Europe “closer to its citizens”, who consist the backbone of the European edifice. To this end, the presidency attributes great importance to the participation and involvement of local authorities, social partners and European citizens in the formulation and implementation of the “Europe 2020 Strategy”. This focus on deliberative procedures was reaffirmed by the EU Ministers of Employment and Social Policy during the Informal Meeting which took place on 12-13 July 2012.

#### **a) Youth unemployment**

According to the 2012 “EU Youth Report”, the unemployment rate of young people (aged 15-24) in the EU has reached an unprecedented record of 22,5 per cent in June 2012 (an increase of 50% in four years).

The RoC’s Department of Labour, in cooperation with the European Commission, organized a two-day Conference on Youth Employment on 22-23 October 2012. The need to enhance the role of Public Employment Services (PES), the establishment of synergies between the public sector, social partner organisations, local authorities and civil society, as well as the participation of young people in the formulation of employment policies are among the most important conclusions of the Conference.<sup>108</sup>

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<sup>107</sup> Standard Eurobarometer 77, “Public Opinion in the EU – First Results”, at [http://ec.europa.eu/public\\_opinion/archives/eb/eb77/eb77\\_first\\_en.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb77/eb77_first_en.pdf), accessed 26/10/2012

<sup>108</sup> Press Release: “Keeping young people in quality jobs a fundamental challenge to the European Social Model”, 23/10/2012, at <http://www.cy2012.eu/index.php/en/news-categories/areas/employment-social-policy/press-release-keeping-young-people-in-quality-jobs-a-fundamental-challenge-to-the-european-social-mo>, accessed 24/10/2012

The EU financial programs integrating the dimension of youth employment are linked to the negotiations on the new MFF.

## **b) Towards a Common European Asylum System (CEAS)**

The establishment of a Common European Asylum System (CEAS) by 2012 is one of the pillars of the “Stockholm Programme”, setting out the priorities for the area of justice, freedom and security for a four-year period (2010-2014). The CEAS seeks to address the differentiated level of treatment and guarantees for asylum seekers across the EU and introduces EU-wide common rules for obtaining protection, regardless of which member state examines the asylum request.

According to the Presidency Paper issued on 17 October 2012,<sup>109</sup> the relevant negotiations have entered their final phase:

- Recast of the “Reception Conditions” Directive: at its meeting on 2-3 October 2012, the COREPER confirmed the agreement reached in the informal trilogues. The Justice and Home Affairs Council (JHA) reached a political agreement on 25 October 2012. Once it is formally adopted, member states will have to transpose the new provisions into national law within two years. Denmark, Ireland and the UK are not bound by the Directive.<sup>110</sup>
- Recast of the “Dublin” Regulation: negotiations have been concluded and the only issue pending is related to the comitology procedure, namely the use of delegated acts or implementing acts.
- Recast of the “EURODAC” Regulation: on 10 October 2012 the Cyprus Presidency received the mandate to begin trilogues.

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<sup>109</sup> Note from the Presidency to the Council (Justice and Home Affairs) on 25-26 October 2012: “Common European Asylum System – State of Play”, at <http://register.consilium.europa.eu/pdf/en/12/st14/st14823.en12.pdf>, accessed 19/10/2012

<sup>110</sup> Council of the European Union, “Reception Conditions for Asylum-Seekers: Better and more harmonized living standards and more effective rules for fighting abuse”, 25/10/2012, at [http://europa.eu/rapid/press-release\\_PRES-12-415\\_en.htm](http://europa.eu/rapid/press-release_PRES-12-415_en.htm), accessed 26/10/2012

- Recast of the “Asylum Procedures” Directive: a second trilogue took place on 16 October 2012. The presidency aims at achieving an overall compromise package supported by both the Council and the EP in the further trilogues planned in November.

### **c) Civil judicial cooperation in the EU**

Regulation “Brussels I” is the basis for civil judicial cooperation in the EU. It applies in a broad range of matters, covering not only contractual but also delict and proprietary claims. “Brussels I” identifies the most appropriate jurisdiction for solving a cross-border dispute and ensures the smooth recognition and enforcement of judgments issued in another member state. The objective of the recast of the regulation was to remove the remaining obstacles to the free movement of judicial decisions in line with the principle of mutual recognition.

Following the JHA Council on 8 June 2012, where the main provisions of the proposal were adopted (minus the Annexes, recitals and a few provisions), a meeting took place on 6 July 2012 which finalised the negotiations. The Legal Affairs Committee of the EP voted on 11 October 2012 and the plenary vote for adoption will take place in November. The regulation will be adopted by the JHA Council in December.

### **d) The “European Years”: Passing the baton to the “European Year of Citizens”**

2012 was the “European Year for Active Ageing and Solidarity between Generations”. Addressing the increasing “crisis of confidence” in the EU, it is of symbolic importance that after intensive negotiations between the Council, the Commission and the EP, the Cyprus Presidency announced that 2013 is designated as the “European Year of Citizens”.

The “Year” will provide an opportunity for people all over Europe (1) to learn about the rights and opportunities attached to the “European Citizenship”, in particular their right to reside and work anywhere in the EU (2) stimulate the debate about the obstacles hampering EU citizens from fully using these rights (3) generate specific proposals for addressing them and (4) encourage people to participate in public fora on EU policies and issues. The Year’s activities will be

organised as much as possible at grass-roots level, by citizens and civil society organisations.<sup>111</sup> The budget for the “Year” is estimated at EUR 1 million.

#### **4.2.4 Europe in the world: “closer to its neighbours”**

One of the main goals of the Cyprus Presidency is to reaffirm the role of the EU as a global actor and strengthen its foreign policy. In the post-Lisbon era, the presidency cooperates closely with the President of the European Council and *assists*, where necessary, the activities and initiatives of the High Representative of the Union for Foreign Affairs and Security Policy and the European External Action Service, with the aim of ensuring coherence and continuity.

In her address at the Opening Ceremony of the Cyprus Presidency, the Minister of Foreign Affairs, Dr. Erato Kozakou-Markoullis, stated that: “The economic and financial crisis should not lead to an introvert Union. If there is one thing that the current crisis has shown us, is exactly that; we are not isolated from the rest of the world; international developments and especially developments in our ‘neighbourhood’ affect us directly”.<sup>112</sup>

Issues related to this fourth priority, such as the European Neighbourhood Policy and the Enlargement process are of paramount importance for Cyprus itself. Cyprus is situated in a strategic geographic location, standing at the crossroads of three continents; Europe, Asia and Africa. Furthermore, as shown in Section 2, Turkey’s accession negotiations are conflated with the “Cyprus issue”.

At the time of writing, the Cyprus Minister of Foreign Affairs, as well as the Minister of Defence, had deputized for Ms. Ashton in a series of meetings, namely:

- The 11<sup>th</sup> Meeting of the EU-Israel Association Council (24/7/2012)

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<sup>111</sup> See the provisional website:

[http://ec.europa.eu/citizenship/european-year-of-citizens-2013/index\\_en.htm](http://ec.europa.eu/citizenship/european-year-of-citizens-2013/index_en.htm)

<sup>112</sup> Address by the Minister of Foreign Affairs Dr. Erato Kozakou-Markoullis at the ceremony organized by the Nicosia Municipality to mark the commencement of the Cyprus Presidency of the Council of the EU, 1/7/2012, at

<http://www.mfa.gov.cy/mfa/mfa2006.nsf/All/0300EAC62E87001CC2257A2F0026122F?OpenDocument>,  
accessed 21/10/2012

- The 9<sup>th</sup> Stabilization and Association Council between the EU and the former Yugoslav Republic of Macedonia (24/7/2012)<sup>113</sup>
- the Annual EU-OSCE (Organisation for Security and Cooperation in Europe) Ministerial Meeting (16/10/2012)<sup>114</sup>
- The EU-Lebanon Association Council (17/10/2012)<sup>115</sup>
- The EU-Cape Verde Political Dialogue Ministerial Meeting (Brussels 17/10/2012).<sup>116</sup>
- The briefing of the AFET Committee members<sup>117</sup> on the October 2012 Foreign Affairs Council (18/10/2012)<sup>118</sup>
- The Informal Meeting of EU Defence Ministers (26-27/9/2012). In the course of this meeting, Ministers were briefed on current missions and operations of the CSDP, discussed the recent developments in the EU's

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<sup>113</sup> Press Release: "Cyprus Minister of Foreign Affairs chaired two ministerial meetings with Third Countries on behalf of the High Representative", 24/7/2012, at <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-cyprus-minister-of-foreign-affairs-chaired-two-ministerial-meetings-with-third-countr> , accessed 15/10/2012

<sup>114</sup> Press release: "Cyprus's Foreign Affairs Minister chairs meeting with OSCE", <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-cyprus-foreign-affairs-minister-chairs-meeting-with-osce>, accessed 22/10/2012

<sup>115</sup> Press Release: "Dr. Marcoullis represents the High Representative in the EU – Lebanon Association Council", 17/10/2012, at <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-dr-marcoullis-represents-the-high-representative-in-the-eu-lebanon-association-council>, accessed 22/10/2012

<sup>116</sup> Press Release: "Cyprus's Foreign Affairs Minister chaired the EU – Cape Verde Ministerial Political Dialogue meeting", 17/10/2012, <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-cyprus-foreign-affairs-minister-chaired-the-eu-cape-verde-ministerial-political-dialog>, accessed 22/10/2012

<sup>117</sup> AFET is the EP's Foreign Affairs Committee.

<sup>118</sup> Press Release: "Cyprus's Minister of Foreign Affairs debriefs the European Parliament AFET Committee on the October Foreign Affairs Council", 18/10/2012, at <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-cyprus-minister-of-foreign-affairs-debriefs-the-european-parliament-afet-committee-on-> , accessed 22/10/2012

Southern Neighborhood (Libya, Syria, Mali) and exchanged views on the future role of the CSDP.<sup>119</sup>

The *enlargement portfolio* remains high amongst the presidency's priorities. The goal of the presidency is to achieve progress in the accession negotiations of Iceland and on moving forward the European perspective of the Western Balkans. To this end, the Cyprus Minister of Foreign Affairs has already visited most of the candidate (Iceland, Serbia and Montenegro) and potential (Bosnia and Herzegovina, Albania) candidate countries.

In Iceland's case, the presidency wishes to "open" an additional 10 chapters in two Intergovernmental Conferences. At the Accession Conference in October 2012, three new chapters were formally opened (Chapter 9: "Financial Services, Chapter 18: "Statistics" and Chapter 29: "Customs Union"). Furthermore, the presidency achieved a compromise on the outcome of "screening" on Chapters 3 ("Right of establishment and freedom to provide services") and 4 ("Free movement of capital"). Another Accession Conference is planned in December.<sup>120</sup>

Following the decision to start accession negotiations with Montenegro on 29 June 2012, the "screening" process was launched. The presidency is working towards the possibility of opening negotiations on Chapter 25 ("Science and Research") in December.

Turkey decided to "freeze" its relations with the Council for the duration of the Cyprus Presidency; nonetheless the presidency is following closely the Commission's dialogue with Turkey in the context of the "Positive Agenda" launched in May 2012. The "Positive Agenda" aims to support and complement Turkey's accession negotiations through enhanced cooperation in a number of areas of joint interest: political reforms, alignment with the *acquis communautaire*, dialogue on foreign policy, visas, mobility and

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<sup>119</sup> Press release: "EU Defence Ministers welcome progress of CSDP missions and operations", at <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-eu-defence-ministers-welcome-progress-of-csdp-missions-and-operations>, accessed 21/10/2012

<sup>120</sup> Press Release: "A significant step forward in Iceland's accession process", at <http://www.cy2012.eu/index.php/en/news-categories/areas/the-presidency/press-release-a-significant-step-forward-in-icelands-accession-process>, accessed 25/10/2012

migration, trade, energy, counter terrorism and participation in Community programs. All the same, during his visit to Berlin, on 31 October 2012, the Turkish Prime Minister, Tayyip Erdogan, stated that the EU will “lose” Turkey if doesn’t grant it membership by 2023.<sup>121</sup>

Regarding *external trade policy*, the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) adopted a regulation reforming the EU’s scheme of Generalized Tariff Preferences (GSP) for developing countries. Under the new rules, preferences will target the least developed, low income and lower middle-income countries. Once the regulation is published in the Official Journal (before the end of 2012), the Commission will cooperate closely with the EP and the Council on updating the lists of eligible and beneficiary countries.<sup>122</sup>

Finally, the Council adopted its position at first reading on a draft Regulation introducing transitional rules on Bilateral Investment Treaties (BITs). Following the entry into force of the TFEU, Foreign Direct Investment (FDI) is included in the list of matters falling under the Common Commercial Policy. The regulation provides for the establishment of a new system whereby EU BITs are negotiated by the Commission, thus paving the way for the development of an “EU investment policy”. The EP is expected to adopt the regulation at second reading with no further amendment.

Special reference should be made to *CSDP-related initiatives* of the Cyprus Presidency. The presidency organized (or co-organized) a series of seminars and workshops, among which:

- a Seminar on “Strengthening EU’s role within the stabilization and the dialogue in the Middle East: The ‘Second Track/Track Two Diplomacy’, a tool to promote security in the Middle East?” (2-3/7/2012)

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<sup>121</sup> “EU will lose Turkey if it hasn’t joined by 2023: Erdogan”, at <http://www.reuters.com/article/2012/10/30/us-germany-turkey-idUSBRE89T1TG20121030>, accessed 30/10/2012

<sup>122</sup> Press Release: “Council approves new scheme for tariff preferences”, 4/10/2012, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/132729.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/132729.pdf), accessed 10/10/2012

- a Seminar on “Innovative European Defence Cooperation-Pooling and Consolidating Demand”, which examined innovative ways, such as pooling and consolidating demand, in which member states can collaborate in using their declining defence budgets more efficiently (19/9/2012).<sup>123</sup>
- the “1st Common Security and Defence Olympiad”, organised in the context of Cyprus’s contribution to the “European Initiative for the Exchange of Young Officers”, inspired by the “Erasmus” Program. This was the first time that such a competition, between 34 cadets from 10 member states being tested on their knowledge of a specific policy, took place at a European level (3-5/10/2012)<sup>124</sup>
- a High-Level Seminar “On the Road with CSDP”, which provided a forum for representatives and officials from EU institutions, member states, acceding and third countries and academics to evaluate the CSDP’s current development and future direction (30/10/2012).<sup>125</sup>

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<sup>123</sup> Press Release: “Joining forces for a Better Europe”, 19/9/2012, at <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-joining-forces-for-a-better-europe>,

<sup>124</sup> Feature: “Breeding a collective ‘European thinking’”, at <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/feature-breeding-a-collective-european-thinking>, accessed 21/10/2012

<sup>125</sup> Press Release: “On the Road with CSDP”, <http://www.cy2012.eu/index.php/en/news-categories/areas/foreign-affairs/press-release-on-the-road-with-csdp>, accessed 30/10/2012

## 5 Conclusion: “Riders on the Storm”

The RoC, a genuine unitary state with a bicomunal feature, assumed the Council Presidency in the middle of a stormy period for the EU. For Cyprus this necessitates particularly skilful riders, due to (a) exercising the presidency under the impediment of the Turkish intransigence of not recognizing the RoC and consequently its function as Presidency of the Council, (b) the “domino effect” of the debt crisis on the Cyprus economy and the consequent negotiations of the government with the Troika and finally (c) the de facto opening of the electoral campaign for the Presidential Elections of February 2013.

The bicomunal feature that generates the internal conflictual and turbulent national history neither impeded the accession of the RoC in the EU, nor appeased concerns about its capacity to manage European affairs. The Cyprus government, conscious of this contradiction, chose a twofold strategy: first, to focus on an efficient and effective management of the presidency that would increase the RoC’s credibility as a reliable member state thus serving the purpose of the settlement of the national issue *within* the EU. Second, to promote a holistic vision on Europe in the midst of the economic crisis, overcoming the classical dilemma about ‘more’ or ‘less’ Europe. Instead, Cyprus’s vision is a ‘better Europe’.

“Better Europe” is the hallmark of the presidency’s Programme and a cross-cutting approach articulated in four specific political targets: first, more efficient and results-oriented European policies, addressing the uncertainty and instability caused by the crisis, through a targeted and realistic Multiannual Financial Framework for 2014-2020; second, a better performing and growth-promoting economy, as envisioned in the “Europe 2020” Strategy, together with a more effective financial governance and an integrated internal market; third, a Europe more relevant to its citizens, by promoting solidarity, social cohesion and participation of social partners and local authorities in the formulation and implementation of the “Europe 2020” Strategy and last enhancing the EU’s international actorness and more specifically the new neighbourhood and the sixth enlargement vague, despite the “enlargement fatigue” actually prevailing among EU member states.

In sum, the Cyprus Presidency Programme entails (a) a systematic classification of the existing EU agenda in headings that reflect the specific political aspects that the presidency pursues and amplifies and (b) policies of Cyprus's specific interest, such as the Integrated Maritime Policy. This conception of priorities reflects an "honest broker" style of presidency's management, which, nevertheless, is not a neutral one.

In order to succeed in the effective management of the presidency, the RoC government had to cope with the corresponding political and administrative exigencies. To that end, it established the missing political authority that would provide the necessary inspiration and leadership, by appointing for the first time a Deputy Minister to the President for European Affairs, flanked by a small and operational Ministerial Committee. At the administrative level, the government decided to organize the running of the presidency directly from Brussels so as to make the most of limited human and administrative resources. Indeed, the constraint of the Presidency became an opportunity for a small administration with limited resources to introduce new organizational arrangements aiming to promote institution- and capacity-building. It remains to be seen if those institutional arrangements will survive and be improved after the presidency and of course in the aftermath of presidential elections of 2013.

The motto of the presidency is wise, because it carries a more radical question that goes far beyond the "more or less Europe" dichotomy: "what kind of Europe do we want?" In the peak of the debt crisis, where the whole European integration experiment is questioned and Euroscepticism becomes a cultural trend, the answer might be, first of all, political. 'Political' means to strengthen European institutions and their democratic functioning by infusing more political debate about the solutions proposed. In that direction, the Cypriot "riders on the storm" would effectively sail towards a "Better Europe".

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## Sammanfattning på svenska

En historisk översikt av ”Cypernfrågan” är nödvändig för att förstå den väg Republiken Cypern har valt när det gäller Europa. Landet blev självständigt 1960, men sedan Turkiets militära invasion 1974 är 38 procent av öns territorium alltjämt ockuperat. Det internationella samfundet och EU:s medlemsländer erkänner juridiskt Cyperns suveränitet över hela ön – förutom två brittiska baser – trots att den cypriotiska regeringens kontroll i praktiken bara omfattar den södra delen av ön.

För landets ledning var en politisk lösning på Cyperns problem kopplad till ett EU-medlemskap. Under en tioårsperiod (1993-2003) var möjligheten till anslutning också den katalysator som låg till grund för ett flertal sociopolitiska, ekonomiska och institutionella reformer. Men när Cypern i maj 2004 blev EU-medlem var det som en alltjämt delad ö med en unik status (*sui generis*); EU-ländernas gemensamma rättigheter och skyldigheter – *acquis communautaire* – har inte någon bäring på den ockuperade delen av ön.

I juli 2012 blev Cypern ordförandeland i EU:s ministerråd. Cypern ingår i en ”trio” ordförandeländer som också omfattar Polen och Danmark, men landet skiljer sig på två sätt från de båda andra. För det första är Cypern medlem i eurozonen – medan ministerrådet under de tre förutvarande halvårsperioderna har letts av icke-euroländer – och för det andra har den europeiska skuldskrisen kraftigt påverkat den cypriotiska ekonomin.

EU-ordförandeskapets mål är att främja åtgärder som leder till såväl mer effektiv styrning som minskad osäkerhet och instabilitet orsakad av krisen. Arbetet sker utifrån en tvåstegsmetod: att återupprätta EU:s grundläggande principer samtidigt som man koncentrerar sig på realistiska och väl integrerade åtgärder.

Mottot för det cypriotiska ordförandeskapet är ”Mot ett bättre Europa”. För att uppnå det har man satt upp fyra huvudprioriteringar:

- Europa: mer effektivt och uthålligt
- Europa: med en bättre presterande och tillväxtbaserad ekonomi

- Europa: mer relevant för medborgarna, för solidaritet och social sammanhållning
- Europa: i världen, närmare sina grannar

För den politiska ledningen av ordförandeskapet utsåg Cypern en biträdande EU-minister samt en samordningskommitté för EU-frågor. På det administrativa planet skapades en ny tjänst med namnet Sekretariatet för Cyperns EU-ordförandeskap – under ledning av biträdande EU-ministern och knutet till Planeringsbyrån. Avsikten var att koordinera de delar i regeringsapparaten som var involverade i arbetet med ordförandeskapet och i det syftet sattes också särskilda EU-enheter upp i alla ministerier. Cypern valde dessutom att driva ett ”brysselbaserat ordförandeskap” och närmare två hundra regeringstjänstemän flyttades därför till Cyperns permanenta representation i Bryssel.

Denna rapport är indelad i tre avdelningar. Den första behandlar Cypernfrågans historiska utveckling från självständigheten till i dag samt vägen från associationsavtal till EU-anslutning (1972-2004). I den första avdelningen beskrivs också Cyperns nuvarande politiska och ekonomiska situation. Rapportens andra del redogör för hur den cypriotiska regeringen är organiserad och hur den hanterar EU-frågor. I den tredje och sista avdelningen analyseras det cypriotiska EU-ordförandeskapets prioriteringar.



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